

RYE FIRE PROTECTION DISTRICT
RYE, COLORADO
AUDITED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017

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Office of the State Auditor

July 18, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rye Fire Protection District
Rye, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Rye Fire Protection District (the District), as of and for the year ended December 31, 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.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the budgetary comparison schedule as listed in the table of contents on pages 30 through 32, the schedule of the District's proportionate share of the net pension liability on page 33 and the schedule of the District's contributions on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Melanson, Bryfogle, Daniel & Goodrich, P.C.

June 7, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

RYE FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
December 31, 2017

As management of Rye Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$588,781 (net position). The composition of net position for the most recent fiscal year was comprised of the carrying amount of capital assets net of capital lease obligation in the amount of \$381,353 (net investment in capital assets), donor restrictions to acquire specific equipment of \$6,346, donor restrictions for Hatchet Ranch capital improvements and other expansion related costs of \$33,746, restricted for TABOR of \$25,000, and unrestricted net position of \$142,336.
- The District's total net position increased by \$215,591 during the year ended December 31, 2017.
- As of the close of the current fiscal year, the District's governmental fund (general fund) reported an ending fund balance of \$137,266, which is an increase of \$150,657 for the year ended December 31, 2017.
- At the end of the current fiscal year, unassigned fund balance of the general fund is \$41,883.
- During the current fiscal year, the District's total debt was reduced by \$30,149. No new debt obligations were incurred.

Overview of the Financial Statements

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

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

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

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

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes. The governmental activities of the District primarily include community safety services (e.g., general administration, fire suppression, fire and accident prevention, search and rescue, and the provision of emergency medical services). The District has no business-type activities. The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as state statutes. The general fund is used to account for all of the District's activities.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Governmental funds are reported using an accounting method called modified accrual accounting which has a current financial resources measurements focus. As a result, the governmental fund financial statements gives the reader a detailed short-term view that helps the reader determine if there are adequate financial resources available to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation, which is a part of the fund financial statements, to facilitate this comparison between governmental funds and governmental activities.

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$588,781 at the close of the most recent fiscal year.

The District's net investment in capital assets (e.g. building improvements, fire apparatus, radio equipment, ambulances and equipment) was \$381,353. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities unless they are sold.

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

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 974,064	\$ 875,803
Capital assets	566,035	552,000
Net pension asset	-	598
Total Assets	<u>\$ 1,540,099</u>	<u>\$ 1,428,401</u>
Deferred outflows of resources	<u>\$ 93,532</u>	<u>\$ 64,653</u>
Current and other liabilities	\$ 150,813	\$ 227,653
Long-term liabilities	153,310	183,968
Net pension liability	15,870	-
Total Liabilities	<u>\$ 319,993</u>	<u>\$ 411,621</u>
Deferred inflows of resources	<u>\$ 724,857</u>	<u>\$ 708,244</u>
Net Position:		
Net investment in capital assets	\$ 381,353	\$ 337,169
Restricted	65,092	40,690
Unrestricted	142,336	(4,670)
Total Net Position	<u>\$ 588,781</u>	<u>\$ 373,189</u>

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) includes certain requirements regarding the establishment of "emergency reserves." Under these provisions, the emergency reserve can be used for "declared emergencies only," as that term is defined in the amendment. This reserve totaled \$25,000 and \$18,300 as of December 31, 2017 and 2016, respectively. Management has elected to designate specific fixed assets in order to meet this specific requirement of TABOR.

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

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

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 342,569	\$ 312,353
Operating grants and contributions	-	3,024
Capital grants and contributions	88,500	123,460
General revenues:		
Property taxes	697,355	441,950
Specific ownership taxes	70,822	38,870
Unrestricted investment earnings	19	13
Other	414	429
	Total Revenues	
	<u>1,199,679</u>	<u>920,099</u>
Expenses:		
Community safety services	931,498	848,704
General government	42,215	71,335
Interest on long-term debt	10,375	11,767
	Total Expenses	
	<u>984,088</u>	<u>931,806</u>
	Change in Net Position	
	215,591	(11,707)
Net Position - Beginning	<u>373,190</u>	<u>384,897</u>
Net Position - Ending	<u>\$ 588,781</u>	<u>\$ 373,190</u>

Financial Analysis of Rye Fire Protection District's Fund

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

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

The general fund is the only fund of the District. As of December 31, 2017, the District's general fund reported an ending balance of \$137,266.

