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MONTROSE FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2017

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DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

Montrose Fire Protection District

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Independent Auditor's Report

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

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Board of Directors
Montrose Fire Protection District
Montrose, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the Montrose Fire Protection District (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 District as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on page 39 be presented to supplement the basic financial statements. Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, requires that the Schedules of Changes in Net Pension Liability (Asset) and Related Ratios – Last 10 Years (to be built prospectively), the Schedules of Contributions – Last 10 Years (to be built prospectively), the Schedules of the District's Proportionate Share of the Net Pension Asset of the Statewide Defined Benefit Plan – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Fire & Police Pension Association, the Schedules of District Contributions to the Statewide Defined Benefit Plan – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Fire & Police Pension Association, the Schedules of the District's Proportionate Share of the Net Pension Liability of the Local Government Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association, and the Schedules of District Contributions to the Local Government Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association on pages 40 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund on page 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule on page 48 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

June 20, 2018

Management's Discussion and Analysis

MONTROSE FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

As management of the Montrose Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017 with comparative information presented for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

- In the government-wide financial statements, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by $5,723,519 at December 31, 2017, an increase of $120,279 from the net position at December 31, 2016.

- The General Fund reported an ending unassigned fund balance of $759,502 at December 31, 2017 a decrease of $1,004,265 from the prior year due to the assignment of funds for operating reserves.

- Tax revenue as shown on the statement of activities increased approximately $10,003 in 2017 from 2016, while program expenses as shown on the statement of activities increased by approximately $212,017.

- Tax revenue increased approximately $136,000 in 2016 from 2015, while program expenses increased approximately $504,000.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

An annual appropriated budget is adopted for the General Fund. A budgetary comparison schedule has been provided on page 39.

Notes to Basic Financial Statements

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

The notes to the basic financial statements can be found on pages 15 through 38.

Required Supplementary Information (RSI)

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

- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
- Old Hire Plan Schedules of Changes in Net Pension Liability / (Asset) and Related Ratios – Last 10 Years (to be built prospectively)
- Old Hire Plan Schedules of Contributions – Last 10 Years (to be built prospectively)

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

Other Supplemental Information

A schedule of general fund revenues, expenditures, and changes in fund balance for the current year and prior two years has been presented on page 48.

Government-wide Financial Analysis

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

		2017	2016
Assets			
Current and other assets		$ 5,935,848	$ 5,733,680
Capital assets		5,142,326	5,417,041
Net pension asset		-	8,818
	Total Assets	11,078,174	11,159,539
Deferred Outflows of Resources			
Pension plans		1,106,814	999,280
	Total Deferred Outflows of Resources	1,106,814	999,280
Liabilities			
Current liabilities		771,623	741,070
Noncurrent liabilities		1,341,042	1,653,326
Net pension liability		804,176	749,203
	Total Liabilities	2,916,841	3,143,599
Deferred Inflows of Resources			
Pension plans		38,084	14,280
Deferred property tax revenue		3,506,544	3,397,700
	Total Deferred Inflows of Resources	3,544,628	3,411,980
Net Position			
Net investment in capital assets		3,801,284	3,763,715
Restricted for debt service		359,569	359,569
Reserved for emergencies		148,000	148,000
Unrestricted		1,414,666	1,331,956
	Total Net Position	$ 5,723,519	$ 5,603,240

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

		2017	2016
Revenues			
Program revenues		$ 1,403,144	$ 1,213,395
General revenues:			
Taxes		3,902,768	3,892,765
Miscellaneous		32,275	34,301
Earnings on deposits and investments		16,224	9,608
Grants		-	49,923
	Total Revenues	5,354,411	5,199,992
Expenses			
Fire protection and emergency medical services		4,372,177	4,101,369
Administration		819,136	869,119
Interest on long-term debt		42,819	51,627
	Total Expenses	5,234,132	5,022,115
	Change in Net Position	120,279	177,877
Net Position – beginning of year		5,603,240	5,425,363
Net Position – end of year		$ 5,723,519	$ 5,603,240

Financial Analysis of Governmental Funds

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

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

The District maintains only one governmental fund, the General Fund, which is the District's operating fund. The General Fund had a fund balance of $2,363,879 as of December 31, 2017, of which $36,808 is nonspendable, $148,000 is restricted for emergencies, $359,569 is restricted for debt service, and $1,060,000 is assigned as an operating reserve. The unreserved portion of the fund balance in the amount of $759,502 is available for spending.

