

**NEDERLAND FIRE PROTECTION DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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Office of the State Auditor

September 10, 2018

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## **FINANCIAL SECTION**



## JOHN CUTLER & ASSOCIATES

Board of Directors  
Nederland Fire Protection District  
Boulder County, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nederland Fire Protection District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 each major fund of the Nederland Fire Protection 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 required supplemental information on pages 28-32 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.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nederland Fire Protection District's financial statements. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statement is fairly stated in all material respects in relation to the financial statements as a whole.

*John Cutler & Associates, LLC*

July 27, 2018

## **BASIC FINANCIAL STATEMENTS**

NEDERLAND FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2017

	Governmental Activities	
	2017	2016
<b>ASSETS</b>		
Cash	\$ 215,308	\$ 282,895
Receivables		
Property Taxes	795,800	764,237
Accounts	57,379	3,839
Net Pension Asset - SWDB Pension	-	465
Capital Assets, not depreciated	7,000	7,000
Capital Assets, depreciated, net of accumulated depreciation	2,049,657	1,862,626
<b>TOTAL ASSETS</b>	<b>3,125,144</b>	<b>2,921,062</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Volunteer Pension	72,854	58,803
Related to SWDB Pension	56,223	47,872
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>129,077</b>	<b>106,675</b>
<b>LIABILITIES</b>		
Accounts Payable	12,090	17,667
Accrued Expenses	12,107	10,622
Noncurrent Liabilities		
Net Pension Liability - Volunteer Pension	38,149	107,666
Net Pension Liability - SWDB Pension	9,857	-
Due within One Year	150,000	145,000
Due in More Than One Year	61,177	196,174
<b>TOTAL LIABILITIES</b>	<b>283,380</b>	<b>477,129</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Tax Revenue	795,800	764,237
Related to Volunteer Pension	71,614	17,846
Related to SWDB Pension	501	548
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>867,915</b>	<b>782,631</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,906,657	1,574,626
Restricted for Emergencies	21,000	20,000
Unrestricted	175,269	173,351
<b>TOTAL NET POSITION</b>	<b>\$ 2,102,926</b>	<b>\$ 1,767,977</b>

The accompanying notes are an integral part of the financial statements.

NEDERLAND FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT				2017	2016
<b>Governmental Activities</b>					
Fire Administration	\$ 677,276	\$ -	\$ -	\$ (677,276)	\$ (588,033)
Fire Fighting and Prevention	121,084	265,731	-	144,647	(89,718)
Emergency Medical Services	19,837	-	-	(19,837)	(29,958)
Communications	3,430	-	-	(3,430)	(5,271)
Volunteer Support	38,888	-	-	(38,888)	(41,905)
Interest on Long-Term Debt	10,903	-	-	(10,903)	(17,762)
<b>Total Governmental Activities</b>	<b>\$ 871,418</b>	<b>\$ 265,731</b>	<b>\$ -</b>	<b>(605,687)</b>	<b>(772,647)</b>
<b>GENERAL REVENUES</b>					
Property Taxes				766,066	751,452
Specific Ownership Taxes				44,609	39,688
Interest				217	212
Other				30,252	27,586
<b>TOTAL GENERAL REVENUES</b>				<b>841,144</b>	<b>818,938</b>
<b>CHANGE IN NET POSITION</b>				<b>235,457</b>	<b>46,291</b>
<b>NET POSITION, Beginning</b>				<b>1,767,977</b>	<b>1,721,686</b>
Prior Period Adjustment				99,492	-
<b>NET POSITION, Ending</b>				<b>\$ 2,102,926</b>	<b>\$ 1,767,977</b>

The accompanying notes are an integral part of the financial statements.