General Fund Budgetary Highlights

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

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

Capital Assets and Debt Administration

Capital assets. The District's capital assets for its governmental activities as of December 31, 2017 and 2016 totals \$566,035 and \$552,000, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and vehicles.

Rye Fire Protection District (Net of depreciation)

	Governmental Activities	
	2017	2016
Land	\$ 6,630	\$ 6,630
Buildings and improvements	52,877	57,549
Equipment	393,564	357,283
Vehicles	112,964	130,538
Total	\$ 566,035	\$ 552,000

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

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

Final Comments

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

RYE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

Cash and equivalents	\$	152,280
Investments		1,339
Receivables, net		790,154
Inventory		15,609
Prepaid expenses		14,682
Capital assets		
Non-depreciable capital assets		6,630
Depreciable capital assets, net		559,405
Total capital assets, net		566,035
Total assets		1,540,099

DEFERRED OUTFLOWS OF RESOURCES - PENSION RELATED		93,532
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LIABILITIES

Accounts payable and accrued expenses		100,428
Long-term liabilities		
Due within one year		
Capital leases		31,372
Accrued interest		614
Compensated absences		18,399
Due in more than one year		
Capital leases		153,310
Net pension liability		15,870
Total liabilities		319,993

DEFERRED INFLOWS OF RESOURCES

Property taxes		712,288
Pension related		12,569
Total deferred inflows of resources		724,857

NET POSITION

Net investment in capital assets		381,353
Restricted for:		
Capital projects		40,092
TABOR		25,000
Unrestricted		142,336
Total net position		\$ 588,781

The accompanying notes are an integral part of this statement.

**RYE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary government					
Governmental activities:					
General government	\$ 42,215	\$ -	\$ -	\$ -	\$ (42,215)
Public safety	931,498	342,569	-	88,500	(500,429)
Interest on long-term debt	10,375	-	-	-	(10,375)
Total	<u>984,088</u>	<u>342,569</u>	<u>-</u>	<u>88,500</u>	<u>(553,019)</u>

General revenues:

Taxes:	
Property taxes, levied for general purposes	694,465
Penalty and interest	2,890
Specific ownership tax	70,822
Unrestricted investment earnings	19
Miscellaneous	414
Total general revenues	<u>768,610</u>
Change in net position	215,591
Net position, January 1	373,190
Net position, December 31	<u>\$ 588,781</u>

The accompanying notes are an integral part of this statement.

**RYE FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2017**

	General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 152,280	\$ 152,280
Investments	1,339	1,339
Receivables, net	790,154	790,154
Inventory	15,609	15,609
Prepaid items	14,682	14,682
Total assets	974,064	974,064
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	65,212	65,212
Payroll taxes payable	3,483	3,483
Accrued wages and benefits	31,733	31,733
Total liabilities	100,428	100,428
 Deferred inflows of resources:		
Property taxes	712,287	712,287
Deferred revenue	24,083	24,083
Total deferred inflows of resources	736,370	736,370
 Fund balances:		
Nonspendable	30,291	30,291
Restricted	65,092	65,092
Unassigned	41,883	41,883
Total fund balances	137,266	137,266
Total liabilities, deferred inflows of resources and fund balances	\$ 974,064	\$ 974,064

The accompanying notes are an integral part of this statement.

RYE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total fund balance, governmental funds \$ 137,266

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

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

The cost of capital assets is	1,749,198	
Accumulated depreciation is	<u>(1,183,163)</u>	566,035

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

Net pension liability	(15,870)	
Deferred outflows of resources	93,532	
Deferred inflows of resources	<u>(12,569)</u>	65,093

Certain revenue was earned and accrued in the Statement of Net Position but not recognized in the governmental fund. 24,082

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

Capital lease payable	(184,682)	
Accrued interest payable	(614)	
Compensated absences	<u>(18,399)</u>	(203,695)

Total Net Position - Governmental Activities \$ 588,781

The accompanying notes are an integral part of this statement.

