

MONTROSE FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2018



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

Montrose Fire Protection District

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Independent Auditor's Report



Board of Directors
Montrose Fire Protection District
Montrose, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the Montrose Fire Protection District (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 8 to the financial statements, during the year ended December 31, 2018, the District adopted Governmental Accounting Standards Board Statement NO. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75)*. Our opinion is not modified with respect to this matter.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on page 45 be presented to supplement the basic financial statements. Government Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, requires that the Old Hire Plan Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios – Last 10 Years (to be built prospectively), Old Hire Plan Schedule of Contributions – Last 10 Years (to be built prospectively), Schedule of the District's Proportionate Share of the Net Pension Asset of the Statewide Defined Benefit Pension Plan, Schedule of District Contributions to the Statewide Defined Benefit Pension Plan, Volunteer Plan Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios – Last 10 Years (to be built prospectively), Volunteer Plan Schedule of Contributions – Last 10 Years (to be built prospectively), Schedule of the District's Proportionate Share of the PERA Net Pension Liability, and Schedule of the District's Contributions to the PERA Defined Benefit Pension Plan on pages 46-53 be presented to supplement the basic financial statements. GASB Statement No. 75 *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* requires that the Schedule of the District's Proportionate Share of the PERA Net Other Post-Employment Benefit Liability and Schedule of District Contributions to the PERA Other Post-Employment Benefit Plan on pages 54 to 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund on page 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule on page 56 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

June 19, 2019

Management's Discussion and Analysis

MONTROSE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

As management of the Montrose Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2018 with comparative information presented for the 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.

Financial Highlights

- In the government-wide financial statements, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$5,587,522 at December 31, 2018, a decrease of \$126,124 from the net position at December 31, 2017.
- The General Fund reported an ending unassigned fund balance of \$559,020 at December 31, 2018 a decrease of \$200,482 from the prior year due to the assignment of funds for operating reserves.
- Tax revenue as shown on the statement of activities increased \$108,410 in 2018 from 2017, while program expenses as shown on the statement of activities increased by \$55,373.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

During the year ended December 31, 2018, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* (GASB 75), related to the Health Care Trust Fund administered by the Colorado Public Employees' Retirement Association, which provides post-retirement healthcare subsidies to eligible employees of the District. GASB 75 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for post-employment benefits other than pensions that are provided to the employees of the state and local governmental employers. GASB 75 was implemented prospectively and resulted in the beginning balance of net position being restated for the year ended December 31, 2018 to reflect the implementation of GASB 75. GASB 75 was not required to be implemented as of and for the year ended December 31, 2017 and therefore, the financial statements as of and for that year do not reflect the effects

of GASB 75. This should be considered when comparing the District's year ended December 31, 2018 financial statements to prior years.

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

In the government-wide financial statements, the District's activities are shown in one category: *governmental activities*. The District's activities are principally supported by property taxes and charges for services. The government-wide financial statements can be found on pages 8 through 10.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the General Fund balance sheet and the General Fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District has only one governmental fund: the General Fund. The District's General Fund financial statements can be found on pages 11 through 14.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison schedule has been provided on page 45.

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 44.

Required Supplementary Information (RSI)

The RSI presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management's discussion and analysis and budget to actual comparison, as well as certain RSI required by GASB 68 and 75 as follows:

- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund

- Old Hire Plan Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios – Last 10 Years (to be built prospectively)
- Old Hire Plan Schedule of Contributions – Last 10 Years (to be built prospectively)
- Schedule of the District’s Proportionate Share of the Net Pension Asset of the Statewide Defined Benefit Pension Plan
- Schedule of District Contributions to the Statewide Defined Benefit Pension Plan
- Volunteer Plan Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios – Last 10 Years (to be built prospectively)
- Volunteer Plan Schedule of Contributions – Last 10 Years (to be built prospectively)
- Schedule of the District’s Proportionate Share of the PERA Net Pension Liability
- Schedule of District Contributions to the PERA Defined Benefit Pension Plan
- Schedule of the District’s Proportionate Share of the PERA Net Other Post-Employment Benefit Liability
- Schedule of District Contributions to the PERA Other Post-Employment Benefit Plan

Other Supplemental Information

A schedule of general fund revenues, expenditures, and changes in fund balance for the current year and prior two years has been presented on page 56.

