



RIDGWAY FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2017

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CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION.....	8
STATEMENT OF ACTIVITIES.....	9
BALANCE SHEET – GOVERNMENTAL FUNDS.....	10
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS.....	12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	13
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND.....	14
NOTES TO FINANCIAL STATEMENTS.....	15
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF NET PENSION LIABILITY/(ASSET) – VOLUNTEER PENSION FUND	27
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) – VOLUNTEER PENSION FUND.....	28
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED NOTES – VOLUNTEER PENSION FUND.....	29



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 23, 2018

Board of Directors
Ridgway Fire Protection District
Ridgway, Colorado

We have audited the accompanying financial statements of the governmental activities and major fund of Ridgway 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 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 of 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ridgway Fire Protection District, as of December 31, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Directors
Ridgway Fire Protection District
Page Two

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 3 through 7 and 27 through 29, respectively, 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

RIDGWAY FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

For the Year Ended December 31, 2017

The Board of Directors of the Ridgway Fire Protection District (the District), offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017. 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.

In May 2017, the District completed the addition/ remodel of the firehouse facility. This was made possible by a grant from the Department of Local Affairs (State Severance Funds), in which the District received a 33% funding match (\$601,328 of the \$1.8 million project). The District itself, due to strong financial management in previous years, was able to provide the 67% balance at an estimated project share of \$1,220,879. The project also allowed for the expansion of EMS facilities, including living quarters & office space.

Our goal, to be integral, active and visible members of our community, continues in 2017. The volunteer fire department provided mutual aid to other agencies, continued the IGA (Inter-governmental agreement) with the Ridgway State Park, and maintained a visible and educational role within the school system and with homeowners.

Financial Highlights

- The District grant from DOLA, in the amount of \$601,328. We received the remainder of \$349,891 in 2017.
- We spent \$1,079,494 on our new building project during 2016, with the remaining \$743,689 in 2017.
- Adoption of GASB Statement 68 in 2016 resulted in a net pension asset of \$301,618 in 2017.

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. These components are discussed below.

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 governmental net position* presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between assets plus deferred outflows and liabilities plus deferred inflows 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 this statement 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.

The *government-wide financial statements* can be found on pages 8 and 9.

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 has a general fund only.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the *government-wide financial statements*. However, unlike the *government-wide financial statements*, *governmental fund financial statements* focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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's financial statements can be found on page 10 and 12.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison statement on page 14 has been provided for the fund to demonstrate compliance with the budget.

Notes to Basic Financial Statements

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

The notes to the basic financial statements can be found on pages 15 through 26.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of the government's financial position. In this case, the District's assets and deferred outflows exceed its liabilities and deferred

inflows by \$2,777,797 as of December 31, 2017.

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

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets.....	\$ 658,111	\$988,240
Capital assets	2,040,178	1,372,806
Net pension asset	<u>301,618</u>	<u>267,941</u>
Total Assets	<u>2,999,907</u>	<u>2,628,987</u>
 Deferred Outflows of Resources		
Deferred outflows related to pension.....	<u>50,856</u>	<u>41,456</u>
 Liabilities		
Current Liabilities	<u>10,000</u>	<u>53,975</u>
 Deferred Inflows of Resources		
Property taxes.....	241,247	231,519
Deferred inflows related to pension.....	<u>21,719</u>	<u>6,177</u>
Total Deferred Inflows	<u>262,966</u>	<u>237,696</u>
 Net Position		
Net investment in capital assets.....	2,040,178	1,372,806
Restricted for emergencies	18,963	16,631
Unrestricted	<u>718,656</u>	<u>989,335</u>
Net Position	<u>\$2,777,797</u>	<u>\$2,378,772</u>

The majority of the District's current assets are invested in cash and cash equivalents and a receivable for property taxes. The District has been able to provide for adequate operations without incurring debt. Restricted net position of \$18,963 represent a 3% emergency reserve required by an amendment to the State constitution (TABOR) and are not available for use by the District.