RYE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Total Governmental Fund
REVENUES		
Property taxes	\$ 694,465	\$ 694,465
Penalty and interest	2,890	2,890
Specific ownership tax	70,822	70,822
Charges for services	318,487	318,487
Investment earnings	19	19
Contributions	88,500	88,500
Other revenues	414	414
Total revenues	1,175,597	1,175,597
EXPENDITURES		
Current:		
General government	42,215	42,215
Public safety	842,833	842,833
Capital outlay	99,268	99,268
Debt service:		
Principal	38,795	38,795
Interest and other charges	1,829	1,829
Total expenditures	1,024,940	1,024,940
Excess of expenditures over revenues	150,657	150,657
Net change in fund balances	150,657	150,657
Fund balance, January 1	(13,391)	(13,391)
Fund balance, December 31	\$ 137,266	\$ 137,266

The accompanying notes are an integral part of this statement.

**RYE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net change in fund balances - total governmental fund: \$ 150,657

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

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

	Depreciation expense	(85,232)	
	Capital outlay	<u>99,268</u>	14,036

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

	Pension expense	(23,373)	
	Pension expenditures	<u>23,921</u>	548

Governmental funds recognize revenue when measurable and available. In contrast, certain revenues are reported in the Statement of Activities when earned. These revenues were generally charges for services. 24,083

In the Statement of Activities, certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amounts actually paid. This year, compensated absences earned (\$25,816) exceeded amounts paid (\$21,835). (3,981)

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

	Principal payments on capital leases	38,795	
	Interest expense on capital leases	<u>(8,547)</u>	30,248

Change in net position of governmental activities \$ 215,591

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Government-Wide Financial Statements

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given functional category or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or activity; (2) grants and contributions that are restricted to meeting the operating requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost by function is normally covered by general revenues such as property taxes, specific ownership taxes or other unrestricted revenues.

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

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and special assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements are met.

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

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

Governmental Fund Financial Statements

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

Use of Estimates

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

Cash and Cash Equivalents

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

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

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

Investments

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

Vacation, Sick Leave and Other Compensated Absences

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

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

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

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At December 31, 2017, the District had the following obligation to eligible employees for accumulated benefits:

Current portion	\$ 18,399
Long-term portion	-
Total	\$ 18,399

Pensions

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

Fund Equity

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

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

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

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

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

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

Interest

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

Property Taxes

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

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Data

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

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Tax, Revenue, Spending and Debt Limitations

In November, 1992, Colorado voters adopted Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992. TABOR also includes certain requirements regarding the establishment of “emergency reserves.” Under these provisions, the emergency reserve can be used for “declared emergencies only,” as that term is defined in the amendment. This reserve totaled \$25,000 and \$18,300 as of December 31, 2017 and 2016, respectively

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

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2017, cash, cash equivalents and investments are summarized as follows:

Demand deposits	<u>\$ 152,280</u>
Investments – Colo Trust investment pool	<u>\$ 1,339</u>

DEPOSITS

At December 31, 2017, the carrying amount and bank balance of the District’s deposits was \$164,822, which was covered entirely by federal depository insurance and held in a qualified depository bank.

INVESTMENTS

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

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

At December 31, 2017, the District had the following investments and maturities:

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

Custodial credit risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment policy does not limit the holding of securities by counterparties. As of December 31, 2017, the District’s investment in Colo Trust is rated AAAM by Standard and Poor’s and Aaa by Moody’s.

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

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

At December 31, 2017, the District’s investments consisted solely of its Colo Trust holdings whose investment maturity in years is less than one year.