Government-wide Financial Analysis

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

	<u>2018</u>	<u>2017</u>
Assets		
Current and other assets	\$ 6,067,007	\$ 5,935,848
Capital assets	4,488,469	5,142,326
Net pension asset	<u>569,811</u>	<u>-</u>
<i>Total Assets</i>	<u>11,125,287</u>	<u>11,078,174</u>
Deferred Outflows of Resources		
Pension plans	<u>927,093</u>	<u>1,106,814</u>
<i>Total Deferred Outflows of Resources</i>	<u>927,093</u>	<u>1,106,814</u>
Liabilities		
Current liabilities	63,047	60,242
Noncurrent liabilities	1,779,490	2,052,423
Net pension liability	<u>568,892</u>	<u>804,176</u>
<i>Total Liabilities</i>	<u>2,411,429</u>	<u>2,916,841</u>
Deferred Inflows of Resources		
Pension plans	264,923	38,084
Deferred property tax revenue	<u>3,788,506</u>	<u>3,506,544</u>
<i>Total Deferred Inflows of Resources</i>	<u>4,053,429</u>	<u>3,544,628</u>
Net Position		
Net investment in capital assets	3,468,642	3,801,284
Restricted for debt service	359,569	359,569
Reserved for emergencies	148,000	148,000
Unrestricted	<u>1,611,311</u>	<u>1,414,666</u>
<i>Total Net Position</i>	<u>\$ 5,587,522</u>	<u>\$ 5,723,519</u>

Total assets of the District increased from the prior year primarily due to the increase in the net pension asset, which is a result of changes in actuarial estimates. The changes in actuarial estimates related to the pension plans and other post-employment benefit plan resulted in a decrease in deferred outflows of resources. Total liabilities decreased from the prior year due to scheduled principal payments on bonds payable and a reduction of the net pension liability due to changes in actuarial estimates. Deferred inflows of resources increased from the prior year due to increases in assessed property values and changes in pension plan actuarial estimates.

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

	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues	\$ 1,275,149	\$ 1,403,144
General revenues:		
Taxes	4,011,178	3,902,768
Miscellaneous	16,035	32,275
Earnings on deposits and investments	30,761	16,224
Grants	<u>19,877</u>	<u>-</u>
<i>Total Revenues</i>	<u>5,353,000</u>	<u>5,354,411</u>
Expenses		
Fire protection and emergency medical services	4,103,593	4,372,177
Administration	922,518	819,136
Interest on long-term debt	<u>33,761</u>	<u>42,819</u>
<i>Total Expenses</i>	<u>5,059,872</u>	<u>5,234,132</u>
Other Financing Uses		
Intergovernmental transfer of assets	<u>(419,252)</u>	<u>-</u>
<i>Change in Net Position</i>	(126,124)	120,279
Net Position – beginning of year	5,723,519	5,603,240
Cumulative effect of adoption of a new accounting standard	(9,873)	-
Net Position – beginning of year, restated	<u>5,713,646</u>	<u>-</u>
Net Position – end of year	<u>\$ 5,587,522</u>	<u>\$ 5,723,519</u>

Total revenues of the District were within 1% of the prior year, driven primarily by decreases in emergency medical services (EMS) revenue which was offset by increases in government wildland firefighting revenue and grant revenue. Total expenses decreased 3% from the prior year. Significant activity was driven by increases in salaries and wages as a result of the increased wildland firefighting activity and decreases in pension expense due to changes in actuarial assumptions. Other financing uses recognized during the year ended December 31, 2018 are due to intergovernmental transfers of capital assets. This, along with the implementation of GASB 75, resulted in an overall decrease in net position.

Financial Analysis of Governmental Funds

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

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

The District maintains only one governmental fund, the General Fund, which is the District's operating fund. The General Fund had a fund balance of \$2,205,678 as of December 31, 2018, of which \$148,000 is restricted for emergencies, \$359,569 is restricted for debt service, and \$1,139,089 is assigned as an operating reserve. The unreserved portion of the fund balance in the amount of \$559,020 is available for spending. Total fund balance decreased \$158,201 from the prior year, primarily due to decreases in EMS revenue and increases in salaries and wages. Unassigned fund balance decreased from the prior year due to an increase in amounts assigned for operating reserve.

General Fund Budgetary Highlights

Revenues received for EMS Service Fees were less than budgeted due to lower transport volume and more BLS contacts versus the higher billable ALS contacts. Interest/Penalties/Delinquent Taxes for Montrose County were significantly higher than budgeted due to a higher than expected interest and penalties fees. Government revenue was well over budgeted amounts, reflecting more wildland assignments than budgeted for. Fund balance transfer for the 2018 budget came in at \$158,201, well below the \$275,000 budgeted amount. Total expenditures were \$351,537 below budget due to a grant application being denied and capital expense is being delayed. Almost all categories came in under budget, except for Apparatus, Fire/EMS Salaries and Administration due to vehicle repairs, an increase in overtime needs and more wildland assignments than budgeted.