The following summarizes the change in the District's net position for the year ended December 31:

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues:		
Capital grants and contributions	\$ 349,891	\$ 333,554
General revenues:		
Taxes	253,210	248,332
Rent income	24,225	30,138
Interest income	974	1,751
Miscellaneous	<u>3,814</u>	<u>2,858</u>
Total Revenues	<u>632,114</u>	<u>616,633</u>
Expenses		
Fire protection	\$ 233,089	173,353
Change in Net Position	399,025	443,280
Net Position - January 1	\$ 2,378,772	1,658,176
Change in accounting principle	<u> -</u>	<u>277,316</u>
Net Position - January 1 (restated)	<u>\$ 2,378,772</u>	<u>\$ 1,935,492</u>
Net Position - December 31	<u>\$ 2,777,797</u>	<u>\$ 2,378,772</u>

The District's financial position improved in 2017 due to a capital grant.

Governmental Funds Financial Analysis

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, the 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 \$406,864 as of December 31, 2017, a decrease of \$295,882. The decrease in fund balance occurred due to expenditures related to the building project.

The unassigned portion of the fund balance in the amount of \$75,401 is available for spending. The District's required 3% reserve for emergencies is set at \$18,963 at December 31, 2017.

General Fund Budgetary Highlights

- 2017 actual revenues were less than budgeted by \$243,313 because of an anticipated property sale that did not occur and because we were a little behind in the execution of the lease agreement with the county and actually did not start collecting the full rental amount until January 2018.
- 2017 actual expenditures were less than budgeted by \$109,930. \$51,000 was due to less than anticipated construction costs, the remaining were less administrative costs including stipends, training, legal and professional, and office.

Capital Assets and Long-Term Debt

Capital assets, net of accumulated depreciation, increased by \$667,372 in 2017 due primarily to the new building construction project.

The District has no long term debt.

Economic Factors and Next Year's Budget

The building project was completed in 2017. The 2018 budget also reflects a rotation schedule which the District has implemented for replacement of old equipment. Admin responsibilities continue to be a priority along with ongoing duty pay and training costs as applicable. The District has implemented an additional data entry position as well. Other funding in the 2018 budget is expected to be consistent with 2017.

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 the report or requests for additional financial information should be addressed to the District Board of Directors; Ridgway Fire Protection District; PO Box 2, Ridgway, CO 81432.

Ridgway Fire Protection District
STATEMENT OF NET POSITION

December 31, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 166,120
Investments	250,744
Receivables	
Property taxes	241,247
Capital assets, net of accumulated depreciation	2,040,178
Net pension asset	301,618
Total Assets	2,999,907
DEFERRED OUFLOWS OF RESOURCES	
Deferred outflows related to pension	50,856
Total Assets and Deferred Outflows	3,050,763
LIABILITIES	
Accounts payable	10,000
DEFERRED INFLOWS	
Property taxes	241,247
Deferred inflows related to pension	21,719
Total Deferred Inflows	262,966
Total Liabilities and Deferred Inflows	272,966
NET POSITION	
Net investment in capital assets	2,040,178
Restricted for emergencies	18,963
Unrestricted	718,656
Total Net Position	\$ 2,777,797

The accompanying notes are an integral part of this statement.

Ridgway Fire Protection District

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

Function/Programs	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Fire protection	\$ 233,089	\$ -	\$ -	\$ 349,891	\$ 116,802
Total governmental activities	<u>\$ 233,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,891</u>	116,802
General revenues:					
Property taxes					224,336
Specific ownership taxes					28,874
Rent income					24,225
Interest income					974
Miscellaneous					3,814
Total general revenues					<u>282,223</u>
Change in net position					399,025
Net position - beginning					2,378,772
Net position - ending					<u>\$ 2,777,797</u>

The accompanying notes are an integral part of this statement.