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE D – RECEIVABLES

Receivables as of December 31, 2017 consist of the following:

	<u>Governmental Activities General Fund</u>
Receivables:	
Property taxes	\$ 708,716
Specific ownership taxes	5,776
Penalties and interest	23
State firefighting fees	24,083
Ambulance service fees	<u>216,384</u>
	954,982
Less: allowance for uncollectible ambulance service fees	<u>(164,828)</u>
Net Receivables	<u>\$ 790,154</u>

NOTE E – CAPITAL ASSETS

The following is a summary of changes in capital assets:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31 2017</u>
Governmental Activities				
Capital assets, not being depreciated –				
Land	\$ 6,630	\$ -	\$ -	\$ 6,630
Capital assets not being depreciated	<u>6,630</u>	<u>-</u>	<u>-</u>	<u>6,630</u>
Capital assets, being depreciated –				
Buildings and improvements	171,687	-	-	171,687
Vehicles	299,901	3,000	-	302,901
Equipment	<u>1,171,713</u>	<u>96,267</u>	<u>-</u>	<u>1,267,980</u>
Capital assets being depreciated	<u>1,643,301</u>	<u>99,267</u>	<u>-</u>	<u>1,742,568</u>
Accumulated depreciation –				
Buildings and improvements	(114,139)	(4,671)	-	(118,810)
Vehicles	(169,363)	(20,574)	-	(189,937)
Equipment	<u>(814,429)</u>	<u>(59,987)</u>	<u>-</u>	<u>(874,416)</u>
Total accumulated depreciation	<u>(1,097,931)</u>	<u>(85,232)</u>	<u>-</u>	<u>(1,183,163)</u>
Capital assets being depreciated, net	<u>545,370</u>	<u>14,035</u>	<u>-</u>	<u>559,405</u>
Governmental activities capital assets, net	<u>\$ 552,000</u>	<u>\$ 14,035</u>	<u>\$ -</u>	<u>\$ 566,035</u>
Depreciation expense by function:				
General government	\$ -			
Public safety	<u>85,232</u>			
	<u>\$ 85,232</u>			

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE F – LONG-TERM DEBT

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2017:

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
Obligations under capital leases:					
2009 Capital Lease- Fire Engine	\$ 214,831	\$ -	\$ (30,149)	\$ 184,682	\$ 31,372
Compensated absences	<u>14,418</u>	<u>25,816</u>	<u>(21,835)</u>	<u>18,399</u>	<u>18,399</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 229,249</u>	<u>\$ 25,816</u>	<u>\$ (51,984)</u>	<u>\$ 203,081</u>	<u>\$ 49,771</u>

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

Obligations under capital lease

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

\$ 184,682

The debt service requirements for the governmental activities capital lease as of December 31, 2017 follows:

Year Ending <u>December 31,</u>	<u>Capital Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	31,372	7,495	38,867
2019	32,645	6,222	38,867
2020	33,957	4,910	38,867
2021	35,348	3,519	38,867
2022	51,360	2,084	53,444
2023	-	-	-
Total	<u>\$ 184,682</u>	<u>\$ 24,230</u>	<u>\$ 208,912</u>

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE F – LONG-TERM DEBT (Continued)

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

	Governmental Activities
Assets:	
Equipment	\$ 295,794
Less: accumulated amortization	(133,108)
	\$ 162,686

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

NOTE G – NET POSITION

Restricted net position represents net position whose uses are subject to constraints that are either (1) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position at December 31, 2017 for governmental activities are as follows:

	Governmental Activities
Restricted for:	
Capital projects	\$ 6,346
Hatchett Ranch expansion related costs	33,746
TABOR	25,000
Total Restricted Net Position	\$ 65,092

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

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

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE H – FUND BALANCES

At December 31, 2017, fund balance for the governmental fund consists of the following:

	<u>Governmental Activities</u>	
	<u>General Fund</u>	<u>Total Governmental Fund</u>
Nonspendable fund balances:		
Inventory	\$ 15,609	\$ 15,609
Prepaid items	<u>14,682</u>	<u>14,682</u>
Total nonspendable fund balances	<u>30,291</u>	<u>30,291</u>
Restricted fund balances:		
Capital projects	6,346	6,346
Hatchett Ranch expansion	33,746	33,746
TABOR	<u>25,000</u>	<u>25,000</u>
Total restricted fund balances	<u>65,092</u>	<u>65,092</u>
Unassigned fund balances (deficit):	<u>41,883</u>	<u>41,883</u>
Total fund balances (deficit)	<u>\$ 137,266</u>	<u>\$ 137,266</u>

NOTE I – DEFINED BENEFIT PENSION PLAN

Statewide-Defined Benefit Plan

General Information about the Pension Plan

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

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

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

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

Contributions to the pension plan from the District were \$23,921 for the year ended December 31, 2017.