Capital Asset and Debt Administration

Capital Assets

The District defines capital assets as assets with an initial cost of more than \$5,000. Replacements, which improve or extend the lives of property, are capitalized. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized. During 2018, the District capitalized a gurney for a new ambulance from EMTS Grant monies. In addition, during 2018 the term of an intergovernmental agreement with Montrose County expired and title to emergency dispatch communication equipment was transferred from the District to Montrose County. Additional information on the District's capital assets can be found in Note 6.

Debt Administration

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

Economic Factors and Next Year's Budget

In 2018, the District successfully passed a ballot initiative to address and fix the Residential Assessment Rate's specific effect on the tax revenue for the District. The approved measure allows the District to fiscally grow and recover from the recession as planned. The District will still operate under a conservative budget as has proven to be best practice for unseen impacts in years past.

Request for Information

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

Basic Financial Statements

Government-wide Financial Statements

MONTROSE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2018

ASSETS

Cash	\$	928,442
Cash - restricted for debt service		362,879
Investments		694,740
Receivables:		
Property taxes		3,788,455
Specific ownership taxes		42,054
EMS accounts		224,835
Other		1,242
Property held for sale		24,360
Capital assets, net of accumulated depreciation, where applicable:		
Land		1,043,899
Buildings and improvements		2,635,466
Fire apparatus and ambulances		809,104
	<i>Capital Assets, net</i>	<u>4,488,469</u>
Net Pension Asset		569,811
	<i>Total Assets</i>	<u>11,125,287</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related (see Note 8)		925,549
Other post-employment benefit related (see Note 8)		1,544
	<i>Total Deferred Outflows of Resources</i>	<u>927,093</u>

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2018

LIABILITIES

Accounts payable	48,463
Accrued interest payable	14,584
Bonds payable:	
Due within one year	330,402
Due after one year	689,425
Compensated absences	759,663
Net pension liability	557,354
Net other post-employment benefit liability	11,538
	<u>2,411,429</u>
	<i>Total Liabilities</i>

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue	3,788,506
Pension related (see Note 8)	264,730
Other post-employment benefit related (see Note 8)	193
	<u>4,053,429</u>
	<i>Total Deferred Inflows of Resources</i>

NET POSITION

Net investment in capital assets	3,468,642
Restricted for:	
Debt service	359,569
Emergencies	148,000
Unrestricted	1,611,311
	<u>5,587,522</u>
	<i>Total Net Position</i>
	<u><u>\$ 5,587,522</u></u>

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

PROGRAM EXPENSES

Fire fighting/emergency medical services	\$ 3,508,630
Administration	922,518
Facility maintenance and operations	234,294
Equipment and supplies	210,488
Communications	121,605
Interest	33,761
Training	25,441
Fire prevention	3,135
<i>Total Program Expenses</i>	<u>5,059,872</u>

PROGRAM REVENUES

Charges for services, net of adjustments	1,261,744
Permits and fees	13,405
<i>Net Program Expenses</i>	<u>3,784,723</u>

GENERAL REVENUES

Property taxes	3,498,334
Specific ownership taxes	502,573
Interest on delinquent taxes	10,271
Miscellaneous	16,035
Earnings on deposits and investments	30,761
Grants	19,877
<i>Total General Revenues</i>	<u>4,077,851</u>

OTHER FINANCING USES

Intergovernmental transfer of assets	<u>(419,252)</u>
<i>Change in Net Position</i>	<u>(126,124)</u>

Net Position - January 1, 2018	5,723,519
Cumulative effect of adoption of a new accounting standard	<u>(9,873)</u>
Net Position - January 1, 2018, restated	<u>5,713,646</u>
Net Position - December 31, 2018	<u>\$ 5,587,522</u>

See accompanying notes.

Fund Financial Statements

MONTROSE FIRE PROTECTION DISTRICT

BALANCE SHEET – GENERAL FUND

December 31, 2018

ASSETS

Cash	\$	928,442
Cash - restricted for debt service		362,879
Investments		694,740
Receivables:		
Property taxes		3,788,455
Specific ownership taxes		42,054
EMS accounts		224,835
Other		1,242
	<i>Total Assets</i>	<u>\$ 6,042,647</u>

LIABILITIES

Accounts payable	\$	48,463
	<i>Total Liabilities</i>	<u>48,463</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue		<u>3,788,506</u>
	<i>Total Deferred Inflows of Resources</i>	<u>3,788,506</u>

FUND BALANCE

Restricted for:		
Debt service		359,569
Emergencies		148,000
Assigned for operating reserve		1,139,089
Unassigned		<u>559,020</u>
	<i>Total Fund Balance</i>	<u>2,205,678</u>
	<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<u>\$ 6,042,647</u>