General Fund Budgetary Highlights

The 2017 budget reflects a sunset to the mill levy in the amount of $102,345. Revenues received for EMS Service Fees, Interest/Penalties/Delinquent Taxes, Investment, Interest, and Miscellaneous were more than budgeted, mainly due to an increase in collections, call volume, and dividends received from Pinnacol, bringing the total revenue for 2017 to 96% of budget without the fund balance transfer or $356,277 for projected grant monies. Total expenditures were $294,353 below budget due to the grant application being denied. Savings in the Salaries, Training, Apparatus, Insurance, and Facilities categories reflected lower expense and savings.

Capital Asset and Debt Administration

Capital Assets

The District defines capital assets as assets with an initial cost of more than $5,000. Replacements, which improve or extend the lives of property, are capitalized. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized. During 2017, the District capitalized personal protective gear purchased to replace outdated gear and to reach compliance with NFPA standards. Additional information on the District's capital assets can be found in Note 6.

Debt Administration

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

Economic Factors and Next Year's Budget

The District will still operate under a conservative budget to recover from past years of economic hardship and to anticipate the decrease in revenue due to the falling Residential Assessment Rate in the State of Colorado and its effect on Montrose County property tax revenue.

Request for Information

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

Basic Financial Statements

Government-wide Financial Statements

MONTROSE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2017

ASSETS		
Cash	$	555,806
Cash - restricted for debt service		362,771
Investments		1,089,605
Receivables:		
Property taxes		3,506,687
Specific ownership taxes		41,308
EMS accounts		317,422
Other		1,081
Prepaid expenses		36,808
Property held for sale		24,360
Capital assets, net of accumulated depreciation, where applicable:		
Land		1,043,899
Buildings and improvements		2,755,099
Fire apparatus and ambulances		924,076
Dispatch consoles		419,252
Capital Assets, net		5,142,326
Total Assets		11,078,174
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to agent and cost sharing multiple-employer defined benefit pension plans subsequent to the plan measurement date		247,225
Net difference between projected and actual earnings on agent and cost sharing multiple-employer defined benefit pension plan investments		509,574
Change in the proportion and differences between contributions and the proportionate share of contributions to agent and cost sharing multiple-employer defined benefit pension plans		68,430
Difference between the expected and actual experience in the measurement of the total pension liability from agent and cost sharing multiple-employer defined benefit pension plans		152,606
Changes in actuarial assumptions on agent and cost sharing multiple-employer defined benefit plans		128,979
Total Deferred Outflows of Resources		1,106,814

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2017

LIABILITIES		
Accounts payable		41,065
Accrued interest payable		19,177
Noncurrent liabilities:		
Due within one year		321,215
Due after one year		1,019,827
Compensated absences		711,381
Net pension liability		804,176
	Total Liabilities	2,916,841
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue		3,506,544
Change in the proportion and differences between contributions and the proportionate share of contributions to agent and cost-sharing multiple-employer defined benefit pension plans		2,008
Difference between the expected and actual experience in the measurement of the total pension liability from agent and cost-sharing multiple-employer defined benefit pension plans		35,660
Changes in actuarial assumptions on agent and cost sharing multiple-employer defined benefit plans		416
	Total Deferred Inflows of Resources	3,544,628
NET POSITION		
Net investment in capital assets		3,801,284
Restricted for:		
Debt service		359,569
Emergencies		148,000
Unrestricted		1,414,666
	Total Net Position	$ 5,723,519

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

PROGRAM EXPENSES		
Fire fighting/emergency medical services		$ 3,812,694
Administration		819,136
Facility maintenance and operations		255,491
Equipment and supplies		184,127
Communications		99,530
Interest		42,819
Training		15,482
Fire prevention		4,853
	Total Program Expenses	5,234,132
PROGRAM REVENUES		
Charges for services, net of adjustments		1,386,887
Permits and fees		16,257
	Net Program Expenses	3,830,988
GENERAL REVENUES		
Property taxes		3,386,715
Specific ownership taxes		482,265
Interest on delinquent taxes		33,788
Miscellaneous		32,275
Earnings on deposits and investments		16,224
	Total General Revenues	3,951,267
	Change in Net Position	120,279
Net Position - January 1, 2017		5,603,240
Net Position - December 31, 2017		$ 5,723,519

See accompanying notes.