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2017, the Rye Fire Protection District reported a liability of \$15,870 for its proportionate share of the net pension asset. The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The District's proportion of the net pension liability (asset) was based on the District's contributions to the SWDB for the calendar year 2016 relative to the total contributions of participating employers to the SWDB. At December 31, 2016, the District's proportion was .04392 percent, which was an increase of 0.009979 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of \$23,373. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 807
Net difference between projected and actual earnings on pension plan investments	42,837	-
Difference between actual and expected experience	14,170	-
Changes in assumptions	10,841	-
Changes in proportionate share	1,336	11,762
Differences between contributions recognized and proportionate share of contributions	427	-
Contributions subsequent to the measurement date	<u>23,921</u>	<u>-</u>
Total	<u>\$ 93,532</u>	<u>\$ 12,569</u>

\$23,921 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
2017	\$ 15,230
2018	15,230
2019	15,230
2020	4,159
2021	1,752
Thereafter	<u>5,441</u>
	<u>\$ 57,042</u>

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Total Pension Liability</u>	<u>Actuarially Determined Contributions</u>
Actuarial Valuation Date	January 1, 2017	January 1, 2016
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Payroll, Open	Level % of Payroll, Open
Amortization Period	30 years	30 years
Long-term Investment		
Rate of Return *	7.50 percent	7.50 percent
Projected Salary Increases *	4.0 – 14.0 percent	4.0 – 14.0 percent
Cost of Living		
Adjustments (COLA)	0.00 percent	0.00 percent
* Includes inflation at	2.5 percent	2.5 percent

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.

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
Global Equity	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	<u>2.0%</u>	0.00%*
Total	<u>100.00%</u>	

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

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

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

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

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>1% Decrease (6.50%)</u>	<u>Single Discount Rate Assumption (7.50%)</u>	<u>1% Increase (8.50%)</u>
Proportionate share of the net pension liability (asset)	\$ <u>135,028</u>	\$ <u>15,870</u>	\$ <u>(830,967)</u>

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

Payable to the pension plan

At December 31, 2017, the District reported a payable of \$2,112 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

NOTE J – OTHER POST EMPLOYMENT BENEFITS

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

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

Funding Policy - Plan members and the District are required to contribute at a rate set by statute. Pursuant to statute, the FPPA Board of Directors may adjust the contribution rate every two years based on an annual actuarial valuation by no more than one-tenth of one percent. The 2016 contribution rate for new-hire fire members is 0.1% of covered salary and for the District the contribution rate is 2.5% of covered salary. The District has elected to absorb the member contribution of 0.1%. The District’s contributions to the statewide death and disability plan for the years ended December 31, 2017, 2016, 2015 and 2014 were \$3,293, \$5,952, \$4,452 and \$4,049, respectively, which were equal to their required contributions for each year.