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET TO
THE STATEMENT OF NET POSITION

December 31, 2018

Total Fund Balance - Governmental Funds	\$ 2,205,678
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Accrued compensated absences payable are not due and payable in the current period and, therefore, are not reported as liabilities in the Fund.	(759,663)
Long-term debt obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the Fund.	(1,019,827)
Accrued interest on long-term debt obligations is not due and payable in the current period and, therefore, is not reported as a liability in the Fund.	(14,584)
Net pension asset, net pension liability, deferred outflows, and deferred inflows of resources related to pensions are not current financial resources and, therefore, are not reported as assets or liabilities in the Fund.	663,089
Property held for sale is not a current financial resource and, therefore, is not reported as an asset in the Fund.	24,360
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund:	
Cost of capital assets	8,807,395
Less accumulated depreciation	(4,318,926)
Total Net Position - Governmental Activities	<u>\$ 5,587,522</u>

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND

For the year ended December 31, 2018

REVENUES

Property taxes	\$	3,498,334
Specific ownership taxes		502,573
Interest on delinquent taxes		10,271
Charges for services, net of adjustments		1,261,744
Permits and fees		13,405
Miscellaneous		16,035
Earnings on deposits and investments		30,761
Grants		19,877
		<u>19,877</u>
	<i>Total Revenues</i>	<u>5,353,000</u>

EXPENDITURES

Current		
Fire fighting/emergency medical services		3,737,348
Administration		922,518
Equipment and supplies		210,488
Facility maintenance and operations		114,661
Communications		121,605
Training		25,441
Fire prevention		3,135
Capital outlay		16,436
Debt service		
Principal		321,215
Interest		38,354
		<u>38,354</u>
	<i>Total Expenditures</i>	<u>5,511,201</u>
	<i>Net Change in Fund Balance</i>	<u>(158,201)</u>

Fund Balance - January 1		<u>2,363,879</u>
Fund Balance - December 31		<u>\$ 2,205,678</u>

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

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

December 31, 2018

Net Change in Fund Balance - General Fund	\$ (158,201)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in the Fund; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful life as depreciation expense:	
Capital outlay	16,436
Depreciation expense	(251,041)
Principal payments on long-term debt obligations are reported as an expenditure in the Fund, but reduce long-term liabilities in the Statement of Net Position.	321,215
Accrued interest on long-term debt obligations is not reported in the Fund but reported as an expenditure when due in the Statement of Net Position.	
December 31, 2017	19,177
December 31, 2018	(14,584)
GASB 68 and 75 Pension expense is not reported in the Fund but is reported as an expenditure in the Statement of Activities.	408,408
Transfer of equipment to Montrose County is recorded on the Statement of Activities, but not on the governmental fund.	(419,252)
Compensated absences are recognized as an expenditure in the Fund when they are determined to be payable from current financial resources. In the Statement of Activities, compensated absences are recognized as an expenditure when earned:	
December 31, 2017	711,381
December 31, 2018	(759,663)
Change in Net Position of Governmental Activities	<u>\$ (126,124)</u>

See accompanying notes.

Notes to Basic Financial Statements

MONTROSE FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

The District has only one governmental fund, the General Fund, which is the District's primary operating fund. It accounts for all financial resources of the District.

Separate financial statements are provided for the General Fund.

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

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

Investments

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

Property Taxes

Property taxes for the current year are levied in December of the previous year and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes for 2018 are reported as a receivable and deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

Capital Assets

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

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

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

Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Revenue bond obligations payable are reported net of any applicable bond premium or discount and refinancing losses. At December 31, 2018 there were no revenue bond premiums and discounts, or losses on refinancing included in the statement of net position. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as program expenses in the year in which they are incurred.

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

Compensated Absences

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

Net Position

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

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District did not have any nonspendable resources as of December 31, 2018.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified the Taxpayer's Bill of Rights (TABOR) emergency reserves as being restricted because their use is restricted by state statute. The District has also classified the amounts restricted for payment of debt service as being restricted because their use is restricted by the financial institution with which the District has a revenue bond.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2018.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District manager through the budgetary process. The District had \$1,139,089 in assigned resources as of December 31, 2018.
- **Unassigned:** This classification includes the residual fund balance for the General Fund.

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

Cumulative Effect of Adoption of New Accounting Standard

The District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for other post-employment benefit (OPEB) that are provided to the employees of state and local governmental employers (see Note 8.)

Certain employees of the District are covered by the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note 8. In accordance with GASB 75, as a result of the District having employees covered by the HCTF, beginning net position as of January 1, 2018 has been adjusted downward by \$9,873 for the net effect of recording the District's proportionate share of the HCTF's net OPEB liability as of December 31, 2017 (the HCTF's measurement date) less contributions made by the District to the HCTF subsequent to the December 31, 2017 measurement date.