Fund Financial Statements

MONTROSE FIRE PROTECTION DISTRICT

BALANCE SHEET – GENERAL FUND

December 31, 2017

ASSETS		
Cash	$	555,806
Cash - restricted for debt service		362,771
Investments		1,089,605
Receivables:		
Property taxes		3,506,687
Specific ownership taxes		41,308
EMS accounts		317,422
Other		1,081
Prepaid expenses		36,808
Total Assets	$	5,911,488
LIABILITIES		
Accounts payable	$	41,065
Total Liabilities		41,065
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue		3,506,544
Total Deferred Inflows of Resources		3,506,544
FUND BALANCE		
Nonspendable		36,808
Restricted for:		
Debt service		359,569
Emergencies		148,000
Assigned for operating reserve		1,060,000
Unassigned		759,502
Total Fund Balance		2,363,879
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$	5,911,488

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

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

December 31, 2017

Total Fund Balance - Governmental Funds	$	2,363,879
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Accrued compensated absences payable are not due and payable in the current period and, therefore, are not reported as liabilities in the Fund.		(711,381)
Long-term debt obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the Fund.		(1,341,042)
Accrued interest on long-term debt obligations is not due and payable in the current period and, therefore, is not reported as a liability in the Fund.		(19,177)
Net pension asset, net pension liability, deferred outflows, and deferred inflows of resources related to pensions are not current financial resources and, therefore, are not reported as assets or liabilities in the Fund.		264,554
Property held for sale is not a financial resource and, therefore, is not reported as an asset in the Fund.		24,360
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund:		
Cost of capital assets		9,210,211
Less accumulated depreciation		(4,067,885)
Total Net Position - Governmental Activities	**$**	**5,723,519**

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

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

For the year ended December 31, 2017

REVENUES		
Property taxes		$ 3,386,715
Specific ownership taxes		482,265
Interest on delinquent taxes		33,788
Charges for services, net of adjustments		1,386,887
Permits and fees		16,257
Miscellaneous		32,275
Earnings on deposits and investments		16,224
	Total Revenues	5,354,411
EXPENDITURES		
Current		
Fire fighting/emergency medical services		3,627,529
Administration		819,136
Equipment and supplies		184,127
Facility maintenance and operations		135,858
Communications		99,530
Training		15,482
Fire prevention		4,853
Capital outlay		15,784
Debt service		
Principal		312,284
Interest		47,285
	Total Expenditures	5,261,868
	Net Change in Fund Balance	92,543
Fund Balance - January 1		2,271,336
Fund Balance - December 31		$ 2,363,879

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

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

December 31, 2017

Net Change in Fund Balance - General Fund	$ 92,543
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in the Fund; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful life as depreciation expense:	
Capital outlay	15,784
Depreciation expense	(290,499)
Principal payments on long-term debt obligations are reported as an expenditure in the Fund, but reduce long-term liabilities in the Statement of Net Position.	312,284
Accrued interest on long-term debt obligations is not reported in the Fund but reported as an expenditure when due in the Statement of Net Position.	
December 31, 2016	23,643
December 31, 2017	(19,177)
GASB 68 Pension expense is not reported in the Fund but is reported as an expenditure in the Statement of Activities.	19,939
Compensated absences are recognized as an expenditure in the Fund when they are determined to be payable from current financial resources. In the Statement of Activities, compensated absences are recognized as an expenditure when earned:	
December 31, 2016	677,143
December 31, 2017	(711,381)
Change in Net Position of Governmental Activities	**$ 120,279**

See accompanying notes.

Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Separate financial statements are provided for governmental funds.

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

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

Investments

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

Property Taxes

Property taxes for the current year are levied in December of the previous year and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes for 2017 are reported as a receivable and deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

Capital Assets

In the government-wide financial statements, capital assets are reported as assets in the statement of net position. In the fund financial statements, purchases of capital assets are expensed as capital outlay. Capital assets are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as assets with an initial cost of more than $5,000. Replacements, which improve or extend the lives of property, are capitalized. Interest incurred during construction is not capitalized on capital assets. Maintenance, repairs, and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized.

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

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

Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Revenue bond obligations payable are reported net of any applicable bond premium or discount and refinancing losses. At December 31, 2017 there were no revenue bond premiums and discounts, or losses on refinancing included in the statement of net position. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as program expenses in the year in which they are incurred.

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

Compensated Absences

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

Net Position

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

Fund Balance Classification

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District had nonspendable resources of $36,808 related to prepaid expenses as of December 31, 2017.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified the Taxpayer's Bill of Rights (TABOR) emergency reserves as being restricted because their use is restricted by state statute. The District has also classified the amounts restricted for payment of debt service as being restricted because their use is restricted by the financial institution with which the District has a revenue bond.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2017.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District manager through the budgetary process. The District did not have any assigned resources as of December 31, 2017.
- Unassigned: This classification includes the residual fund balance for the General Fund.

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

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

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

NOTE 3 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

NOTE 4 - BUDGETS

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

- **A.** Budgets are required by state law.
- **B.** The budget officer is required to submit a proposed budget to the Board by October 15.
- **C.** Public hearings are conducted by the Board to obtain taxpayer comments.
- **D.** Certification of the mill levies to the Board of County Commissioners and adoption of the budget and appropriations are required by December 15.
- **E.** Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget. The District expended less than was appropriated during 2017.
- **F.** Budget appropriations lapse at the end of each year.
- **G.** Budgets are adopted on the modified accrual basis of accounting.