NEDERLAND FIRE PROTECTION DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2017

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS	
			2017	2016
<b>ASSETS</b>				
Cash	\$ 197,284	\$ 18,024	\$ 215,308	\$ 282,895
Property Taxes Receivable	638,322	157,478	795,800	764,237
Accounts Receivable	57,379	-	57,379	3,839
<b>TOTAL ASSETS</b>	<b>\$ 892,985</b>	<b>\$ 175,502</b>	<b>\$ 1,068,487</b>	<b>\$ 1,050,971</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 12,090	\$ -	\$ 12,090	\$ 17,667
Accrued Expenses	12,107	-	12,107	10,622
<b>TOTAL LIABILITIES</b>	<b>24,197</b>	<b>-</b>	<b>24,197</b>	<b>28,289</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax Revenue	638,322	157,478	795,800	764,237
<b>FUND BALANCE</b>				
Fund Balance				
Restricted for Emergencies	21,000	-	21,000	20,000
Restricted for Debt Service	-	18,024	18,024	16,198
Unassigned	209,466	-	209,466	222,247
<b>TOTAL FUND BALANCE</b>	<b>230,466</b>	<b>18,024</b>	<b>248,490</b>	<b>258,445</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 892,985</b>	<b>\$ 175,502</b>		

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

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

2,056,657 1,869,626

Long-term liabilities and related assets are not due and payable in the current period and are not reported in the funds. These include bonds payable (\$150,000), compensated absences (\$61,177), net pension liability of (\$48,006), deferred outflows related to pensions of \$129,077, and deferred inflows related to pensions of (\$72,115).

(202,221) (360,094)

Net position of governmental activities

\$ 2,102,926 \$ 1,767,977

The accompanying notes are an integral part of the financial statements.

NEDERLAND FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2017

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS	
			2017	2016
REVENUES				
Taxes	\$ 652,946	\$ 157,729	\$ 810,675	\$ 791,140
Intergovernmental	265,731	-	265,731	3,547
Cistern Fees	5,000	-	5,000	5,000
Interest	217	-	217	212
Miscellaneous	25,252	-	25,252	22,586
<b>TOTAL REVENUES</b>	<b>949,146</b>	<b>157,729</b>	<b>1,106,875</b>	<b>822,485</b>
EXPENDITURES				
Current				
Fire Administration	557,681	-	557,681	518,861
Fire Fighting and Prevention	43,969	-	43,969	64,900
Emergency Medical Services	15,693	-	15,693	23,584
Communications	3,430	-	3,430	5,271
Volunteer Support	38,888	-	38,888	41,905
Capital Outlay	301,266	-	301,266	-
Debt Service				
Principal	-	145,000	145,000	135,000
Interest and Fiscal Charges	-	10,903	10,903	17,762
<b>TOTAL EXPENDITURES</b>	<b>960,927</b>	<b>155,903</b>	<b>1,116,830</b>	<b>807,283</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(11,781)</b>	<b>1,826</b>	<b>(9,955)</b>	<b>15,202</b>
FUND BALANCES, Beginning	242,247	16,198	258,445	243,243
FUND BALANCES, Ending	\$ 230,466	\$ 18,024	\$ 248,490	\$ 258,445

The accompanying notes are an integral part of the financial statements.

NEDERLAND FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017

Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (9,955)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$241,724 exceeded depreciation expense (\$154,185) in the current period.	87,539
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include payments on bonds of \$145,000 and change in compensated absences (\$15,003).	129,997
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide statements that amount is capitalized and amortized.	<u>27,876</u>
Change in Net Position of Governmental Activities	<u>\$ 235,457</u>

The accompanying notes are an integral part of the financial statements.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Nederland Fire Protection District was formed to provide fire protection and emergency medical services to the Town of Nederland and surrounding area within its boundaries. The District is governed by a five-member Board of Directors elected by the residents.

