

TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016



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OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH NEVADA AVENUE
COLORADO SPRINGS, COLORADO 80903-1005

JEFFREY S. ROSACKER, CPA – PARTNER
MITCHELL K. DOWNS, CPA, ABV – PARTNER
GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321
FAX (719) 636-2517
WEB WWW.SPRINGSCPA.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Tri-Lakes Monument Fire Protection District
Monument, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT – CONTINUED

Tri-Lakes Monument Fire Protection District

Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Tri-Lakes Monument 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, the schedule of revenue, expenditures, and changes in fund balance – budget (non-GAAP basis) to actual, the schedule of the District's proportionate share of the net pension liability/(asset) – Fire Police Statewide Defined Benefit Plan, and the schedule of employer contributions 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.

Osborne, Parsons & Associates LLP

Colorado Springs, CO 80903
July 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

About our District

The Tri-Lakes Monument Fire Protection District (TLMFPD) is a career fire department, serving approximately 24,000 residents across 68 square miles in northern El Paso County. An elected, seven-member board of directors is responsible for governing the District and providing strategic guidance and fiscal oversight of the District. There are three fire stations manned 24/7 services, 365 days per year, along with the necessary fire apparatus to support the emergency services in the community.

The District is pleased to provide this narrative discussion and analysis of the financial activities of the District for the calendar year ending December 31, 2016. The District discusses the financial performance within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

This **Management Discussion and Analysis** document introduces the District's basic financial statements which include: 1) Statement of Net Position; 2) Statement of Activities; 3) Balance Sheet – General Fund; 4) Reconciliation of the balance sheet – General Fund to the Statement of Net Position; 5) Statement of Revenues, Expenditures and Changes in Fund Balance; 6) Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance of the Governmental Fund to the Statement of Activities; and 7) Notes to the Financial Statements.

The financial statements referenced above and the footnotes to the financial statements begin on pages 3 and end on page 26. The Required Supplementary Information, *Schedule of Revenues, Expenditures and changes in Fund Balance – Budget (non-GAAP) to Actual*, *Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset) Fire Police Statewide Defined Benefit Plan*, and the *Schedule of Employer Contributions* on pages 27-29 provide information about the District's financial position as of December 31, 2016, its results of operations, information comparing actual revenues and expenditures with budgeted revenue and expenditures for the year, and information about the District's defined benefit pension plan.

The **Statement of Net Position** includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in assets and the obligations to the District creditors. It also provides the basis for computing the rate of return, evaluates the capital structure of the District, and assesses the liquidity and financial flexibility of the District.

The **Statement of Activities** provides information about the components – Program Expenses, Program Revenue, General Revenues – of the District's annual operating activities and how those activities affected Net Position.

The **Balance Sheet – Governmental Fund – General Fund** presents the financial position of the District's funds using the traditional government modified accrual method of accounting, which does not reflect capital assets and debt obligations.

The Statement of Revenue, Expenditures, and Changes in Fund Balance – General Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. This method approximates the reporting on a cash basis and closely follows the budgetary method.

The reconciliations, which accompany these governmental fund statements, provide explanations of the specific differences in these statements as compared to the Statement of Net Position and the Statement of Activities.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, the schedule will include a comparison of the originally approved budget with the final amended budget.

Financial Highlights

The District receives revenue from two primary sources:

- The District provides rescue and emergency medical services.
- Property taxes are collected and disbursed by the El Paso County Treasurer's Office. The levies are certified to the Assessor and the Colorado Property Tax Administrator by the Board of County Commissioners. The Board of County Commissioners authorizes the Assessor to extend the levies on property as assessed. The District is a constituted taxing authority.
- Specific ownership taxes are collected and disbursed by the El Paso County Treasurer's Office.

Secondary sources of revenue are:

- Impact fees
- Inspections
- State grants
- Investment income

Major disbursements are the normal operating expenses of delivering personnel services and benefits for services. These disbursements are detailed in the financial statements.

- The District's assets exceeded its liabilities by \$4,747,352 (net position) for the calendar year 2016. At the close of 2015, the assets exceeded liabilities by \$4,422,346 (net position). Approximately 35% of the District's net position represent net investment in capital assets. The District uses these capital assets to provide services and generate revenues for this fund.
- Net investment in capital assets, of \$1,684,697, is calculated by taking property and equipment at cost, less the accumulated depreciation, less any outstanding debt used towards the purchase or construction of capital assets.
- The total net position of the District increased by \$325,006 during 2016 and by \$596,797 during 2015.
- The major capital asset acquisitions during 2016 included various building improvements and vehicles.
- Total net position is comprised of the following classifications:
 - (1) As of December 31, 2016, the net position includes an emergency reserve of \$200,000, representing 3% of expenditures and impact fees restricted for capital improvements of \$696,509 for a total restricted net position of \$896,509.
 - (2) As of December 31, 2016 and 2015, the District has unrestricted net position of \$2,166,146 and \$2,250,434, respectively.

STATEMENT OF NET POSITION – GENERAL FUND

The statement of net position conveys the financial health of the District and includes all assets, liabilities and deferred inflow of resources, both financial and capital. The statement of net position uses the accrual basis of accounting.

Comparative statements of net position and comments' relating to significant changes follow:

	<u>2016</u>	<u>2015</u>	<u>Increase (decrease)</u>
Assets			
Other assets	\$ 7,255,623	\$ 7,147,105	\$ 108,518
Net pension asset	8,871	584,101	(575,230)
Capital assets	2,810,842	2,548,625	262,217
Total assets	<u>10,075,336</u>	<u>10,279,831</u>	<u>(204,495)</u>
Deferred outflows of resources	893,771	250,292	643,479
Total assets and deferred outflows	<u>\$ 10,969,107</u>	<u>\$ 10,530,123</u>	<u>\$ 438,984</u>
Liabilities			
Current liabilities	498,446	451,823	46,623
Long-term liabilities	1,229,094	1,223,429	5,665
Total liabilities	<u>\$ 1,727,540</u>	<u>\$ 1,675,252</u>	<u>\$ 52,288</u>
Deferred inflows of resources	<u>\$ 4,494,215</u>	<u>\$ 4,432,525</u>	<u>\$ 61,690</u>
Net position			
Net investment in capital assets	1,684,697	1,204,433	480,264
Restricted	896,509	967,479	(70,970)
Unrestricted	2,166,146	2,250,434	(84,288)
Total net position	<u>\$ 4,747,352</u>	<u>\$ 4,422,346</u>	<u>\$ 325,006</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,969,107</u>	<u>\$ 10,530,123</u>	<u>\$ 438,984</u>

Assets

Other assets increased due to additional unrestricted cash. Net pension asset decreased due to deferred outflows of resources increasing as well as projected verses actual investments not performing as well as originally anticipated. Capital assets increased due to the purchase of new ambulances and building improvements.