The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions made to the HCTF by participating employers for the calendar year 2017. Therefore, the restatement effect of the adoption of GASB 75 is comprised of the following:

Net Position – January 1, 2018	\$ 5,723,519
Cumulative effect on adoption of new accounting standard	<u>(9,873)</u>
Net Position – January 1, 2018, as restated	<u>\$ 5,713,646</u>

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

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

NOTE 3 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

NOTE 4 - BUDGETS

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

- A. Budgets are required by state law.
- B. The budget officer is required to submit a proposed budget to the Board by October 15.

- C. Public hearings are conducted by the Board to obtain taxpayer comments.
- D. Certification of the mill levies to the Board of County Commissioners and adoption of the budget and appropriations are required by December 15.
- E. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget. The District expended less than was appropriated during 2018.
- F. Budget appropriations lapse at the end of each year.
- G. Budgets are adopted on the modified accrual basis of accounting.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

	Bank Balance	Carrying Amount
Cash in checking accounts	\$ 88,245	\$ 422,657
Cash on hand	-	147
Money market account	505,638	505,638
Lease purchase – escrow account	362,879	362,879
	\$ 956,762	\$ 1,291,321

At December 31, 2018, \$257,947 was covered by depositor’s insurance and \$698,815 was collateralized under PDPA requirements.

Custodial Credit Risk – Deposits and Investments

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

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

At December 31, 2018, the District had funds in a local government investment pool (COLOTRUST). The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Pool investments include U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and Agency securities. The pool is rated AAAM by Standard and Poor's. Financial statements for COLOTRUST may be obtained on their website at www.colotruster.com.

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

Description	Credit Quality Rating	Maturity	Fair Value
COLOTRUST Plus+	AAAm	N/A	\$ 694,740

Interest Rate Risk – Investments

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

Concentrations of Credit Risk – Deposits and Investments

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

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018 was as follows:

	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018
Non-depreciable capital assets				
Land	\$ 1,043,899	\$ -	\$ -	\$ 1,043,899
Dispatch consoles	419,252	-	419,252	-
<i>Total non-depreciable capital assets</i>	<u>1,463,151</u>	<u>-</u>	<u>419,252</u>	<u>1,043,899</u>
Depreciable capital assets				
Buildings and improvements	4,281,133	-	-	4,281,133
Fire apparatus and ambulances	3,465,927	16,436	-	3,482,363
<i>Total depreciable capital assets</i>	<u>7,747,060</u>	<u>16,436</u>	<u>-</u>	<u>7,763,496</u>
Less accumulated depreciation for				
Buildings and improvements	(1,526,034)	(119,633)	-	(1,645,667)
Fire apparatus and ambulances	(2,541,851)	(131,408)	-	(2,673,259)
<i>Total accumulated depreciation</i>	<u>(4,067,885)</u>	<u>(251,041)</u>	<u>-</u>	<u>(4,318,926)</u>
<i>Total capital assets being depreciated, net</i>	<u>3,679,175</u>	<u>(234,605)</u>	<u>-</u>	<u>3,444,570</u>
<i>Total capital assets, net depreciation</i>	<u>\$ 5,142,326</u>	<u>\$ (234,605)</u>	<u>\$ 419,252</u>	<u>\$ 4,488,469</u>

Depreciation expense was charged to functions/programs of the District as follows: firefighting/emergency medical services \$131,408 and facility maintenance and operations \$119,633.

During 2018 the District's intergovernmental agreement with Montrose County expired and the emergency dispatch communication equipment was transferred from the District to Montrose County. This transfer is recorded as an other financing use on the government-wide statement of activities.

NOTE 7 - LONG-TERM LIABILITIES

Changes in long-term liabilities:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
2012 revenue bonds	\$ 1,341,042	\$ -	\$ (321,215)	\$ 1,019,827	\$ 330,402
Accrued compensated absences	711,381	313,938	(265,656)	759,663	-
<i>Total long-term liabilities</i>	<u>\$ 2,052,423</u>	<u>\$ 313,938</u>	<u>\$ (586,871)</u>	<u>\$ 1,779,490</u>	<u>\$ 330,402</u>

Revenue Bond Obligation

2012: March 1, 2012, the District issued a revenue bond for \$3,147,575 to refinance the 2004 and 2011 lease purchase agreements. The revenue bond is collateralized by all revenues, fees, donations, contributions or other income derived from the property, plant and equipment purchased under the 2004 and 2011 lease purchase agreements. The revenue bond is also collateralized by all ad valorem taxes, levied and collected by the District pursuant to the November 2005 voter authorization. As required by GASB No. 65, the issuance costs of \$61,475 were expensed in the year of issuance. The District is obligated under the agreement to make annual payments of \$359,569, including principal and interest at an interest rate of 2.86 percent, each July 1 beginning July 1, 2012 and ending July 1, 2021. The agreement requires compliance with specified covenants and obligations. At December 31, 2018 the District believes it is in compliance with these covenants. The District established a bank account, as required by the agreement, to hold a minimum balance equal to the annual debt service requirement. The balance in the restricted account is \$362,879 at December 31, 2018.