The accounting policies of the Nederland Fire Protection District (the “District”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**Reporting Entity**

In accordance with governmental accounting standards, the Nederland Fire Protection District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the 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*.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the 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.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* 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.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal, interest and related costs.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Machinery and Equipment	10 - 20 years
Vehicles	15 years

**Long-Term Obligations**

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

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Position**

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

*Net Investment in Capital Assets* includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Position** (Continued)

*Restricted Net Position* includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

*Unrestricted Net Position* typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

**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:

- 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 Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. In addition, the District has classified the Debt Service Fund balance as restricted because their use is restricted for debt service payments.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors 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.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources.

**Compensated Absences**

Employees of the District are allowed to accumulate unused vacation and sick time. Upon termination of employment with the District, an employee is compensated for all accrued vacation time at the current rate of pay. Accrued sick time is paid at a rate of 50% upon retirement from the District at the employee's current rate of pay.

These compensated absences are recognized when due in the governmental funds types. A liability has been recorded in the government-wide financial statements for accrued compensated absences.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Property Taxes**

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Property Taxes** (Continued)

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In September, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**(Continued)

- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

**NOTE 3: CASH DEPOSITS**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2017, the District had deposits with financial institutions with a carrying amount of \$215,308. The bank balances with the financial institutions were \$220,182. All of these balances were covered by federal depository insurance.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2017, is summarized below:

	Balances <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/17</u>
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Capital Assets, depreciated				
Buildings	2,442,424	-	-	2,442,424
Infrastructure	129,838	-	-	129,838
Machinery and Equipment	461,390	201,275	-	662,665
Vehicles	<u>1,330,911</u>	<u>40,449</u>	-	<u>1,371,360</u>
Total Capital Assets, depreciated	<u>4,364,563</u>	<u>241,724</u>	-	<u>4,606,287</u>
Less Accumulated Depreciation				
Buildings	870,570	61,394	-	931,964
Infrastructure	45,046	4,328	-	49,374
Machinery and Equipment	301,616	51,374	-	352,990
Vehicles	<u>1,185,213</u>	<u>37,089</u>	-	<u>1,222,302</u>
Total Accumulated Depreciation	<u>2,402,445</u>	<u>154,185</u>	-	<u>2,556,630</u>
Total Capital Assets, depreciated, Net	<u>1,962,118</u>	<u>87,539</u>	-	<u>2,049,657</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,969,118</u>	<u>\$ 87,539</u>	<u>\$ -</u>	<u>\$ 2,056,657</u>

The beginning balances of capital assets were increased by \$99,492 to capitalize equipment that was received by the District in 2016.

Depreciation expense was charged to functions/programs of the District as follows:

<b>Governmental Activities</b>	
Fire Administration	\$ 72,926
Fire Fighting and Prevention	77,115
Emergency Medical Services	<u>4,144</u>
Total	<u>\$ 154,185</u>

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2017.

	Balance <u>12/31/16</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/17</u>	Due In <u>One Year</u>
G.O. Bonds	\$ 295,000	\$ -	\$ 145,000	\$ 150,000	\$ 150,000
Compensated Absences	<u>46,174</u>	<u>42,345</u>	<u>27,342</u>	<u>61,177</u>	<u>-</u>
Total	<u>\$ 341,174</u>	<u>\$ 42,345</u>	<u>\$ 172,342</u>	<u>\$ 211,177</u>	<u>\$ 150,000</u>

Accrued Compensated Absences are being paid from resources generated by the General Fund.

**G.O. Bonds**

1998 General Obligation (G.O.) Bonds, dated July 15, 1998, with principal and interest payments due semi-annually on January 1 and July 1, through 2018. Interest accrues at rates ranging from 4.10% to 4.90%. Bonds maturing on or after July 1, 2009, are subject to early redemption on any interest payment date, without any redemption premium. Term Bonds maturing on July 1, 2003, 2008, and 2018 are subject to mandatory sinking fund redemption, beginning on July 1, 1999, 2004, and 2009, respectively, without any redemption premium.