Liabilities

Current liabilities as well as long-term liabilities increased due to the accrual of impact fee refunds. The increase was partially offset by a decrease due to payments made on debt.

Net position

The increase in total net position of approximately \$325,000, is a result of the District's revenue over expenses.

STATEMENT OF ACTIVITIES

Comparative statements and comments relating to significant changes:

	<u>2016</u>		<u>2015</u>		<u>Change</u>
Revenues					
Program revenues					
Charges for service	\$ 858,806	14%	\$ 714,291	13%	\$ 144,515
Capital grants and contributions	176,360	3%	36,300	1%	140,060
Total program revenues	<u>1,035,166</u>	17%	<u>750,591</u>	13%	<u>306,403</u>
General revenues					
Taxes	4,906,046	82%	4,575,565	82%	330,481
Impact fees	770	0%	239,988	4%	(239,218)
Investment earnings	9,573	0%	2,256	0%	7,317
Miscellaneous	24,953	0%	3,125	0%	21,828
Total general revenues	<u>4,941,342</u>	83%	<u>4,820,934</u>	87%	<u>98,580</u>
Total revenues	<u>5,976,508</u>		<u>5,571,525</u>		<u>404,983</u>
Expenses					
Personnel services	4,024,468	71%	3,781,523	76%	242,945
Administration	465,902	8%	336,943	7%	128,959
Buildings	92,892	2%	96,458	2%	(3,566)
Communications	115,477	2%	139,101	3%	(23,624)
Fire prevention	4,830	0%	13,545	0%	(8,715)
Firefighting equipment	40,775	1%	39,561	1%	1,214
Medical equipment	56,274	1%	62,497	1%	(6,223)
Training and education	25,079	0%	18,083	0%	6,996
Uniforms	17,914	0%	28,716	1%	(10,802)
Utilities	50,311	1%	51,527	1%	(1,216)
Vehicles	137,334	2%	147,647	3%	(10,313)
Depreciation	262,880	5%	203,415	4%	59,465
Impact fee refunds	317,000	6%	-	0%	317,000
Interest	40,366	1%	55,712	1%	(15,346)
Total expenses	<u>5,651,502</u>		<u>4,974,728</u>		<u>676,774</u>
Change in net position	325,006		596,797		<u>\$ (271,791)</u>
Net position beginning of year	4,422,346		3,825,549		
Net position end of year	<u>\$ 4,747,352</u>		<u>\$ 4,422,346</u>		

Revenues

The District operations are funded by a combination of tax collections and program fees. Program revenues increased due to more ambulance revenue collected which were offset by the District suspending the collection of impact fees. General revenues increased due to an increase in assessed property values which resulted in increased specific ownership tax.

Expenses

Expenses increased primarily due to depreciation, impact fee refunds, and wage increases. Salaries and benefits represent approximately 71% of total expenditures. For the year ending December 31, 2016, the District's revenues exceeded expenses by approximately \$325,000, increasing the net position to \$4,747,352.

Budget Comparison

An analysis of the 2016 original to the amended budgeted amounts follows:

	<u>Budgeted Amounts</u>		<u>Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>	
Revenue			
Property taxes	\$ 4,432,613	\$ 4,432,613	\$ -
Specific ownership taxes	435,000	435,000	-
Impact fees	175,000	-	(175,000)
Ambulance revenue	575,000	750,000	175,000
Fire inspection revenue	12,000	12,000	-
Wildland deployment	100,000	100,000	-
Grants	175,000	175,000	-
Other revenue	2,100	2,100	-
Total revenue	<u>5,906,713</u>	<u>5,906,713</u>	<u>-</u>
Expenditures			
Wages	3,271,310	3,258,083	(13,227)
Benefits	899,281	899,281	-
Administration	480,417	508,558	28,141
Buildings	92,800	92,800	-
Communications	127,300	127,300	-
Fire prevention	4,500	4,500	-
Firefighting equipment	42,750	42,750	-
Medical equipment	72,500	72,500	-
Training and education	26,000	26,000	-
Uniforms	21,000	21,000	-
Utilities	58,700	58,700	-
Vehicles	129,000	129,000	-
Impact fee outlay	205,000	117,500	(87,500)
Capital outlay	322,500	425,000	102,500
Debt services	268,978	281,478	12,500
Total expenditures	<u>6,022,036</u>	<u>6,064,450</u>	<u>42,414</u>
Change in fund balance	<u>\$ (115,323)</u>	<u>\$ (157,737)</u>	<u>\$ (42,414)</u>

The District amended the budget primarily by increasing monies for capital outlay and debt services and decreasing expected impact fee outlay.