NOTE 5 - DEPOSITS AND INVESTMENTS

Colorado's Public Deposit Protection Act (PDPA) governs the District's deposits. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposit insurance through the Federal Deposit Insurance Corporation (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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

	Bank Balance	Carrying Amount
Cash in checking accounts	$ 68,715	$ 50,065
Cash on hand	-	255
Money market account	505,486	505,486
Lease purchase – escrow account	362,771	362,771
	$ 936,972	$ 918,577

At December 31, 2017, $257,947 was covered by depositor's insurance and $679,025 was collateralized under PDPA requirements.

Custodial Credit Risk – Deposits and Investments

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including: obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools, written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The District has no investment policy that would further limit its investment choices.

At December 31, 2017, the District had funds in a local government investment pool (COLOTRUST). The pool operates similarly to a money market fund and each share is equal in value to $1.00. Pool investments include U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and Agency securities. The pool is rated AAAm by Standard and Poor's. Financial statements for COLOTRUST may be obtained on their website at www.colotrust.com.

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

Description	Credit Quality Rating	Maturity	Fair Value
COLOTRUST Plus+	AAAm	N/A	$ 1,089,605

Interest Rate Risk – Investments

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

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

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017 was as follows:

	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017
Non-depreciable capital assets				
Land	$ 1,043,899	$ -	$ -	$ 1,043,899
Dispatch consoles	419,252	-	-	419,252
Total non-depreciable capital assets	1,463,151	-	-	1,463,151
Depreciable capital assets				
Buildings and improvements	4,281,133	-	-	4,281,133
Fire apparatus and ambulances	3,450,143	15,784	-	3,465,927
Total depreciable capital assets	7,731,276	15,784	-	7,747,060
Less accumulated depreciation for				
Buildings and improvements	(1,406,401)	(119,633)	-	(1,526,034)
Fire apparatus and ambulances	(2,370,985)	(170,866)	-	(2,541,851)
Total accumulated depreciation	(3,777,386)	(290,499)	-	(4,067,885)
Total capital assets being depreciated, net	3,953,890	(274,715)	-	3,679,175
Total capital assets, net depreciation	$ 5,417,041	$ (274,715)	$ -	$ 5,142,326

Depreciation expense was charged to functions/programs of the District as follows: firefighting/emergency medical services $170,866 and facility maintenance and operations $119,633.

NOTE 7 - LONG-TERM LIABILITIES

Changes in long-term liabilities:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
2012 revenue bonds	$ 1,653,326	$ -	$ (312,284)	$ 1,341,042	$ 321,215
Accrued compensated absences	677,143	290,867	(256,629)	711,381	-
Total long-term liabilities	$ 2,330,469	$ 290,867	$ (568,913)	$ 2,052,423	$ 321,215

Revenue Bond Obligation

2012: March 1, 2012, the District issued a revenue bond for $3,147,575 to refinance the 2004 and 2011 lease purchase agreements. The revenue bond is collateralized by all revenues, fees, donations, contributions or other income derived from the property, plant and equipment purchased under the 2004 and 2011 lease purchase agreements. The revenue bond is also collateralized by all ad valorem taxes, levied and collected by the District pursuant to the November 2005 voter authorization. As required by GASB No. 65, the issuance costs of $61,475 were expensed in the year of issuance. The District is obligated under the agreement to make annual payments of $359,569, including principal and interest at an interest rate of 2.86 percent, each July 1 beginning July 1, 2012 and ending July 1, 2021. The agreement requires compliance with specified covenants and obligations. The District established a bank account, as required by the agreement, to hold a minimum balance equal to the annual debt service requirement. The balance in the restricted account is $362,771 at December 31, 2017.

Revenue Bond Minimum Future Obligations

The minimum future obligations are as follows:

Year		Principal	Interest	Total
2018		$ 321,215	$ 38,354	$ 359,569
2019		330,402	29,167	359,569
2020		339,852	19,717	359,569
2021		349,573	9,998	359,571
	Total minimum future obligations payments	$ 1,341,042	$ 92,236	$ 1,438,278

NOTE 8 - PENSION PLANS

Old Hire (Hired prior to April 8, 1978)

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

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

The Old Hire Plan provides normal retirement benefits, disability retirement and survivor benefits. Firefighters who have attained both 50 years of age and completed 20 years of active service in any fire department in the State of Colorado are eligible for a monthly pension equal to one-half of their monthly salary as of the date of retirement. Upon death, the surviving spouse receives a monthly pension based on one-third of the salary of a first grade firefighter at the time of retirement, until death or remarriage. The District has two retirees and no active members in the Old Hire Plan as of January 1, 2016, the actuarial valuation date.