**Future Debt Service Requirements**

Annual debt service requirements for the bonds at December 31, 2017, are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>150,000</u>	\$ <u>7,350</u>	\$ <u>157,350</u>
Total Debt Service Requirements	<u>\$ 150,000</u>	<u>\$ 7,350</u>	<u>\$ 157,350</u>

**NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance through a commercial carrier for these risks of loss. No claims have exceeded insured amounts in the last three years.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

Claims and Judgments - The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. The District believes that disallowed expenses, if any, would not have a material effect on the overall financial position of the District.

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2017, the emergency reserve of \$21,000 was recorded as a restriction of fund balance in the General Fund.

**NOTE 8: DEFINED BENEFIT PENSION PLANS**

**Volunteer Firefighters' Pension Plan**

**Summary of Significant Accounting Policies**

The District has established the Volunteer Firefighters' Pension Plan (the "Volunteer Plan"), an agent multiple-employer defined benefit pension fund administered by the Colorado Fire & Police Pension Association ("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 Volunteer 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.

**General Information about the Pension Plan**

*Plan Description.* Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a monthly pension. Additionally, any firefighter that has reached the age of fifty with at least ten years of service will receive a pension benefit that is prorated for years of creditable volunteer service between 10 and 20 years. A firefighter who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the Pension Board.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Volunteer Firefighters' Pension Plan** (Continued)

**General Information about the Pension Plan** (Continued)

The Plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter. Spouses of deceased firefighters may receive benefits as authorized by State statute. FPPA issues an annual, publicly-available financial report that includes the assets of the Volunteer Plan. That report may be obtained on FPPA's website at <http://www.fppaco.org>.

*Funding Policy.* An actuary is used to determine the annual required contribution ("ARC") necessary to maintain the actuarial soundness of the Plan. Colorado law requires the State to make an annual contribution to the Plan. Because the District's monthly benefit amount is over \$300, the State's annual contribution is calculated as the highest State contribution made between 1998 and 2001. The District makes an additional contribution to support the plan.

The actuarial study as of January 1, 2017, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

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

At December 31, 2017 the District reported a net pension liability of \$38,149. The net pension liability was measured as of December 31, 2016, and 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.

For the year ended December 31, 2017 the District recognized pension income of \$3,260. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	\$71,614
Net difference between projected and actual earnings on pension plan investments	\$35,248	N/A
Change in assumptions and other inputs	\$11,066	N/A
Contributions subsequent to the measurement date	\$26,540	N/A
Total	\$72,854	\$71,614

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Volunteer Firefighters' Pension Plan** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

\$26,540 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31,</b>	
2018	(\$22,008)
2019	(\$15,379)
2020	\$9,263
2021	\$2,824

*Actuarial assumptions:* Method, and Assumptions Used to Determine Contribution Rates:

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:	<b>Pre-retirement:</b> RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. <b>Post-retirement:</b> RP-2000 Combined Mortality Table, with Blue Collar Adjustment. <b>Disabled:</b> RP-2000 Disabled Mortality. 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 first 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 valuations.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Volunteer Firefighters' Pension Plan** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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 for 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% for females.

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 Real Rate of Return
Global Equity	36.0%	6.75%
Equity Long/Short	10.0%	4.85%
Illiquid Alternatives	23.0%	8.25%
Fixed Income	15.0%	.50%
Absolute Return	10.0%	4.05%
Managed Futures	4.0%	3.00%
Cash	2.0%	0.00%*
Total	100.0%	

\*While expected inflation exceeds the expected rate of return for cash, a 0% real rate of return is utilized.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Volunteer Firefighters' Pension Plan** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the 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 payment) to determine the total pension liability.

*Sensitivity of the District's net pension asset to changes in the discount rate.* The following presents the net pension asset calculated using the discount rate of 7.50 percent, as well as the net pension asset 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%)
Net pension liability	\$118,813	\$38,149	(\$29,412)

*FPPA System Description.* The Fire & Police Pension Association 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 <http://www.fppaco.org>

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Statewide Defined Benefit Pension Plan**

**Summary of Significant Accounting Policies**

*Pensions.* The District contributes to the Statewide Defined Benefit Pension Plan (“SWDB Plan”), a cost-sharing multiple employer defined benefit pension plan, which is administered by the 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. Assets of the SWDB Plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund.