Budget Comparison - Continued

A comparison of the final budget and actual income, budgetary basis, statement follows:

	<u>Final budget</u>	<u>Actual budgetary basis</u>	<u>Variance with final budget favorable (unfavorable)</u>
Revenue			
Property taxes	\$ 4,432,613	\$ 4,396,764	\$ (35,849)
Specific ownership taxes	435,000	509,282	74,282
Impact fees	-	6,986	6,986
Ambulance revenue	750,000	798,849	48,849
Fire inspection revenue	12,000	14,589	2,589
Wildland deployment	100,000	28,076	(71,924)
Grants	175,000	176,360	1,360
Other revenue	2,100	26,465	24,365
Total revenue	<u>5,906,713</u>	<u>5,957,371</u>	<u>50,658</u>
Expenditures			
Wages	3,258,083	3,308,761	(50,678)
Benefits	899,281	740,210	159,071
Administration	508,558	465,902	42,656
Buildings	92,800	92,892	(92)
Communications	127,300	115,477	11,823
Fire prevention	4,500	4,830	(330)
Firefighting equipment	42,750	40,775	1,975
Medical equipment	72,550	56,274	16,276
Training and education	26,000	25,079	921
Uniforms	21,000	17,914	3,086
Utilities	58,700	50,311	8,389
Vehicles	129,000	137,334	(8,334)
Impact fee outlay	117,500	-	117,500
Capital outlay	425,000	558,785	(133,785)
Debt services	281,478	1,025,220	(743,742)
Total expenditures	<u>6,064,500</u>	<u>6,639,764</u>	<u>(575,264)</u>
Other financing sources			
Proceeds from issuance of long-term debt	-	754,538	754,538
Total other financing sources	<u>-</u>	<u>754,538</u>	<u>754,538</u>
Revenue over expenditures (non-GAAP basis)	<u>\$ (157,787)</u>	<u>\$ 72,145</u>	<u>\$ 229,932</u>

District revenues exceed budgeted by approximately \$50,000 due to an increase in specific ownership taxes and ambulance revenue. Expenses were greater than budgeted by approximately \$575,000 due primarily to the District refinancing debt. Proceeds from issuance of long-term debt is shown as an other financing source while extinguishment of old debt is shown as an expenditure.

Economic Conditions Affecting the District

A few issues will affect the District's financial position over the next few years.

1. The District is currently experiencing record growth in single-family housing quantities and market pricing which will enhance revenues. There are some predictions that the housing market boom will begin to subside in late 2019. If the trend is just quantity, only growth of District revenues would slow down. However, if market value is also affected negatively, this would affect District revenues negatively.
2. The Gallagher Amendment reduced property tax assessment values by 9% (7.96% to 7.2%). There has been speculation that this reduction may happen again for the 2020 budget year. If growth does not offset any future Gallagher-induced reductions, this next amendment implementation would reduce tax revenues.
3. While growth continues within the District, the county has yet to approve an impact fee on building in the unincorporated areas. It is unknown what the future of this collection possibility will be. Also, it is expected that the District may continue to provide impact fee refunds for the next year as a result of our arrangement with local builders, albeit in smaller amounts over the next few years than in this first initial year.
4. The approval of a November mill levy ballot initiative would significantly enhance the District's revenue position. Failure of the issue would continue to strain the District's finances and at this point is unknown about how/when to return to the community with the issues the District been trying to address.

Contacting the District's Financial Management

This financial report provides a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. Any questions about this report or if additional information is required, contact the Fire Chief Christopher Truty at ctruty@tlmfire.org.

FINANCIAL STATEMENTS

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

Assets

Current assets

Cash and cash equivalents	\$ 1,769,333
Cash held by treasurer	44,794
Total cash and cash equivalents	1,814,127
Receivables	
Accounts receivable	22,454
Ambulance receivable, net of allowance	173,906
Property tax receivable	4,483,742
Total receivables, net	4,680,102
Prepaid expenses and deposits	64,885
Total current assets	6,559,114

Noncurrent assets

Cash - restricted	696,509
Net pension asset	8,871
Capital assets, net of accumulated depreciation	2,810,842
Total noncurrent assets	3,516,222

Total assets

10,075,336

Deferred outflows of resources

Pension	893,771
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Liabilities

Current liabilities

Accounts payable	50,694
Accrued liabilities	70,000
Accrued interest	12,748
Accrued salaries	61,378
Compensated absences	62,191
Current capital lease payable	241,435
Total current liabilities	498,446

Noncurrent liabilities

Accrued liabilities	247,000
Compensated absences	97,384
Capital lease payable	884,710
Total noncurrent liabilities	1,229,094

Total liabilities

1,727,540

Deferred inflows of resources

Property tax	4,483,742
Pension	10,473

Total deferred inflows of resources

4,494,215

Net position

Net investment in capital assets	1,684,697
Restricted	896,509
Unrestricted	2,166,146
Total net position	\$ 4,747,352

See notes to financial statements

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental activities</u>
Program expenses	
Wages	\$ 3,292,663
Benefits	731,805
Administration	465,902
Buildings	92,892
Communications	115,477
Fire prevention	4,830
Firefighting equipment	40,775
Medical equipment	56,274
Training and education	25,079
Uniforms	17,914
Utilities	50,311
Vehicles	137,334
Depreciation	262,880
Impact fee refunds	317,000
Interest	40,366
Total program expenses	<u>5,651,502</u>
Program revenue	
Ambulance fees, net of contract adjustments	820,411
Fire inspection fees	14,589
Wildland deployment	23,806
Capital grants and contributions	176,360
Total program revenue	<u>1,035,166</u>
Net program expenses	<u>(4,616,336)</u>
General revenues	
Property taxes	4,396,764
Specific ownership taxes	509,282
Impact fees	770
Investment earnings	9,573
Miscellaneous	24,953
Total general revenues	<u>4,941,342</u>
Change in net position	325,006
Net position, beginning of year	<u>4,422,346</u>
Net position, end of year	<u>\$ 4,747,352</u>

See notes to financial statements

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND
DECEMBER 31, 2016**

Assets

Cash and cash equivalents	\$ 1,769,333
Cash held by treasurer	44,794
Cash - restricted	696,509
Total cash and cash equivalents	2,510,636
Receivables	
Accounts receivable	22,454
Ambulance receivable, net of allowance	173,906
Property tax receivable	4,483,742
Total receivables, net	4,680,102
Prepaid expenses and deposits	64,885
Total assets	\$ 7,255,623

Liabilities and fund balance

Liabilities	
Accounts payable	\$ 50,694
Accrued salaries	61,378
Total liabilities	112,072
Deferred inflows of resources	
Unearned revenue	4,483,742
Total deferred inflows of resources	4,483,742
Fund balance	
Nonspendable	64,885
Restricted	896,509
Unassigned	1,698,415
Total fund balance	2,659,809
Total liabilities and fund balance	\$ 7,255,623

See notes to financial statements

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND -
GENERAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016**

Reconciliation to statement of net position

Total fund balance - governmental fund	\$	2,659,809
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The net pension asset and related deferred items are not available for current period expenditures and are therefore not reported in the fund.