Ridgway Fire Protection District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2017

	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 166,120	\$ 166,120
Investments	250,744	250,744
Receivables		
Property taxes	241,247	241,247
Total Assets	<u>\$ 658,111</u>	<u>\$ 658,111</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY		
Liabilities		
Accounts payable	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Total Liabilities	10,000	10,000
Deferred inflows		
Property taxes	241,247	241,247
Total Deferred Inflows	<u>241,247</u>	<u>241,247</u>
Fund equity		
Restricted for emergencies	18,963	18,963
Assigned for:		
Vehicle purchase	101,414	101,414
Major equipment repair	35,000	35,000
Turnouts/wildland	36,971	36,971
SCBAs	58,640	58,640
Hose	27,114	27,114
Equipment	25,000	25,000
Pagers and radios	28,361	28,361
Total assigned	<u>312,500</u>	<u>312,500</u>
Unassigned	75,401	75,401
Total Fund Equity	<u>406,864</u>	<u>406,864</u>
Total Liabilities, Deferred Inflows, and Fund Equity	<u>\$ 658,111</u>	<u>\$ 658,111</u>

The accompanying notes are an integral part of this statement.

Ridgway Fire Protection District

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2017

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

Total fund balance - governmental funds	\$ 406,864
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,040,178
The amount by which deferred outflows of resources are more than deferred inflows of resources which are not recorded in the funds	29,137
Net pension asset is not an available financial resource and, therefore, is not reported in the funds	<u>301,618</u>
Net Position of Governmental Activities	<u><u>\$ 2,777,797</u></u>

The accompanying notes are an integral part of this statement.

Ridgway Fire Protection District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

Year ended December 31, 2017

	General	Total Governmental Funds
Revenues		
Property taxes	\$ 224,336	\$ 224,336
Specific ownership taxes	28,874	28,874
Intergovernmental revenue	349,891	349,891
Rent income	24,225	24,225
Interest income	974	974
Miscellaneous	3,814	3,814
Total revenues	<u>632,114</u>	<u>632,114</u>
Expenditures		
Fire protection	162,817	162,817
Capital outlay	765,179	765,179
Total expenditures	<u>927,996</u>	<u>927,996</u>
	Excess of Revenues Over (Under) Expenditures	(295,882)
	(295,882)	(295,882)
Fund Balance - beginning	<u>702,746</u>	<u>702,746</u>
Fund Balance - ending	<u>\$ 406,864</u>	<u>\$ 406,864</u>

The accompanying notes are an integral part of this statement.

Ridgway Fire Protection District District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - 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 Change in Fund Balances - Governmental Funds \$ (295,882)

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 depreciation was less than
capitalized outlays in the current period (\$76,317 - \$743,689). 667,372

In the governmental funds, expenditures related to pension obligations are measured
by the amount of financial resources used (essentially, the amounts actually
paid to the pension plan), whereas in the statement of activities, they are measured
on full accrual basis. This is the amount by which pension expense in the statement
of activities was less than pension expenditures in the governmental funds. 27,535

Change in Net Position of Governmental Activities \$ 399,025

The accompanying notes are an integral part of this statement.

Ridgway Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 232,319	\$ 224,336	\$ (7,983)
Specific ownership taxes	20,000	28,874	8,874
Intergovernmental revenue	351,255	349,891	(1,364)
Rent income	33,225	24,225	(9,000)
Interest income	600	974	374
Miscellaneous	238,028	3,814	(234,214)
Total revenues	<u>875,427</u>	<u>632,114</u>	<u>(243,313)</u>
Expenditures			
Fire protection			
Personnel	65,000	57,236	7,764
Facilities	22,800	14,607	8,193
Administrative	81,000	42,216	38,784
Repairs and maintenance	49,500	48,758	742
Capital outlay			
Building	794,626	743,689	50,937
Equipment	25,000	21,490	3,510
Total expenditures	<u>1,037,926</u>	<u>927,996</u>	<u>109,930</u>
Excess of Revenues Over (Under) Expenditures	(162,499)	(295,882)	(133,383)
Fund Balance - January 1	<u>695,594</u>	<u>702,746</u>	<u>7,152</u>
Fund Balance - December 31	<u>\$ 533,095</u>	<u>\$ 406,864</u>	<u>\$ (126,231)</u>

The accompanying notes are an integral part of this statement.

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Ridgway Fire Protection District (the District) is incorporated as a fire protection district under the laws of the State of Colorado and is governed by an elected five-person board. The District provides fire protection services within the District's boundaries.