Revenue Bond Minimum Future Obligations

The minimum future obligations are as follows:

Year	Principal	Interest	Total
2019	330,402	29,167	359,569
2020	339,852	19,717	359,569
2021	349,573	9,998	359,571
<i>Total minimum future obligations payments</i>	<u>\$ 1,019,827</u>	<u>\$ 58,882</u>	<u>\$ 1,078,709</u>

NOTE 8 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

Old Hire (Hired prior to April 8, 1978)

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

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

The Old Hire Plan provides normal retirement benefits, disability retirement and survivor benefits. Firefighters who have attained both 50 years of age and completed 20 years of active service in any fire department in the State of Colorado are eligible for a monthly pension equal to one-half of their monthly salary as of the date of retirement. Upon death, the surviving spouse receives a monthly pension based on one-third of the salary of a first grade firefighter at the time of retirement, until death or remarriage. The District has two retirees and no active members in the Old Hire Plan as of January 1, 2018, the actuarial valuation date.

Effective January 1, 2017, all retirees and beneficiaries were granted a \$50 per month benefit increase. The increase in the total pension liability due to this plan change effective during the year ended December 31, 2017 is reflected in pension expense.

At December 31, 2018, the District reported a net pension liability of \$192,376 related to the Old Hire Plan. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2018.

At December 31, 2018 the total pension liability was \$289,711, the plan fiduciary net position was \$97,335, and the pension plan fiduciary net position as a percentage of total pension liability was 33.60 percent. For the year ended December 31, 2018, the District recognized pension expense of \$37,545.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the Old Hire Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 4,152	\$ 5,127
Total	\$ 4,152	\$ 5,127

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

Deferred outflows of resources of \$24,319 related to the Old Hire Plan resulting from contributions subsequent to the measurement date of December 31, 2017 will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Old Hire Plan will be recognized in pension expense as follows:

For the years ending December 31,	
2019	\$ 640
2020	\$ 478
2021	\$ (812)
2022	\$ (1,281)
2023	\$ -
Thereafter	\$ -
Total	\$ (975)

Employer contributions are recognized by FPPA in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to FPPA. Employer contributions recognized by the FPPA from the District were \$24,319 for the year ended December 31, 2018.

Actuarially determined contribution rates are calculated as of January 1 of even numbered years. The contributions rates have a one-year lag, so the actuarial valuation as of January 1, 2016, determines the contribution amounts for 2017 and 2018. Methods and assumptions used to determine contribution rates for the year ended December 31, 2018 were as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	14 Years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	Any remaining actives are assumed to retire immediately
Mortality	Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables of Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB. Disabled (pre-1980): RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

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

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50 percent; the municipal bond rate is 3.31 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50 percent.

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

included in the Fund's target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Public Equity	37.00%	8.33%
Equity Long/Short	9.00%	4.85%
Private Capital	24.00%	9.70%
Fixed Income	15.00%	3.00%
Absolute Return	9.00%	6.46%
Managed Futures	4.00%	6.85%
Cash	2.00%	2.26%
Total	100.00%	

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 211,499	\$ 192,376	\$ 175,326

Paid Firefighters (Hired after April 8, 1978)

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

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

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

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

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

Members of the SWDB Plan and their employers are contributing at the rate of 9.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 17.5 percent in 2017. In 2014, the members elected to increase the member contribution rate to the SWDB Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

At December 31, 2017, the total pension liability for the SWDB Plan was \$2,269,410,684, the plan fiduciary net position was \$2,413,276,447, the net pension asset was \$143,865,763, and the plan fiduciary net position as a percentage of the total pension liability was 106.30 percent.

At December 31, 2017, the District's proportion of the net pension liability of the SWDB Plan was 0.3961 percent, which was a decrease of 0.0690 percent from its proportion measured as of December 31, 2016.

At December 31, 2018, the District reported an asset of \$569,811 for its proportionate share of the SWDB Plan net pension asset. The net pension asset was measured as of December 31, 2017. The collective total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2018. The actuarially determined contributions as of December 31, 2017 are based on the January 1, 2017 actuarial valuation. For the year ended December 31, 2018, the District recognized pension income of \$229,649.