Net pension asset		8,871
Deferred outflows of resources - pension		893,771
Deferred inflows of resources - pension		(10,473)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.

Cost		5,811,129
Accumulated depreciation		(3,000,287)

Liabilities not due and payable in the current period are not reported in the governmental fund, but are reported in the statement of net position.

Accrued liabilities		(317,000)
Accrued interest		(12,748)
Capital leases payable		(1,126,145)
Compensated absences		(159,575)

Total net position of governmental activities	\$	<u>4,747,352</u>
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See notes to financial statements

TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2016

	Governmental activities
Revenues	
Charges for services	
Ambulance fees, net of contract adjustments	\$ 820,411
Fire inspection fees	14,589
Wildland deployment	23,806
Total charges for services	858,806
Property taxes	4,396,764
Specific ownership taxes	509,282
Impact fees	770
Investment earnings	9,573
Capital grants and contributions	176,360
Miscellaneous	24,953
Total revenues	5,976,508
Expenditures	
Wages	3,323,470
Benefits	801,611
Administration	465,902
Buildings	92,892
Communications	115,477
Fire prevention	4,830
Firefighting equipment	40,775
Medical equipment	56,274
Training and education	25,079
Uniforms	17,914
Utilities	50,311
Vehicles	137,334
Capital outlay	525,098
Debt service	
Principal	972,585
Interest	52,635
Total debt service	1,025,220
Total expenditures	6,682,187
Other financing sources	
Proceeds from issuance of long-term debt	754,538
Total other financing sources	754,538
Change in fund balance	48,859
Fund balance, beginning of year	2,610,950
Fund balance, end of year	\$ 2,659,809

See notes to financial statements

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

Net change in fund balance - governmental fund	\$	48,859
Amounts reported for governmental activities in the statement of activities are different because:		
Changes in the net pension asset and related deferrals do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		69,806
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period.		
Depreciation expense		(262,880)
Capital outlay		525,098
Contingent impact fee refunds reported in the statement of activities do not require the use of current financial resources, and therefore are not reported in the governmental fund.		
Beginning of year		-
End of year		(317,000)
Compensated absences reported in the statement of activities do not require the use of current financial resources, and therefore are not reported in the governmental fund.		
Beginning of year		190,382
End of year		(159,575)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position in the government-wide statements. This amount is the net effect of these differences.		
Proceeds from issuance of long-term debt		(754,538)
Payment of principal on capital leases		972,585
Interest expense on capital lease obligations in the statement of activities differs from the amount reported in the governmental funds because interest expense is recognized as an expenditure in the funds when it is due. In the statement of activities, interest expense is recognized as it accrues regardless of when it is due. The additional interest expense reported in the statement of activities is the result of decreased accrued interest on capital leases.		12,269
		<hr style="border-top: 1px solid black;"/>
Change in net position of governmental activities	\$	325,006
		<hr style="border-top: 3px double black;"/>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Tri-Lakes Monument Fire Protection District provides fire protection and prevention, hazardous material response, and emergency medical and rescue services within the respective territorial limits of the two former fire districts described below.

The Tri-Lakes Monument Fire Authority (Authority) was formed and effective as of January 1, 2005, as a separate legal entity under Section 29-1-203, Colorado Revised Statutes (CRS). The Authority was established through an "Intergovernmental Fire District Establishment Agreement" between the Woodmoor/Monument Fire District and the Tri-Lakes Fire Protection District. Each of these districts formerly provided fire and rescue services to its respective area.

On October 2, 2007, the voters of the Woodmoor/Monument Fire Protection District approved a plan to dissolve the Woodmoor/Monument Fire Protection District, effectively dissolving the Tri-Lakes Monument Fire Authority as well. On January 1, 2008, Tri-Lakes Fire Protection District was the only remaining legal entity and formally changed its name to the Tri-Lakes Monument Fire Protection District (District).

A seven-member Board of Directors governs the District. The District may:

- levy property taxes.
- enter into contracts.
- set and collect fees and charges.
- provide all services that a title 32 fire protection district may provide.
- hold title to property.
- sue and be sued.
- incur debt as permitted by state statute.

The District follows Governmental Accounting Standards Board (GASB) pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's 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 has no component units, and has not included any component units within its reporting entity. The District is not a component of any other primary governmental entity.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. GASB is the accepted standard-setting body for governmental accounting and financial reporting.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government-Wide and Fund Financial Statements

The District's basic financial statements consist of government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial information of the primary government. The statement of net position presents the financial condition of the governmental activities at year-end. The statement of activities presents a comparison between direct expenses and the program revenues for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service, program, or department, and therefore, are clearly identifiable to a particular function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - During the year, the District segregates transactions related to certain district functions or activities in the governmental fund in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at a more detailed level.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

General Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. 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 are generally recorded when a liability is incurred, as under accrual accounting.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

General Fund Financial Statements - Continued

This reporting approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Fund Accounting - The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District is a single fund entity and all fund activity is conducted through the General Fund.

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

The District Reports the Following Major Governmental Fund:

General Fund -The General Fund is the operating fund used to account for all financial resources of the District. The General Fund balance is available to the District for any purpose, provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Revenues - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include: 1) timing requirements, which specify the year when the resource is required to be used, or the fiscal year when use is first permitted, 2) matching requirements, in which the District must provide local resources to be used for a specific purpose, and, 3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property Tax Revenue - Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the El Paso County Assessor's Office, generally as of January 1 of the following year. The El Paso County Treasurer's Office collects the determined taxes during the ensuing calendar year. The taxes are payable in full by April 30, or in two equal installments, at the taxpayers' election, in February and June. Sales of tax liens on delinquent property are held in November or December. The El Paso County Treasurer's Office remits the taxes collected monthly to the District. Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Since property taxes are levied in December for the next calendar year's operations, the total levy is reported as taxes receivable and deferred revenue.