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

2. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if 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. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

3. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, the District has only governmental activities.

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables, and deferred outflows of resources as well as long-term debt, obligations, and deferred inflows of resources. The District's net position is reported as net investment in capital assets, restricted for emergencies, and unrestricted.

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

4. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently has one General Fund, which is a governmental fund.

Governmental Funds

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

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter (defined as within 60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

6. Use of Estimates

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

7. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

In the fall of each year, the District’s Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with GAAP.

As required by Colorado statutes, the District followed the timetable below in approving and enacting a budget for the ensuing years:

- (1) For the 2017 budget year, prior to August 23, 2016, the County Assessor made available to the District the assessed valuation of all taxable property within the District’s boundaries.
- (2) On or before October 15, 2016, the proposed budget for the fiscal year commencing January 1 was submitted to the District’s Board of Directors.

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2017 budget, prior to December 15, 2016, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2017 budget, the final budget and appropriating resolution was adopted prior to December 31, 2016.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

8. Cash and Cash Equivalents

The District considers all cash on hand, demand deposits, and short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

9. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the Government-wide Financial Statements. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed for amounts of \$5,000 or greater.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Buildings	25 years
Equipment and furniture	5 to 10 years

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Property Taxes

Property taxes are not due and payable until after the assessment year has ended, and are not included in the budget or Statement of Revenues, Expenditures, and Changes in Fund Balance of the assessment year. Property taxes are recorded as deferred inflows in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected. Property taxes are levied on or before December 15 of each year and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15.

11. Pensions

The District participates in the Ridgway Fire Protection District Volunteer Pension Fund, an agent multiple-employer Public Employee Retirement System (PERS) defined benefit plan, administered by the Fire & Police Pension Association of Colorado (FPPA), which represents the assets of numerous separate plans that have been pooled for investment purposes. The net pension liabilities or assets, 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 pensions 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.

NOTE B – CASH AND INVESTMENTS

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

As of December 31, 2017, the District had deposits of \$421,152 of which \$357,678 was covered by federal depository insurance. The remainder was covered by PDPA.

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

- 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

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B – CASH AND INVESTMENTS – CONTINUED

- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Certificates of deposit are valued at amortized cost.

The composition of all cash and investments as of December 31, 2017 is as follows:

	<u>Amounts</u>	<u>Maturities</u>	
		<u>Less than 1 year</u>	<u>1-5 years</u>
Checking	\$ 103,390		
Savings	62,730		
Certificates of deposit	<u>250,744</u>	-	250,744
	<u>\$ 416,864</u>		

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/17</u>
Capital assets not being depreciated				
Land	\$ 203,844	\$ -	\$ -	\$ 203,844
Construction in progress	<u>1,079,494</u>	-	<u>(1,079,494)</u>	-
Capital assets not being depreciated, total	<u>1,283,338</u>	-	<u>(1,079,494)</u>	<u>203,844</u>
Capital assets being depreciated				
Building	20,830	1,814,833	-	1,835,663
Transportation equipment	808,976	-	-	808,976
Equipment	157,902	8,350	-	166,252
Less: accumulated depreciation	<u>(898,240)</u>	<u>(76,317)</u>	-	<u>(974,557)</u>
Capital assets being depreciated, net	<u>89,468</u>	<u>1,746,866</u>	-	<u>1,836,334</u>
Capital assets, net	<u>\$ 1,372,806</u>	<u>\$ 1,746,866</u>	<u>\$ (1,079,494)</u>	<u>\$ 2,040,178</u>

Depreciation expense was charged to functions/programs as follows:

Fire protection	<u>\$ 76,317</u>
Total depreciation expense – governmental activities	<u>\$ 76,317</u>

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Such exposure is covered by purchase of commercial insurance including worker's compensation, liability, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE E – TABOR AMENDMENT

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1992. At December 31, 2017, a reserve of \$18,963 was required.

Under TABOR, future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. In 2000 the District's electorate voted to allow the District to collect, retain, and expend revenues notwithstanding any of TABOR's restrictions. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the provisions of TABOR.