**RYE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE K – RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

**RYE FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, Budgetary	Final Budget - Positive
			<u>Basis</u>	<u>(Negative)</u>
REVENUES				
Property Tax - Pueblo	\$ 648,760	\$ 648,760	\$ 701,214	\$ 52,454
Property Tax - Huerfano	9,148	9,148	10,182	1,034
Property Tax - Custer	49,630	49,630	56,781	7,151
Interagency Fire Fighting	30,000	30,000	149,443	119,443
Emergency Medical Services	593,611	593,611	169,044	(424,567)
Donations	1,000	1,000	88,500	87,500
Other	5,000	5,000	414	(4,586)
Miscellaneous Grants	150,000	150,000	-	(150,000)
Interest	25	25	19	(6)
Total Revenues	<u>1,487,174</u>	<u>1,487,174</u>	<u>1,175,597</u>	<u>(311,577)</u>
EXPENDITURES				
General Government				
Legal Expense	12,000	12,000	1,802	10,198
Other Administrative Expense	8,000	8,000	7,259	741
Administrative Supplies	4,000	4,000	1,287	2,713
Treasurer's Fee	14,151	14,151	11,887	2,264
Bad Debt Expense	-	-	(17,289)	17,289
Outside Service Fees	31,000	31,000	37,269	(6,269)
Total General Government	<u>69,151</u>	<u>69,151</u>	<u>42,215</u>	<u>26,936</u>
Public Safety				
EMS Billing Fee	13,200	13,200	13,210	(10)
Insurance - Worker's Comp	17,200	17,200	15,725	1,475
Insurance - Liab, Auto, & Prop	27,133	27,133	20,631	6,502
Career Firefighters	212,544	212,544	190,975	21,569
Command Staff	89,645	89,645	98,520	(8,875)
Part-time Firefighters	134,118	134,118	153,031	(18,913)
Interagency Administration	-	-	10,564	(10,564)
Interagency Staffing	-	-	76,411	(76,411)
Interagency Overtime Pay	-	-	62,529	(62,529)
Payroll Taxes - FICA	12,806	12,806	19,525	(6,719)
Payroll Taxes - Medicare	10,034	10,034	8,235	1,799
Payroll Taxes - SUTA	1,309	1,309	977	332
Employee Benefits - Health Ins	47,880	47,880	47,684	196
Employee Benefits - Retirement	22,530	22,530	27,214	(4,684)
Operational Supplies	19,000	19,000	8,053	10,947
Training - Tuition & Travel	5,500	5,500	1,655	3,845
Interagency Travel Reimbursement	-	-	14,343	(14,343)
Training - Supplies	1,000	1,000	118	882
Information/Prevention Expense	1,500	1,500	796	704
Communications - R&M	2,750	2,750	100	2,650
Communications - Supplies	500	500	169	331

Continued

**RYE FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts, Budgetary</u>	<u>Final Budget - Positive (Negative)</u>
Continued				
Fleet - Fuel & Oil	25,000	25,000	20,619	4,381
Fleet - R&M	35,000	35,000	25,535	9,465
Fleet - Other	3,000	3,000	-	3,000
EMS - Physician Advisor	4,440	4,440	5,045	(605)
EMS - Medical Supplies	15,000	15,000	266	14,734
Utilities - Telephone	4,700	4,700	3,980	720
Utilities - LPG	6,400	6,400	3,879	2,521
Utilities - Electric	9,600	9,600	9,086	514
Utilities - Water	2,600	2,600	2,271	329
Utilities - Trash	840	840	840	-
Physical Plant Expenditures	15,000	15,000	847	14,153
Contingency	34,793	34,793	-	34,793
Capital outlay	261,000	261,000	99,268	161,732
Total Public Safety	<u>1,036,022</u>	<u>1,036,022</u>	<u>942,101</u>	<u>93,921</u>
Debt Service:				
Capital Lease - Principal	39,000	39,000	38,795	205
Capital Lease - Interest	-	-	1,829	(1,829)
Total Debt Service	<u>39,000</u>	<u>39,000</u>	<u>40,624</u>	<u>(1,624)</u>
Total Expenditures	<u>1,144,173</u>	<u>1,144,173</u>	<u>1,024,940</u>	<u>119,233</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 343,001</u>	<u>\$ 343,001</u>	<u>150,657</u>	<u>\$ (192,344)</u>
Net change in fund balances			150,657	
Fund Balances, January 1			<u>(13,391)</u>	
Fund Balances, December 31			<u>\$ 137,266</u>	

RYE FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

BUDGETARY INFORMATION

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

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

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.043920%	0.033941%	0.034632%	0.035684%
District's proportionate share of the net pension liability (asset)	15,870	(598)	(39,085)	(31,908)
District's covered-employee payroll	299,013	224,775	171,216	155,740
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.307%	-0.266%	-22.828%	-0.20488%
Plan fiduciary net position as a percentage of the total pension liability	98.210%	100.100%	106.800%	105.800%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 23,921	\$ 17,982	\$ 13,697	\$ 12,459
Contributions in relation to the contractually required contribution	<u>23,921</u>	<u>17,982</u>	<u>13,697</u>	<u>12,459</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	299,013	224,775	171,216	155,740
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%	8.00%

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