At December 31, 2017, the District reported a net pension liability of $186,197 related to the Old Hire Plan. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

At December 31, 2017 the total pension liability was $281,553, the plan fiduciary net position was $95,356, and the pension plan fiduciary net position as a percentage of total pension liability was 33.87 percent. For the year ended December 31, 2017, the District recognized pension expense of $18,587.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to the Old Hire Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on pension plan investments	$ 6,072	$ -
Total	$ 6,072	$ -

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

Deferred outflows of resources of $17,593 related to the Old Hire Plan resulting from contributions subsequent to the measurement date of December 31, 2016 will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Old Hire Plan will be recognized in pension expense as follows:

For the years ending December 31,	
2018	$ 1,920
2019	$ 1,922
2020	$ 1,760
2021	$ 470
2022	$ -
Thereafter	$ -
Total	$ 6,072

Employer contributions are recognized by FPPA in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to FPPA. Employer contributions recognized by the FPPA from the District were $17,593 for the year ended December 31, 2017.

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

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

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

Assumption changes. The assumptions shown above pertain to the actuarial valuation as of January 1, 2014 and the associated actuarially determined contribution for the year ended December 31, 2016. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for use in the January 1, 2016 valuations. Those assumption changes are incorporated into the total pension liability as of December 31, 2016, since it is based on the actuarial valuation as of January 1, 2016. The assumptions changes will be observed in the actuarially determined contribution for the year ending December 31, 2017.

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

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

Development of the single discount rate. 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 long-term expected rate of return on pension plan investments is 7.50 percent; the municipal bond rate is 3.78 percent (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 percent.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return, which eliminates the 2.5 percent inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	36.00%	6.75%
Equity Long/Short	10.00%	4.85%
Illiquid Alternatives	23.00%	8.25%
Fixed Income	15.00%	0.50%
Absolute Return	10.00%	4.05%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00%*
Total	100.00%	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 205,343	$ 186,197	$ 169,182

Paid Firefighters (Hired after April 8, 1978)
The District participates in the Statewide Defined Benefit Plan (SWDB Plan), a cost-sharing multiple-employer defined benefit pension fund administered by FPPA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Eligible employees of the District are provided with pensions through the SWDB Plan. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at http://fppaco.org.

FPPA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

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

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

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

Members of the SWDB Plan and their employers are contributing at the rate of 9 percent and 8 percent, respectively, of base salary for a total contribution rate of 17 percent in 2016. In 2014, the members elected to increase the member contribution rate to the SWDB Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

At December 31, 2016, the total pension liability for the SWDB Plan was $2,021,526,883, the plan fiduciary net position was $1,985,393,043, the net pension liability was $36,133,840, and the plan fiduciary net position as a percentage of the total pension liability was 98.21 percent.

At December 31, 2016, the District's proportion of the net pension liability of the SWDB Plan was 0.4651 percent, which was a decrease of 0.0351 percent from its proportion measured as of December 31, 2015.

At December 31, 2017, the District reported a liability of $168,046 for its proportionate share of the SWDB Plan net pension liability. The net pension liability was measured as of December 31, 2016. The collective total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The actuarially determined contributions as of December 31, 2016 are based on the January 1, 2016 actuarial valuation. For the year ended December 31, 2017, the District recognized pension expense of $259,379.

Employer contributions recognized by the SWDB Plan from the District were $185,339 for the year ended December 31, 2017.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to the SWDB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 453,592	$ -
Changes in actuarial assumptions	114,789	-
Difference between actual and expected experience	150,045	8,547
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions.	66,882	-
Total	$ 785,308	$ 8,547

The deferred outflows and deferred inflows related to pensions are included with total deferred outflows and total deferred inflows on the statement of net position. Deferred outflows of resources of $185,339 related to FPPA pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the FPPA net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending December 31,	Amounts Recognized in Pension Expense	
2017	$	173,150
2018	$	145,246
2019	$	162,804
2020	$	66,248
2021	$	30,440
Thereafter	$	104,088
Total	$	681,976

The actuarial valuations for the SWDB Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2016. The valuation used the following actuarial assumption and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return*	7.5%
Projected Salary Increases*	4.0% - 14.0%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3 percent mortality probability to males and 2 percent mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55 percent of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	36.0%	9.25%
Equity Long/Short	10.0%	7.35%
Illiquid Alternatives	23.0%	10.75%
Fixed Income	15.0%	4.10%
Absolute Return	10.0%	6.55%
Managed Futures	4.0%	5.50%
Cash	2.0%	0.00% *
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension asset was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50 percent; the municipal bond rate is 3.78 percent (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 percent.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension asset (liability)	$(1,429,803)	$(168,046)	$879,905