Expenses/Expenditures - On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Fund Equity - The General Fund reports fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for the funds. Fund balances for the District's General Fund consists of the following classifications.

Non-spendable - includes amounts that (a) are not in spendable form or (b) legally or contractually required. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories, prepaid items, and long-term notes receivable.

Restricted - includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.

Committed - includes amounts segregated for the specific purposes determined by the passage of a resolution of the District's board directors. Modification or changes to these commitments require approval through the District's board by resolution.

Assigned - includes amounts segregated by District's board of director's through their communications with management as to the intended use of segregated funds. Assigned funds are not legally restricted, nor committed by official board resolution, but are assigned based on management's understanding of the intended use of the funds.

Unassigned - this is the residual classification for any other funds not considered segregated by law, contractual obligation, board resolution or intent.

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.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net asset classification in the Government Wide financial statements are as follows:

Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation, reduced by any outstanding debt 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, laws or regulations of the other governments, enabling legislation and constitutional provisions.

Unrestricted net position - This classification represents the residual funds balances not classified in of the two categories above.

Budget Accounting - Budgets are prepared in accordance with the requirements of Colorado Revised Statutes (CRS) - (29-1-103) and accordingly include "anticipated income and other means of financing proposed expenditures", and expenditures include, in addition to those shown in the operating statements, debt redemptions and capital expenditures.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements. The District is required to adopt an annual operating budget. The budget is adopted on the cash basis of accounting, which is a non-GAAP basis.

- A. State law for all funds requires budgets. During September, the proposed budget is submitted to the Board of Directors by the budget officer for the fiscal year commencing the following January 1. The budget includes proposed expenditures and means of financing them.
- B. Public hearings are conducted by the Directors to obtain taxpayer comments.
- C. Prior to December 31, the budget is adopted and appropriations made by formal resolution.
- D. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
- E. Budget appropriations lapse at the end of each year.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the District. Investments are stated at fair value based on quoted market prices.

Receivables - Customer receivables represent primarily ambulance charges earned and billed, but not collected. The receivables are reported net of an allowance for doubtful accounts, where applicable.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Capital assets are reported in the government-wide statements only. All capital assets are capitalized at cost (or estimated historical cost). Donated capital assets are recorded at their fair market values as of the dates received.

The District maintains a capitalization threshold of \$5,000. Improvements to capital assets are capitalized, and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. All reported capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the useful lives 3-39 years.

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 of the Fire & Police Statewide Defined Benefit Plan and additions to/deductions from Fire & Police Statewide Defined Benefit Plan's fiduciary net position have been determined on the same basis as they are reported by the Fire & Police Pension Association of Colorado. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences - Vacation benefits are accrued as a liability on the government-wide statements as the benefits are earned, if the employees' rights to receive compensation are attributable to services already rendered, and it is probable the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability as the benefits are earned by the employees. Up to 25% unused sick leave accruals will be paid, considering length of employment and the reason for separation, and will be paid at a rate of the employee's base pay scale plus longevity.

For the government-wide financial statements, compensatory time benefits are accrued as a liability as the benefits are earned by the employee, subject to certain limitations. For the governmental fund financial statements, compensatory time is only recorded as a liability when due. All compensated absence liabilities include salary-related payments, where applicable.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide statements on the statement of net position.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. Long-term liabilities are recognized on the governmental fund financial statements only when due.

Capital Contributions - Contributions of capital in governmental fund financial statements arise from outside contributions of capital assets, from grants or outside contributions of resources restricted to capital acquisition and construction.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates - The preparation of the financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 1 – CASH DEPOSITS AND INVESTMENTS

The District has not adopted formal cash and investment policies beyond what Colorado State Statutes require.

Deposits - Colorado State statutes govern the District's cash deposits. The Public Deposit Protection Act (PDPA) for banks and savings and loans requires state regulators to certify eligible depositories for public deposits. PDPA requires eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. 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 assets in the pool must be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk - Custodial credit risk for deposits and investments is the risk that, in the event of failure of the custodian, the District may not be able to recover the value of deposits that are in the possession of a third party.

At December 31, 2016, the carrying amount of the District's cash balance was \$2,465,842 and the bank balances were \$2,501,740. Of the bank balances, \$462,951 was covered by federal depository insurance and \$2,038,789 falls under the provisions of the PDPA, which is collateralized in single institution pools.

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. CRS specifies investment instruments meeting defined rating and risk criteria in which the District may invest:

- United States Treasury obligations
- United States government agency and instrumentality obligations
- Certificates of deposits
- Commercial paper
- Investment-grade obligations of the state
- Repurchase agreements
- Money market mutual funds
- Local government investment pools

Restricted Cash - As of December 31, 2016, \$696,509 of cash collected from land development charges (impact fees) was restricted for capital expenditures in a separate, interest-bearing account (see NOTE 10).

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consists of billings for ambulance services, and tax revenues. Receivables are recorded on the District's financial statements to the extent that the amounts are determined to be material and substantiated, not only by supporting documentation but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectability. The allowance for uncollectible accounts at December 31, 2016, was \$282,996, for a net ambulance receivable balance of \$173,906.