Employer contributions recognized by the SWDB Plan from the District were \$185,339 for the year ended December 31, 2018.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the SWDB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 193,472
Changes in actuarial assumptions	85,850	-
Difference between actual and expected experience	410,915	6,314
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions.	139,570	-
Total	\$ 636,335	\$ 199,786

The deferred outflows and deferred inflows related to pensions are included with total deferred outflows and total deferred inflows on the statement of net position. Deferred outflows of resources of \$185,111 related to FPPA pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the FPPA net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending December 31,	Amounts Recognized in Pension Expense
2018	\$ 67,521
2019	\$ 58,710
2020	\$ (23,522)
2021	\$ (54,018)
2022	\$ 60,540
Thereafter	\$ 187,749
Total	\$ 296,980

The actuarial valuations for the SWDB Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2017. The valuation used the following actuarial assumption and other inputs:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	8.33%
Equity Long/Short	9.0%	7.15%
Illiquid Alternatives	24.0%	9.70%
Fixed Income	15.0%	3.00%
Absolute Return	9.0%	6.46%
Managed Futures	4.0%	6.85%
Cash	2.0%	2.26%
Total	100.00%	

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50 percent; the municipal bond rate is 3.31 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50 percent.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension asset (liability)	\$620,354	\$(569,811)	\$(1,558,090)

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

Volunteer Firefighters

The FPPA administers an agent multiple-employer PERS. The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive

annual financial report that can be obtained at FPPAco.org. Once in the site, locate the site map at the bottom of the web page and you will find the ‘Annual Report’ link.

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

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

At December 31, 2018, the District reported a net pension liability of \$237,764 related to the Volunteer Plan. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018.

At December 31, 2018, the total pension liability was \$883,254, the plan fiduciary net position was \$645,490, and the pension plan fiduciary net position as a percentage of total pension liability was 73.08 percent. For the year ended December 31, 2018, the District recognized pension income of \$13,932.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the Volunteer Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 22,273	\$ 33,081
Total	\$ 22,273	\$ 33,081

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

Deferred outflows of resources of \$34,000 related to the Volunteer Plan resulting from contributions subsequent to the measurement date of December 31, 2017 will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Volunteer Plan will be recognized in pension expense (income) as follows:

For the years ending December 31,	
2019	\$ 2,081
2020	\$ 1,105
2021	\$ (5,723)
2022	\$ (8,721)
2023	\$ -
Thereafter	\$ -
Total	\$ (10,808)

Employer contributions are recognized by FPPA in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to FPPA. Employer contributions recognized by the FPPA from the District were \$34,000 for the year ended December 31, 2018.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 Years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65.
Mortality	Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Police experience. Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables of Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB. Disabled: RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

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

Development of the single discount rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general

obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50 percent; the municipal bond rate is 3.31 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50 percent.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Public Equity	37.00%	8.33%
Equity Long/Short	9.00%	7.15%
Private Capital	24.00%	9.70%
Fixed Income	15.00%	3.00%
Absolute Return	9.00%	6.46%
Managed Futures	4.00%	6.85%
Cash	2.00%	2.26%
Total	100.00%	

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 322,158	\$ 237,764	\$ 166,250

Non-Firefighters and EMS

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded*

Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and December 31, 2018.*

Eligible employees of the District are provided with pensions through the LGDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

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

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

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

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

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

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

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

At December 31, 2017, the total pension liability for PERA was \$5,396,516,000, the plan fiduciary net position was \$4,283,086,000, the net pension liability was \$1,113,430,000, and the plan fiduciary net position as a percentage of the total pension liability was 79.37 percent.

At December 31, 2017, the District's proportion of the net pension liability of PERA was 0.0114 percent, which was an increase of 0.0007 percent from its proportion measured as of December 31, 2016.

At December 31, 2018, the District reported a liability of \$127,214 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF. For the year ended December 31, 2018, the District recognized pension expense of \$29,130.

Employer contributions recognized by the LGDTF from the District for PERA were \$10,294 for the year ended December 31, 2018.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERA pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,958	\$ -
Changes in actuarial assumptions	1,344	-
Net difference between projected and actual earnings on pension plan investments.	-	24,727
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions.	6,264	2,006
Total	\$ 15,566	\$ 26,733

The deferred outflows of resources and deferred inflows of resources related to pensions are included with total deferred outflows of resources and total deferred inflows of resources on the Statement of Net Position. Deferred outflows of resources of \$9,139 related to PERA pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the PERA net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending December, 31	
2018	\$ 5,762
2019	\$ (3,032)
2020	\$ (8,973)
2021	\$ (9,149)
2022	\$ -
Thereafter	\$ -
Total	\$ (15,392)

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

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

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

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

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

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2015, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 18, 2016.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single

Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$202,160	\$127,214	\$64,217

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019, and raises the retirement age for new employees.
- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution

supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018, the District reported a liability of \$127,214 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 7.25 percent. For comparative purposes, the following schedule presents an estimate of what the District’s proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 89,981

Health Care Trust Fund Program, an Other Post-Employment Benefit Plan

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit Other Post-Employment Benefit (“OPEB”) fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member’s years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient’s eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$930 for the year ended December 31, 2018.