**General Information about the Pension Plan**

*Plan description.* The SWDB Plan provides retirement benefits for members and beneficiaries according to plan provisions as enacted and governed by FPPA's Pension Fund Board of Trustees. Colorado Revised Statutes ("CRS"), as amended, establishes basic benefit provisions under the SWDB Plan. FPPA issues an annual, publicly-available financial report that includes the assets of the SWDB Plan. That report may be obtained on FPPA's website at <http://www.fppaco.org>.

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

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually.

Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the 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.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Statewide Defined Benefit Pension Plan** (Continued)

**General Information about the Pension Plan** (Continued)

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

*Contributions.* The 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.

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

The contribution rate for members and employers of affiliated social security employers is 4.5 and 4 percent, respectively, of base salary for a total contribution rate of 8.5 percent in 2016. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Statewide Defined Benefit Pension Plan** (Continued)

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

At December 31, 2017 the District reported a liability in the amount of \$9,857 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset 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. The District's proportion of the net pension asset was based on the District's contributions to the SWDB Plan for the calendar year 2016 relative to the total contributions of participating employers to the SWDB Plan.

At December 31, 2016, the District's proportion was 0.02728%, which was an increase of 0.00092% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017 the District recognized pension expense of \$14,307. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$8,801	\$501
Net difference between projected and actual earnings on pension plan investments	\$26,607	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$1,699	N/A
Change in assumptions and other inputs	\$6,733	N/A
Contributions subsequent to the measurement date	\$12,383	N/A
Total	\$56,223	\$501

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Statewide Defined Benefit Pension Plan** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

\$12,383 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31</b>	
2018	\$ 10,382
2019	\$ 10,382
2020	\$ 10,382
2021	\$ 3,505
Thereafter	\$ 8,688

*Actuarial assumptions.* The actuarial valuations for the SWBP were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2016. The valuations used the following actuarial assumptions and other inputs:

Total Pension Liability:

Actuarial Valuation Date	January 1, 2017
Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return*	7.50 percent
Projected salary increases*	4.0 – 14.0 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 2.5%	

Actuarially Determined Contributions:

Actuarial Valuation Date	January 1, 2016
Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return*	7.50 percent
Projected salary increases*	4.0 – 14.0 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 2.5%	

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Statewide Defined Benefit Pension Plan** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

At least every five years the Fire & Police Pension Association's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the Fire & Police Pension Association's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future.

The assumption changes were effective for actuarial valuations beginning January 1, 2017 and were used in the roll-forward calculation of the total pension liability as of December 31, 2016. Actuarial assumptions effective for actuarial valuations prior to January 1, 2017 were used in the determination of the actuarially determined contributions as of December 31, 2016. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Statewide Defined Benefit Pension Plan** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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	100.0%	

\*While expected inflation exceeds the expected rate of return for cash, a 0% real rate of return is utilized.

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the 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 payment) to determine the total pension liability.

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

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8: DEFINED BENEFIT PENSION PLANS** (Continued)

**Statewide Defined Benefit Pension Plan** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (asset)	\$83,869	\$ 9,857	(\$ 51,613)

*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 <http://www.fppaco.org>.

**NOTE 9: PAID FIREFIGHTER PENSION PLAN**

**Statewide Money Purchase Pension Plan**

Plan Description - Beginning in 2000, the District contributes to the Statewide Money Purchase Pension Plan (Plan), a cost-sharing multiple-employer defined contribution pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan, which is also administered by FPPA. This is a non-contributory plan. All full time, paid firefighters of the District are members of the Plan and the Statewide Death and Disability Plan. The Plan was established by the State Legislature under Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended.