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

Volunteer Firefighters

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

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

The Volunteer Plan provides normal retirement benefits, disability retirement and survivor benefits. Fully vested firefighters receive the maximum benefit in an amount reviewed every other year during the actuarial review process. Firefighters who have attained both 50 years of age and completed 20 years of active service in any fire department in the State of Colorado are fully vested and are eligible for a normal retirement benefit. Firefighters with 10 to 20 years of service are also eligible for a reduced monthly benefit based off an amount per year of service that is also reviewed every other year during the actuarial review process. Upon death, the surviving spouse receives a monthly pension equal to 50 percent of the benefit previously received, payable until death or remarriage. The District had fourteen retirees, one inactive, nonretired members, and two active members in the Volunteer Plan as of January 1, 2017, the actuarial valuation date.

At December 31, 2017, the District reported a net pension liability of $305,994 related to the Volunteer Plan. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

At December 31, 2017 the total pension liability was $896,001, the plan fiduciary net position was $590,007, and the pension plan fiduciary net position as a percentage of total pension liability was 65.85 percent. For the year ended December 31, 2017, the District recognized pension income of $90,365.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to the Volunteer Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 27,113
Changes in assumptions	3,980	-
Net difference between expected and actual earnings on pension plan investments	32,623	-
Total	$ 36,603	$ 27,113

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

Deferred outflows of resources of $34,000 related to the Volunteer Plan resulting from contributions subsequent to the measurement date of December 31, 2016 will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Volunteer Plan will be recognized in pension expense (income) as follows:

For the years ending December 31,	
2018	$ (12,783)
2019	$ 10,351
2020	$ 9,375
2021	$ 2,547
2022	$ -
Thereafter	$ -
Total	$ 9,490

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

Employer contributions recognized by the FPPA from the District were $34,000 for the year ended December 31, 2017.

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

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

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

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

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

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

Development of the single discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The long term expected rate of investment return was 7.50 percent. The long term municipal bond rate was 3.78 percent. This rate is from the Federal Reserve statistical release (H.15) as of December 31, 2016. The statistical release describes this rate as "Bond Buyer Index, general obligation, 20 years to maturity, mixed quality." In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service Aa2 rating and Standard & Poor's Corp.'s AA. The last year ending December 31 in the 2017 to 2116 projection period for which projected benefit payments are fully funded is 2116.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return, which eliminates the 2.5 percent inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	36.00%	6.75%
Equity Long/Short	10.00%	4.85%
Illiquid Alternatives	23.00%	8.25%
Fixed Income	15.00%	0.50%
Absolute Return	10.00%	4.05%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00% *
Total	100.00%	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 392,626	$ 305,994	$ 232,681

Non-Firefighters and EMS

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Eligible employees of the District are provided with pensions through the LGDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at

8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

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

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

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

Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

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

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

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

At December 31, 2016, the total pension liability for PERA was $5,123,847,000, the plan fiduciary net position was $3,773,506,000, the net pension liability was 1,350,341,000, and the plan fiduciary net position as a percentage of the total pension liability was 73.6 percent.

At December 31, 2016, the District's proportion of the net pension liability of PERA was 0.0107 percent, which was an increase of 0.0004 percent from its proportion measured as of December 31, 2015.

At December 31, 2017, the District reported a liability of $143,939 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF. For the year ended December 31, 2017, the District recognized pension expense of $26,215.

Employer contributions recognized by the LGDTF from the District for PERA were $10,294 for the year ended December 31, 2017.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERA pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,561	$ -
Changes in actuarial assumptions	10,210	416
Net difference between projected and actual earnings on pension plan investments.	17,286	-
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions.	1.549	2,006
Total	$ 31,606	$ 2,422

The deferred outflows of resources and deferred inflows of resources related to pensions are included with total deferred outflows of resources and total deferred inflows of resources on the Statement of Net Position. Deferred outflows of resources of $17,286 related to PERA pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the PERA net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending December, 31	
2017	$ 17,011
2018	$ 7,716
2019	$ 4,292
2020	$ 165
2021	$ -
Thereafter	$ -
Total	$ 29,184

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 10.45%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed or actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement morality assumptions reflect the RP-2014 Healthy Annuitant Morality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP. 2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return *
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$213,039	$143,939	$87,718

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

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

All property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in the Deferred Compensation Plan Trusts for the exclusive benefit of participants and their beneficiaries. FPPA is trustee of the trusts. The District has no ownership interest in the plan nor is the District liable for losses under the deferred compensation plan.