NOTE 3 – CAPITAL ASSETS

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Governmental activities				
Non-depreciable capital assets				
Land	\$ 35,462	\$ -	\$ -	\$ 35,462
Depreciable capital assets				
Buildings and improvements	2,565,435	125,837	-	2,691,272
Vehicles	2,002,236	-	-	2,002,236
Ambulances	298,959	399,260	-	698,219
Firefighting equipment	153,557	-	-	153,557
Medical equipment	143,397	-	-	143,397
Office equipment	36,774	-	-	36,774
Communications equipment	50,211	-	-	50,211
Total depreciable capital assets	<u>5,250,569</u>	<u>525,097</u>	<u>-</u>	<u>5,775,666</u>
Accumulated depreciation				
Buildings and improvements	1,161,347	73,073	-	1,234,420
Vehicles	1,067,754	125,514	-	1,193,268
Ambulances	272,975	34,817	-	307,792
Firefighting equipment	80,228	13,267	-	93,495
Medical equipment	72,954	14,450	-	87,404
Office equipment	36,774	-	-	36,774
Communications equipment	45,374	1,759	-	47,133
Total accumulated depreciation	<u>2,737,406</u>	<u>262,880</u>	<u>-</u>	<u>3,000,286</u>
Total depreciable capital assets, net	<u>2,513,163</u>	<u>262,217</u>	<u>-</u>	<u>2,775,380</u>
Governmental activities				
Capital assets, net	<u>\$ 2,548,625</u>	<u>\$ 262,217</u>	<u>\$ -</u>	<u>\$ 2,810,842</u>

Depreciation expense for the year ended December 31, 2016, was \$262,880.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – LONG-TERM LIABILITIES

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

Governmental activities	Beginning	Additions	Reductions	Ending	Current	Non-current
Pumper truck lease	\$ 109,416	\$ -	\$ (109,416)	\$ -	\$ -	\$ -
Refinancing station lease	781,736	-	(781,736)	-	-	-
Refinancing ladder truck lease	328,890	-	(62,242)	266,648	63,951	202,697
Truck lease	80,000	-	(19,191)	60,809	19,719	41,090
Truck lease	44,150	-	-	44,150	10,507	33,643
Refinancing pumper truck lease	-	89,456	-	89,456	21,451	68,005
Refinancing station lease	-	665,082	-	665,082	125,807	539,275
Subtotal capital leases	1,344,192	754,538	(972,585)	1,126,145	241,435	884,710
Compensated absences	190,382	125,758	(156,565)	159,575	62,191	97,384
Accrued impact fee reimb.	-	317,000	-	317,000	70,000	247,000
Total	\$ 1,534,574	\$ 1,197,296	\$ (1,129,150)	\$ 1,602,720	\$ 373,626	\$ 1,229,094

Lease-Purchase Option Agreements - The District has issued multiple municipal securities for the purchase and construction of capital assets, structured through lease-purchase financing agreements. The lease-purchase agreements require the annual appropriation of funds sufficient to cover the debt service payments. The lease-purchase agreements are exempt from the provisions of SEC Rule 15c2-12 by reason of the total securities issued being less than \$1 million in aggregate, with the exception of the lease-purchase agreement of 2007, discussed below. The lease purchase agreements obtained a right of first lien on all assets, including any improvements. The District has agreed to maintain appropriate liability coverage for the assets purchased and to maintain the assets in good repair.

Subsequent to the issuance of the lease-purchase agreements, the District entered an escrow agreement with the “lessor” or “escrow agent.” The escrow agent, per the agreement, advanced the total amount of principle funds to be held in escrow, net of capitalizing fees, which were expensed, with interest accruing to the District, for future service payments. The escrow agreement constitutes an advanced refunding of the original lease-purchase agreement, but there was no deferred gain or loss recognized, as the terms of the agreement did not change materially from the original lease purchase agreement, with the exception of the 2007 lease-purchase agreement.

On April 18, 2007, the District entered into a “Master Lease” agreement for the purchase of real estate land, building construction, and the advanced refunding of the lease-purchase agreements dated October 31, 2002 and April 29, 2003, through the issuance of tax-exempt municipal securities. Total proceeds were \$1,558,630, all amounts of which were used to settle old debt and the purchase of new assets. Per the agreement, no debt service fund was required as part of the agreement, and all debt service was to be accounted for under the General Fund. The debt was issued at an interest rate of 4.4%. The District recorded no deferred gain or loss as a result of the advanced refunding of the debt per GASB guidance. However, as of December 31, 2016, the unamortized portion of the gain or loss that would have been recognized is not material to the financials.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – LONG-TERM LIABILITIES - CONTINUED

The District’s 2007 issuance was exempt from SEC Rule 15c2-12, by reason of the securities offerings being sold in denominations of less than \$100,000, and sold to no more than 35 individuals who are qualified as sophisticated investors. The District is in compliance with all reporting requirements and covenanted terms of the various agreements as of December 31, 2016.

The following is a summary of the capital lease terms:

<u>Lease</u>	<u>Start date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal balance</u>
Refinancing ladder truck lease	11/20/2015	2.75%	11/20/2020	266,648
Truck lease	11/20/2015	2.75%	11/20/2019	60,809
Truck lease	12/11/2015	2.75%	1/11/2020	44,150
Refinancing pumper truck lease	5/2/2016	2.75%	5/2/2020	89,456
Refinancing station lease	5/27/2016	2.75%	5/27/2021	665,082
Total				<u>\$ 1,126,145</u>

Capital lease assets acquired and their book value as of December 31, 2016, are as follows:

<u>Asset</u>	<u>Historical costs</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Vehicles	\$ 1,193,021	\$ (560,268)	\$ 632,753
Building	1,155,957	(660,655)	495,302
	<u>\$ 2,348,978</u>	<u>\$ (1,220,923)</u>	<u>\$ 1,128,055</u>

The following is a summary of the estimated future minimum lease payments for the District’s five capital leases:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 241,435	\$ 31,509	\$ 272,944
2018	248,274	24,669	272,943
2019	255,196	17,747	272,943
2020	240,868	10,660	251,528
2021	140,372	3,916	144,288
Total	<u>\$ 1,126,145</u>	<u>\$ 88,501</u>	<u>\$ 1,214,646</u>

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – OPERATING LEASES

In January 2015, the District began a 36-month lease of office space, with minimum rent for the first year of \$1,060 per month. Monthly payments increase by \$88 each subsequent year. The District is also obligated to pay the property owner a proportionate share of operating expenses. In 2016, the additional rent payments for operating expenses were \$1,310 per month. Total office space lease expense for the year ended December 31, 2016, was \$31,507.

In May 2014, the District entered into a 48-month copier lease with monthly payments of \$141. Total copier lease expense for the year ended December 31, 2016, was \$1,692. In December 2016, the District entered into an additional 36-month copier lease with monthly payments of \$124.