NOTE F – FUND BALANCE

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expense) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F – FUND BALANCE – CONTINUED

- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned. When both restricted and unrestricted funds are available for expenditure, restricted funds are used first.

NOTE G – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION

General Information about the Pension Plan

Plan Description. The District contributes to the Ridgway Fire Protection District Volunteer Pension Fund (the Plan), an agent multiple-employer Public Employee Retirement System (PERS) defined benefit plan administered by the Fire & Police Pension Association (FPPA). 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 on FPPA's website at <http://www.fppaco.org>. For the measurement period ending December 31, 2016, the Plan included membership of 11 retirees and beneficiaries and 18 active members for a total of 29 members.

Benefits Provided.

Normal Retirement

A member is eligible for a normal retirement pension once the member has completed twenty years of credited service and has attained the age of 50. The monthly regular retirement benefit is \$300.

Vested Retirement

A member with 15 or more but less than 20 years of service is eligible to receive a benefit of \$15 per month times the number of vesting years.

Survivor Benefits

Survivor benefits are available at one-half of the amount of the normal retirement pension, or \$150 per month, following death after normal retirement. Following death in the line of duty as a volunteer firefighter before retirement eligible, the benefit amount increases to \$225 per month. Following death after vested retirement with 15 or more but less than 20 years of service the benefit amount is \$7.50 per month multiplied by the number of vesting years.

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED

Funeral Benefits

A one-time funeral benefit is paid of \$600 in the event of a death of a member.

Contributions. The District contributes from proceeds of a property tax mill levy. The Plan is construed and enforced in accordance with Colorado Revised Statute Title 31, Article 30. Per CRS 31-30-1112, State contributions to any municipality or district must equal ninety percent of all amounts contributed by the municipality or district under section 31-30-1110 in the previous year, but, notwithstanding any other provision of this part 11, the state contribution shall not exceed one-half mill on the previous net valuation for assessment of the municipality or district assuming one hundred percent collection. For 2017 the District contributed \$10,000 and the state’s matching contribution was \$9,000. The District’s 2017 contribution of \$10,000 was outstanding as accounts payable as of December 31, 2017 as the payment was made shortly after year-end.

Pension Liabilities/(Asset), 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/(asset) of \$(301,618). The net pension liability/(asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of January 1, 2017.

For the year ended December 31, 2017, the District recognized pension expense of \$(17,535). 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	\$ —	\$ 21,719
Changes in assumptions	6,533	—
Net difference between projected and actual earnings on pension plan investments	34,323	—
Contributions subsequent to the measurement date	10,000	—
Total	<u>\$ 50,856</u>	<u>\$ 21,719</u>

\$10,000 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, 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:

Year ended December 31:	
2018	5,127
2019	5,127
2020	6,283
2021	2,600
Thereafter	—

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED

Actuarial Assumptions. Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2015 determines the contribution amounts for 2016 and 2017. The valuation used the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Amortization Period	20 Years*
Asset Valuation Method	5-Year Smoothed market
Inflation	3.0%
Investment Rate of Return	7.5%
Projected Salary Increases	N/A
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.*

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 first apply to the January 1, 2017 Volunteer valuations. The primary changes as compared to the assumptions shown above are as follows:

Inflation	2.5%
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 Health 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.

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – 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 which eliminates the 2.5% 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	36.0%	6.75%
Equity Long/Short	10.0%	4.85%
Illiquid Alternatives	23.0%	8.25%
Fixed Income	15.0%	0.50%
Absolute Return	10.0%	4.05%
Managed Futures	4.0%	3.00%
Cash	2.0%	0.00%*
Total	100.00%	

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

The discount rate used to measure the total pension liability was 7.50 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 Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Ridgway Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED

For the purpose of this valuation, the long-term 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%.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the PVFDP's net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the PVFDP'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)	\$(259,364)	\$(301,618)	\$(336,890)

Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios Current Period – Measurement Period Ended December 31, 2016