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 20, 2018, the date at which the financial statements were available to be issued.

The District passed a resolution to expand the District boundaries. This expansion is projected to increase property tax revenue by approximately $60,000 beginning in 2019.

Required Supplemental Information

MONTROSE FIRE PROTECTION DISTRICT

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

For the year ended December 31, 2017

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	$ 3,372,594	$ 3,386,715	$ 14,121
Specific ownership taxes	421,805	482,265	60,460
Interest on delinquent taxes	22,475	33,788	11,313
Charges for services, net of adjustment	984,725	1,386,887	402,162
Reserve balance transfer	375,000	-	(375,000)
Permits and fees	7,500	16,257	8,757
Miscellaneous	8,000	32,275	24,275
Earnings on deposits and investments	10,000	16,224	6,224
Capital grants	356,277	-	(356,277)
Total Revenues	5,558,376	5,354,411	(203,965)
EXPENDITURES			
Current			
Fire fighting/emergency medical services	3,675,416	3,627,529	47,887
Administration	640,098	819,136	(179,038)
Equipment and supplies	194,350	184,127	10,223
Facility maintenance and operations	143,800	135,858	7,942
Communications	102,250	99,530	2,720
Training	18,425	15,482	2,943
Fire prevention	9,850	4,853	4,997
Capital outlay	412,463	15,784	396,679
Debt service			
Principal	303,601	312,284	(8,683)
Interest	55,968	47,285	8,683
Total Expenditures	5,556,221	5,261,868	294,353
Excess of Revenues Over Expenditures	2,155	92,543	90,388
Net Change in Fund Balance	$ 2,155	92,543	$ 90,388
Fund Balance - January 1		2,271,336	
Fund Balance - December 31		$ 2,363,879	

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

OLD HIRE PLAN SCHEDULES OF CHANGES IN NET PENSION LIABILITY / (ASSET) AND RELATED RATIOS
LAST 10 YEARS (to be built prospectively)
As of December 31, *

Plan measurement period ending December 31,	2016	2015	2014
Total Pension Liability			
Interest on the total pension liability	$ 20,830	$ 19,722	$ 20,677
Difference between expected and actual experience of the total pension liability	-	11,929	-
Changes of assumptions	-	16,532	-
Benefit payments	(33,412)	(33,412)	(33,412)
Net change in total pension liability	(12,582)	14,771	(12,735)
Total pension liability - beginning	294,135	279,364	292,099
Total pension liability - ending	$ 281,553	$ 294,135	$ 279,364
Plan Fiduciary Net Position			
Employer contributions	$ 17,593	$ 17,593	$ 16,370
Net investment income	5,147	2,211	8,637
Benefit payments	(33,412)	(33,412)	(33,412)
Pension plan administrative expense	(3,334)	(533)	(4,533)
Net change in plan fiduciary net position	(14,006)	(14,141)	(12,938)
Plan fiduciary net position - beginning (market value of assets at beginning of year)	109,362	123,503	136,441
Plan fiduciary net position - ending (market value of assets at end of year)	$ 95,356	$ 109,362	$ 123,503
Net Pension Liability	186,197	184,773	155,861
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	33.87%	37.18%	44.21%
Covered Employee Payroll	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2016, 2015 and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2017, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.*

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
OLD HIRE PLAN SCHEDULES OF CONTRIBUTIONS
LAST 10 YEARS (to be built prospectively)

For the Year Ended December 31, 2017

Plan Year Ended December 31,	Actuarially Determined Contribution *	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2016	$ 17,593	$ 17,593	$ -	N/A	N/A
2015	$ 17,593	$ 17,593	$ -	N/A	N/A
2014	$ 15,124	$ 16,370	$ (1,246)	N/A	N/A

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

MONTROSE FIRE PROTECTION DISTRICT

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

As of December 31, *

	2016	2015	2014
District's proportion of the net pension asset	0.4651%	0.5002%	0.5139%
District's proportionate share of the net pension asset (liability)	$ (168,046)	$ 8,818	$ 579,986
District's covered payroll	$ 2,411,314	$ 2,463,001	$ 2,310,574
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	-6.97%	0.36%	25.10%
Plan fiduciary net position as a percentage of the total pension asset	98.21%	100.10%	106.80%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2016, 2015 and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2017, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.*

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

For the Years Ended December 31,

	2017	2016	2015
Statutorily required contribution	$ 185,339	$ 190,410	$ 193,990
Contributions in relation to the statutorily required contribution	(185,339)	(190,410)	(193,990)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 2,316,742	$ 2,411,314	$ 2,463,001
Contributions as a percentage of covered payroll	8%	8%	8%