Future minimum lease payments are:

<u>December 31,</u>	<u>Office Space</u>	<u>Copier</u>	<u>Total minimum Payments</u>
2017	\$ 14,833	\$ 3,180	\$ 18,013
2018	-	2,193	2,193
2019	-	1,488	1,488
Total	<u>\$ 14,833</u>	<u>\$ 6,861</u>	<u>\$ 21,694</u>

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN

Plan Description - The Fire & Police Statewide Defined Benefit Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (new hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2015, has 212 participating employer fire and police departments.

Employers once had the option to elect to withdraw from the Plan, but a change in State statutes permitted no further withdrawals after January 1, 1988.

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association (FPPA) of Colorado issues a publicly available financial report that may be obtained at www.fppaco.org.

Benefits Provided - 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. 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.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued

In addition, upon retirement a member may receive additional benefits credited to the member's Separate Retirement Account (SRA) each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their SRA until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result, their SRA has two components; the standard SRA, and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard SRA contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0 percent. The reentry SRA contribution rate was set at 3.60 percent.

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.

A member may elect to participate in the Deferred Retirement Option Plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into DROP. The monthly payments that begin at entry into DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in DROP, the member continues to make pension contributions that are credited to DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds. The DROP balance invested with the asset custodian at December 31, 2015 was \$55,176,831. This amount was not included in the SWDB Plan Net Position.

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

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

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued

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

Contributions to the Plan from the District were \$203,183 for the year ended December 31, 2016. At December 31, 2016, the District reported an estimated liability of \$11,300, consisting of \$4,600 of employer contributions, \$5,200 of employee contributions to be paid by the District, and \$1,500 of death and disability contributions for the year ended December 31, 2016. The \$4,600 of employer contributions are included in deferred outflows of resources along with the employer cash contributions discussed above. The remaining contributions will be made by the District and were included in 2016 expenses.

Net Pension Asset - At December 31, 2016, the District reported an asset of \$8,871 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating departments, actuarially determined. At December 31, 2015, the District's proportion was 0.503195%, compared to 0.517556% measured as of December 31, 2014.

Pension expense for the year ended December 31, 2016 was \$145,940. 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 resources	Deferred inflows of resources
Differences between actual and expected experience	\$ 71,742	\$ 10,473
Changes in assumptions	139,332	-
Net difference between actual and projected earnings on pension plan investments	451,470	-
Changes in proportion and differences between District contributions and proportionate share of contributions	23,444	-
District contributions subsequent to measurement date	207,783	-
Total	\$ 893,771	\$ 10,473

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued

The \$207,783 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an adjustment against the net pension asset 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:

Years ended	Amortization
<u>December 31,</u>	
2017	\$ 140,031
2018	140,031
2019	140,031
2020	128,837
2021	24,365
Thereafter	<u>102,220</u>
	<u>\$ 675,515</u>

Actuarial Assumptions - The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0% – 14.0%
Cost of living adjustment	0.00%
Inflation	2.50%

Mortality rates were based on the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

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

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued

At least every five years the FPPA’s Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA’s actuaries 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.

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 Plan's target asset allocation as of December 31, 2015, are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected rate of return</u>
Global Equity	37%	6.50%
Equity Long/Short	10%	4.70%
Illiquid Alternatives	20%	8.00%
Fixed Income	16%	1.50%
Absolute Return	11%	4.10%
Managed Futures	4%	3.00%
Cash	2%	0.00%
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Director’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the 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.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued

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

	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
Collective net pension liability	\$ 246,949,671	\$ (1,762,854)	\$ (208,061,345)
Proportionate share of net pension liability	\$ 1,242,638	\$ (8,871)	\$ (1,046,954)

Pension plan fiduciary net position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

NOTE 7 – SECTION 457 DEFERRED COMPENSATION PLAN

The District offers its paid responder personnel an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457 (“457 Plan”). All compensation deferred under the 457 Plan, together with all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are to be held in trust for exclusive benefit of the participants and their designated beneficiaries. Compensation deferred under the 457 Plan is not available to participants until termination, retirement, death, or unforeseeable emergency. The 457 Plan is administered by FPPA.

Employees may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. The District does not contribute to the 457 Plan. For the year ended December 31, 2016, employee contributions totaled \$18,754.

The individual participants determine investment decisions within the 457 Plan and, therefore, the 457 Plan’s investment concentration varies between the participants. The District, as trustee of the 457 Plan, has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the 457 Plan. Consequently, the 457 Plan is not part of the District’s financial statements.

NOTE 8 – RISK MANAGEMENT

The District maintains third-party coverage related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the District’s insurance coverage during the past three years.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – RISK MANAGEMENT - Continued

For the year ended December 31, 2016, employees of the District were covered by a health insurance plan. District employees may increase coverage and add dependents to their policies at their expense through payroll deductions. Employees were also covered by dental and vision plans.

NOTE 9 – WORKER'S COMPENSATION COVERAGE

District employees are covered by an insurance plan that provides compensation for each employee of up to \$100,000 for bodily injury by accident, and up to \$500,000 for disease. For the year ended December 31, 2016, the District incurred costs of \$163,320 to provide this coverage.

NOTE 10 – RESTRICTED NET POSITION AND FUND BALANCE

A summary of restricted net position and fund balance is as follows:

<u>Restriction</u>	<u>Net Position/ Fund Balance</u>
TABOR emergency reserve	\$ 200,000
Impact fee capital improvements	696,509
	<u>\$ 896,509</u>

In November 1992, the voters of Colorado approved the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X, of the Colorado Constitution. In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including the District.

Some provisions of TABOR are unclear and will require further judicial interpretation. No representation can be made as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for its general operations, to undertake additional programs, or to engage in any subsequent financing activities.

TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. As of December 31, 2016, \$200,000 is restricted for emergencies.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all aspects of the TABOR amendment.