A. Total pension liability	
1. Service cost	\$ 5,598
2. Interest on the total pension liability	27,107
3. Difference between expected and actual experience	(23,394)
4. Changes of assumptions	8,683
5. Benefit payments	<u>(24,600)</u>
6. Net change in total pension liability	(6,606)
7. Total pension liability – beginning	<u>370,759</u>
8. Total pension liability – ending	<u>\$ 364,153</u>
B. Plan fiduciary net position	
1. Contributions – employer	\$ 10,000
2. Net investment income	33,953
3. Benefit payments	(24,600)
4. Pension plan administrative expense	(1,282)
5. State of Colorado supplemental discretionary payment	<u>9,000</u>
6. Net change in plan fiduciary net position	27,071
7. Plan fiduciary net position – beginning (Market value of assets at beginning of year)	<u>638,700</u>
8. Plan fiduciary net position – ending (Market value of assets at end of year)	<u>\$ 665,771</u>
C. Net pension liability/(asset)	<u><u>\$(301,618)</u></u>
D. Plan fiduciary net position as a percentage of the total pension liability	183%
E. Covered employee payroll	N/A
F. Net pension liability/(asset) as a percentage of covered employee payroll	N/A

Ridgway Fire Protection District

SCHEDULE OF NET PENSION LIABILITY/(ASSET) -
VOLUNTEER PENSION FUND

December 31, 2017

	<u>Total pension liability</u>	<u>Plan fiduciary net position</u>	<u>Net pension liability/(asset)</u>	<u>Plans fiduciary net position as a percentage of the total pension liability</u>	<u>Covered-employee payroll</u>	<u>Net pension liability as a percentage of covered-employee payroll</u>
Measurement date:						
December 31, 2016	\$ 364,153	\$ 665,771	\$ (301,618)	183%	N/A	N/A
December 31, 2015	\$ 370,759	\$ 638,700	\$ (267,941)	172%	N/A	N/A

Ridgway Fire Protection District

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) -
VOLUNTEER PENSION FUND

December 31, 2017

Measurement period ending December 31,	2016	2015
Total Pension Liability		
Service cost	\$ 5,598	\$ 5,598
Interest on the total pension liability	27,107	26,414
Benefit changes	-	-
Difference between expected and actual experience	(23,394)	-
Changes of assumptions	8,683	-
Benefit payments	(24,600)	(21,000)
Net change in total pension liability	(6,606)	11,012
Total pension liability - beginning	370,759	359,747
Total pension liability - ending	<u>\$ 364,153</u>	<u>\$ 370,759</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 10,000	\$ 10,000
Net investment income	33,953	11,284
Benefit payments	(24,600)	(21,000)
Pension plan administrative expense	(1,282)	(2,272)
State of Colorado supplemental discretionary payment	9,000	9,000
Net change in plan fiduciary net position	27,071	7,012
Plan fiduciary net position - beginning	638,700	631,688
Plan fiduciary net position - ending	<u>\$ 665,771</u>	<u>\$ 638,700</u>
Net Pension Liability/(Asset) - Ending	\$ (301,618)	\$ (267,941)
Plan Fiduciary Net Position as a Percentage of		
Total Pension Liability	183%	172%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a Percentage of Covered		
Employee Payroll	N/A	N/A

Ridgway Fire Protection District

SCHEDULE OF PENSION CONTRIBUTIONS AND
RELATED NOTES - VOLUNTEER PENSION FUND

December 31, 2017

	Actuarially determined contribution	Employer contributions recognized by the plan	Contribution Deficiency (Excess)	Employer covered payroll	Contributions as a percentage of employer covered payroll
December 31, 2017	\$ -	\$ 10,000	\$ (10,000)	N/A	N/A
December 31, 2016	\$ -	\$ 10,000	\$ (10,000)	N/A	N/A

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - VOLUNTEER FIRE DEPARTMENT
PENSION FUND

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Note 2: Significant Methods and Assumptions Used in Actuarially Determined Calculations

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2015 determines the contribution amounts for 2016 and 2017.

Methods 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%
Investment Rate of Return	7.50%
Projected Salary Increases	N/A
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.*