NEDERLAND FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 9: PAID FIREFIGHTER PENSION PLAN** (Continued)

**Statewide Money Purchase Pension Plan** (Continued)

FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Plan and the Statewide Death and Disability Plan. That report may be obtained by contacting FPPA.

Funding Policy - The contribution requirements of plan members and the District are established and may be amended by the State legislature. Both the District and the employee contribute 8.0% of the employee's covered salary. The District contributions to the Plan for the year ending December 31, 2017, were \$10,194 equal to the required contribution.

**NOTE 10: PRIOR PERIOD ADJUSTMENT**

At December 31, 2017, the beginning net position of the governmental activities was increased by \$99,492 to include capitalizable equipment that was received from grant funds during the previous fiscal year.

**REQUIRED SUPPLEMENTAL INFORMATION**

NEDERLAND FIRE PROTECTION DISTRICT

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2017

	2017		VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Property Taxes	\$ 599,182	\$ 616,903	\$ 17,721	\$ 607,405
Specific Ownership Taxes	35,409	36,043	634	39,688
Grants and Donations	335,000	265,731	(69,269)	3,547
Cistern Fees	-	5,000	5,000	5,000
Interest	261	217	(44)	212
Miscellaneous	152	25,252	25,100	22,586
TOTAL REVENUES	970,004	949,146	(20,858)	678,438
EXPENDITURES				
Fire Administration				
Salaries and Benefits	439,202	444,240	(5,038)	411,123
Professional Fees	5,700	2,500	3,200	2,500
Insurance	45,346	45,769	(423)	41,766
Office Supplies and Expense	8,260	8,807	(547)	4,734
Building	34,256	41,450	(7,194)	35,986
Other	903	3,148	(2,245)	11,723
Treasurer's Fees	12,835	11,767	1,068	11,029
Fire Fighting and Prevention				
Vehicle Maintenance and Supplies	22,600	27,759	(5,159)	35,478
Training	3,000	7,612	(4,612)	7,869
Equipment	9,200	7,643	1,557	19,606
Other	500	955	(455)	1,947
Emergency Medical Services				
Training	3,950	3,018	932	12,130
Supplies	6,960	7,273	(313)	6,702
Other	4,752	5,402	(650)	4,752
Communications	4,000	3,430	570	5,271
Capital Outlay	335,000	301,266	33,734	-
Volunteer Support				
Awards and Incentives	4,500	4,147	353	8,272
Volunteers' Pension Contribution	26,540	26,540	-	31,048
Other	2,500	8,201	(5,701)	2,585
TOTAL EXPENDITURES	970,004	960,927	9,077	654,521
CHANGE IN FUND BALANCE	\$ -	(11,781)	\$ (11,781)	23,917
FUND BALANCE, Beginning		242,247		218,330
FUND BALANCE, Ending		\$ 230,466		\$ 242,247

See the accompanying independent auditors' report.

NEDERLAND FIRE PROTECTION DISTRICT

SCHEDULE OF CONTRIBUTIONS  
 VOLUNTEER FIREFIGHTERS' PENSION PLAN  
 December 31, 2017

<u>FY Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2008	22,327	30,024	(7,697)	N/A	N/A
2009	25,600	30,743	(5,143)	N/A	N/A
2010	25,600	31,741	(6,141)	N/A	N/A
2011	32,097	32,583	(486)	N/A	N/A
2012	32,097	32,262	(165)	N/A	N/A
2013	31,953	32,296	(343)	N/A	N/A
2014	31,953	29,922	2,031	N/A	N/A
2015	22,325	30,050	(7,725)	N/A	N/A
2016	26,548	31,048	(4,500)	N/A	N/A
2017	26,540	31,040	(4,500)	N/A	N/A

\*Includes both employer and State of Colorado Supplementary Discretionary Payment

See the accompanying independent auditors' report.