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – RESTRICTED NET POSITION AND FUND BALANCE - Continued

The District voters approved and authorized the District to collect, retain and spend for fire protection purposes all revenue from tax levies and all other District revenue as a voter approved revenue change and an exception to the limits which otherwise apply. This vote effectively removed the District from some provisions of TABOR.

Colorado Revised Statutes require that money collected from land development charges (impact fees) be deposited in an interest-bearing account which clearly identifies the category, account, or fund of capital expenditure for which such charge was imposed. As of December 31, 2016, the District had \$696,509 of unexpended impact fees. The unexpended impact fees are restricted for capital improvements.

NOTE 11 – CONTINGENCY

In 2006, the District's Board of Directors approved an impact fee for a five year period. In 2015, the District discovered that impact fees authorized in 2006 were still being collected, more than five years since the original authorization. The District ceased collection of impact fees and has offered developer/builders that provide sufficient proof to the District that it paid impact fees in the period October 1, 2011 through December, 31 2015 a settlement agreement. In exchange for a waiver and release of claims provided by the developer/builders, the District agrees to pay the developer/builder 50% of the impact fees collected since the original authorization expired. Impact fees collected during this time period were approximately \$634,000. The District has accrued a liability equal to 50% of these impact fees. It is possible developer/builders could pursue reimbursements for the entire amount of impact fees paid during the time period in question. Requested reimbursements will be made out of the restricted impact fee funds (see NOTES 1 and 10).

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 28, 2017, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) TO ACTUAL
YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual budgetary basis</u>	<u>Variance with final budget favorable (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Property taxes	\$ 4,432,613	\$ 4,432,613	\$ 4,396,764	\$ (35,849)
Specific ownership taxes	435,000	435,000	509,282	74,282
Impact fees	175,000	-	6,986	6,986
Ambulance revenue	575,000	750,000	798,849	48,849
Fire inspection revenue	12,000	12,000	14,589	2,589
Wildland deployment	100,000	100,000	28,076	(71,924)
Grants	175,000	175,000	176,360	1,360
Other revenue	2,100	2,100	26,465	24,365
Total revenue	<u>5,906,713</u>	<u>5,906,713</u>	<u>5,957,371</u>	<u>50,658</u>
Expenditures				
Wages	3,271,310	3,258,083	3,308,761	(50,678)
Benefits	899,281	899,281	740,210	159,071
Administration	480,417	508,558	465,902	42,656
Buildings	92,800	92,800	92,892	(92)
Communications	127,300	127,300	115,477	11,823
Fire prevention	4,500	4,500	4,830	(330)
Firefighting equipment	42,750	42,750	40,775	1,975
Medical equipment	72,550	72,550	56,274	16,276
Training and education	26,000	26,000	25,079	921
Uniforms	21,000	21,000	17,914	3,086
Utilities	58,700	58,700	50,311	8,389
Vehicles	129,000	129,000	137,334	(8,334)
Impact fee outlay	205,000	117,500	-	117,500
Capital outlay	322,500	425,000	558,785	(133,785)
Debt service	268,978	281,478	1,025,220	(743,742)
Total expenditures	<u>6,022,086</u>	<u>6,064,500</u>	<u>6,639,764</u>	<u>(575,264)</u>
Other financing sources				
Proceeds from issuance of long-term debt	-	-	754,538	754,538
Total other financing sources	<u>-</u>	<u>-</u>	<u>754,538</u>	<u>754,538</u>
Revenue over expenditures (non-GAAP basis)	<u>\$ (115,373)</u>	<u>\$ (157,787)</u>	72,145	<u>\$ 229,932</u>
GAAP adjustments				
Accounts receivable			3,791	
Ambulance receivable, net of allowance			21,562	
Prepaid expenses and deposits			(52,229)	
Accounts payable			18,299	
Accrued salaries			(14,709)	
Revenue over expenditures (GAAP basis)			48,859	
Beginning fund balance			<u>2,610,950</u>	
Ending fund balance			<u>\$ 2,659,809</u>	

See independent auditors' report

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY/(ASSET)
FIRE POLICE STATEWIDE DEFINED BENEFIT PLAN
AS OF DECEMBER 31,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportionate of the net pension liability/(asset)	0.50%	0.52%	0.53%
District's proportionate share of the net pension liability/(asset)	\$ (8,871)	\$ (584,101)	\$ (473,391)
District's covered-employee payroll	\$ 2,350,000	\$ 2,419,000	\$ 2,300,000
District's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-0.38%	-24.15%	-20.58%
Plan fiduciary net position as a percentage of the total pension liability	100.10%	106.80%	105.80%

The amounts presented for each fiscal year were determined as of the District's measurement date (the calendar year-end that occurred one year prior to the fiscal year-end). Information is only available beginning in fiscal year 2014.

See independent auditors' report

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEARS ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 207,783	\$ 187,893	\$ 193,533
Contributions in relation to the statutorily required contribution	203,183	187,893	193,533
Contribution deficiency (excess)	<u>\$ 4,600</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 2,597,000	\$ 2,350,000	\$ 2,419,000
Contributions as a percentage of covered-employee payroll	7.82%	8.00%	8.00%

Information is only available beginning in fiscal year 2014.

See independent auditors' report

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**TRI-LAKES MONUMENT FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY INFORMATION

Tri-Lakes Monument Fire Protection District (District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

The District is required to adopt an annual operating budget. The budget is adopted on the cash basis of accounting, which is a non-GAAP basis. During September, the proposed budget is submitted to the Board of Directors by the budget officer for the fiscal year commencing the following January 1. The budget includes proposed expenditures and means of financing them. Public hearings are conducted by the Directors to obtain taxpayer comments. Prior to December 31, the budget is adopted and appropriations made by formal resolution.

Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget. Budget appropriations lapse at the end of each year. Appropriations may increase during the fiscal year provided unanticipated revenue offsets them. During the year ended December 31, 2016, the General Fund had excess expenditures over appropriations of approximately \$575,000.

PENSION INFORMATION

Changes in Plan Provisions - The plan provisions have not changed since the prior valuation. The member contribution rate will increase in 2016 as a result of the member election.

Benefit Adjustments - Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0% to 3%. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.