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

VOLUNTEER PLAN SCHEDULES OF CHANGES IN NET PENSION LIABILITY / (ASSET) AND RELATED RATIOS
LAST 10 YEARS (to be built prospectively)

As of December 31, *

Plan measurement period ending December 31,	2016	2015	2014
Total Pension Liability			
Service cost	$ 5,367	$ 5,367	$ 6,740
Interest on the total pension liability	75,050	75,262	69,562
Benefit changes	37,205	-	75,047
Difference between expected and actual experience of the total pension liability	(207,867)	-	11,054
Changes of assumptionis	30,510	-	-
Benefit payments	(83,084)	(83,820)	(87,570)
Net change in total pension liability	(142,819)	(3,191)	74,833
Total pension liability - beginning	1,038,820	1,042,011	967,178
Total pension liability - ending	$ 896,001	$ 1,038,820	$ 1,042,011
Plan Fiduciary Net Position			
Employer contributions	$ 34,000	$ 34,000	$ 34,000
Net investment income	30,306	10,303	39,014
Benefit payments	(83,084)	(83,820)	(87,570)
Pension plan administrative expense	(1,178)	(3,193)	(1,287)
State of Colorado supplemental discretionary payment	22,500	22,500	22,500
Net change in plan fiduciary net position	2,544	(20,210)	6,657
Plan fiduciary net position - beginning (market value of assets at beginning of year)	587,463	607,673	601,016
Plan fiduciary net position - ending (market value of assets at end of year)	$ 590,007	$ 587,463	$ 607,673
Net Pension Liability / (Asset)	305,994	451,357	434,338
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.85%	56.55%	58.32%
Covered Employee Payroll	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2016, 2015 and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2017, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.*

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER PLAN SCHEDULES OF CONTRIBUTIONS
LAST 10 YEARS (to be built prospectively)

For the Year Ended December 31, 2017

Plan Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2016	$ 46,610	$ 56,500	$ (9,890)	N/A	N/A
2015	$ 44,354	$ 56,500	$ (12,146)	N/A	N/A
2014	$ 44,354	$ 56,500	$ (12,146)	N/A	N/A

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

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

As of December 31, *

	2016	2015	2014
District's proportion of the net pension liability	0.0107%	0.0103%	0.0106%
District's proportionate share of the net pension liability	$ 143,939	$ 113,073	$ 95,429
District's covered payroll	$ 58,295	$ 58,340	$ 58,340
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	246.91%	193.82%	163.57%
Plan fiduciary net position as a percentage of the total pension liability	73.60%	76.87%	80.72%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2016, 2015 and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2017, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.*

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

For the Years Ended December 31,

	2017	2016	2015
Statutorily required contribution	$ 10,294	$ 13,086	$ 7,986
Contributions in relation to the statutorily required contribution	(10,294)	(13,086)	(7,986)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 72,077	$ 58,295	$ 58,340
Contributions as a percentage of covered-employee payroll	14.28%	22.45%	13.69%

Other Supplemental Information

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GENERAL FUND

For the years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
REVENUES			
Property taxes	$ 3,386,715	$ 3,451,486	$ 3,315,418
Specific ownership taxes	482,265	429,905	419,189
Interest on delinquent taxes	33,788	11,374	21,358
Charges for services, net of adjustment	1,386,887	1,204,370	819,903
Permits and fees	16,257	9,025	6,225
Miscellaneous	32,275	34,301	14,331
Earnings on deposits and investments	16,224	9,608	3,180
Capital grants	-	49,923	18,419
Total Revenues	5,354,411	5,199,992	4,618,023
EXPENDITURES			
Current:			
Fire fighting/emergency medical services	3,627,529	3,556,878	3,407,571
Administration	819,136	747,493	500,478
Equipment and supplies	184,127	161,703	139,635
Facility maintenance and operations	135,858	109,661	102,583
Communications	99,530	107,806	45,146
Training	15,482	30,979	13,257
Fire prevention	4,853	4,651	2,580
Capital outlay	15,784	68,396	89,028
Debt service			
Principal	312,284	303,601	295,160
Interest	47,285	55,968	64,409
Total Expenditures	5,261,868	5,147,136	4,659,847
Excess (Deficiency) of Revenue Over (Under) Expenditures	92,543	52,856	(41,824)
Net Change in Fund Balance	92,543	52,856	(41,824)
Fund Balance - January 1	2,271,336	2,218,480	2,260,304
Fund Balance - December 31	$ 2,363,879	$ 2,271,336	$ 2,218,480

See accompanying notes.