NEDERLAND FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS  
VOLUNTEER FIREFIGHTERS' PENSION PLAN  
Year Ended December 31,

Measurement Period Ending December 31,	2014	2015	2016
<b>Total Pension Liability</b>			
Service Cost	\$ 18,792	\$ 14,433	\$ 14,433
Interest on the Total Pension Liability	53,413	53,712	56,407
Benefit Changes	-	-	-
Difference Between Expected and Actual Experiences	(34,162)	-	(92,327)
Assumption Changes	-	-	16,498
Benefit Payments	(31,920)	(31,920)	(32,520)
Net Change in Total Pension Liability	6,123	36,225	(37,509)
Total Pension Liability - Beginning	718,621	724,744	760,969
Total Pension Liability - Ending	\$ 724,744	\$ 760,969	\$ 723,460
<b>Plan Fiduciary Net Position</b>			
Employer Contribution	\$ 23,154	\$ 23,282	\$ 26,548
Pension Plan Net Investment Income	40,832	11,476	34,784
Benefit Payments	(31,920)	(31,920)	(32,520)
Pension Plan Administrative Expenses	(1,321)	(2,152)	(1,304)
State of Colorado Supplemental Discretionary Payment	6,768	6,768	4,500
Net Change in Plan Fiduciary Net Position	37,513	7,454	32,008
Plan Fiduciary Net Position - Beginning	608,336	645,849	653,303
Plan Fiduciary Net Position - Ending	\$ 645,849	\$ 653,303	\$ 685,311
Net Pension Liability/(Asset)	\$ 78,895	\$ 107,666	\$ 38,149
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.11%	85.85%	94.73%
Covered Employee Payroll	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	N/A	N/A	N/A

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

NEDERLAND FIRE PROTECTION DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
STATEWIDE DEFINED BENEFIT PLAN

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportionate share of the Net Pension Liability (Asset)	0.029%	0.026%	0.026%	0.027%
District's proportionate share of the Net Pension Liability (Asset)	\$ (26,021)	\$ (29,561)	\$ (465)	\$ 9,857
District's covered-employee payroll	\$ 126,392	\$ 117,791	\$ 127,763	\$ 140,363
District's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	-20.6%	-25.1%	-0.4%	7.0%
Plan fiduciary net position as a percentage of the total pension liability	106.8%	105.8%	100.1%	98.2%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

NEDERLAND FIRE PROTECTION DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 STATEWIDE DEFINED BENEFIT PLAN

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contributions	\$ 10,111	\$ 9,423	\$ 10,221	\$ 11,229	\$ 12,383
Contributions in relation to the Statutorily required contributions	<u>10,111</u>	<u>9,423</u>	<u>10,221</u>	<u>11,229</u>	<u>12,383</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 126,392	\$ 117,791	\$ 127,763	\$ 140,363	\$ 154,793
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%	8.00%	8.00%

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

**INDIVIDUAL FUND SCHEDULE**

NEDERLAND FIRE PROTECTION DISTRICT

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2017

	2017		VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Taxes	\$ 162,105	\$ 157,729	\$ (4,376)	\$ 144,047
TOTAL REVENUES	<u>162,105</u>	<u>157,729</u>	<u>(4,376)</u>	<u>144,047</u>
EXPENDITURES				
Current				
Fire Administration	2,500	-	2,500	-
Debt Service				
Principal	145,000	145,000	-	135,000
Interest and Fiscal Charges	<u>14,605</u>	<u>10,903</u>	<u>3,702</u>	<u>17,762</u>
TOTAL EXPENDITURES	<u>162,105</u>	<u>155,903</u>	<u>6,202</u>	<u>152,762</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	1,826	<u>\$ 1,826</u>	(8,715)
FUND BALANCE, Beginning		<u>16,198</u>		<u>24,913</u>
FUND BALANCE, Ending		<u>\$ 18,024</u>		<u>\$ 16,198</u>

See the accompanying independent auditors' report.