At December 31, 2018, the District reported a liability of \$11,538 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.0009 percent, which was an increase of 0.0001 from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized OPEB expense of \$904. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	2018	2018
Difference between expected and actual experience in the measurement of the total OPEB liability	\$ 55	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	193
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	754	-
Employer's contributions to the plan subsequent to the measurement date of the collective net OPEB liability	735	-
<i>Total</i>	<u>\$ 1,544</u>	<u>\$ 193</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date, are recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are immaterial and will not be recognized in OPEB expense.

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare &

Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity – Large Cap	21.20%	4.30
U.S. Equity – Small Cap	7.42	4.80
Non U.S. Equity – Developed	18.55	5.20
Non U.S. Equity – Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income – Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
<i>Total</i>	<u>100.00%</u>	

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Proportionate share of the net OPEB liability – 2018	\$11,221	\$11,538	\$11,920

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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

	<u>1% Decrease in Discount Rates</u>	<u>Current Discount Rates</u>	<u>1% Increase in Discount Rates</u>
Proportionate share of the net OPEB liability – 2018	\$12,972	\$11,538	\$10,314

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

Deferred Compensation Retirement Plan

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

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

NOTE 9 - RISK MANAGEMENT

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

Required Supplemental Information

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2018

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	\$ 3,494,502	\$ 3,498,334	\$ 3,832
Specific ownership taxes	457,250	502,573	45,323
Interest on delinquent taxes	73	10,271	10,198
Charges for services, net of adjustment	1,119,625	1,261,744	142,119
Reserve balance transfer	275,000	-	(275,000)
Permits and fees	10,000	13,405	3,405
Miscellaneous	20,000	16,035	(3,965)
Earnings on deposits and investments	18,750	30,761	12,011
Capital grants	467,640	19,877	(447,763)
<i>Total Revenues</i>	<u>5,862,840</u>	<u>5,353,000</u>	<u>(509,840)</u>
EXPENDITURES			
Current			
Fire fighting/emergency medical services	3,707,522	3,737,348	(29,826)
Administration	697,273	922,518	(225,245)
Equipment and supplies	211,575	210,488	1,087
Facility maintenance and operations	126,100	114,661	11,439
Communications	124,939	121,605	3,334
Training	33,080	25,441	7,639
Fire prevention	10,600	3,135	7,465
Capital outlay	592,080	16,436	575,644
Debt service			
Principal	303,601	321,215	(17,614)
Interest	55,968	38,354	17,614
<i>Total Expenditures</i>	<u>5,862,738</u>	<u>5,511,201</u>	<u>351,537</u>
<i>Excess of Revenues Over Expenditures</i>	<u>102</u>	<u>(158,201)</u>	<u>(158,303)</u>
<i>Net Change in Fund Balance</i>	<u>\$ 102</u>	<u>(158,201)</u>	<u>\$ (158,303)</u>
Fund Balance - January 1		<u>2,363,879</u>	
Fund Balance - December 31		<u>\$ 2,205,678</u>	

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
OLD HIRE PLAN SCHEDULE OF CHANGES IN NET PENSION LIABILITY / (ASSET) AND RELATED RATIOS
LAST 10 YEARS (to be built prospectively)

As of December 31, *

Plan measurement period ending December 31,	2017	2016	2015	2014
Total Pension Liability				
Interest on the total pension liability	\$ 19,842	\$ 20,830	\$ 19,722	\$ 20,677
Benefit changes	9,796	-	-	-
Difference between expected and actual experience of the total pension liability	13,132	-	11,929	-
Changes of assumptions	-	-	16,532	-
Benefit payments	(34,612)	(33,412)	(33,412)	(33,412)
Net change in total pension liability	8,158	(12,582)	14,771	(12,735)
Total pension liability - beginning	281,553	294,135	279,364	292,099
Total pension liability - ending	<u>\$ 289,711</u>	<u>\$ 281,553</u>	<u>\$ 294,135</u>	<u>\$ 279,364</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 24,319	\$ 17,593	\$ 17,593	\$ 16,370
Net investment income	13,149	5,147	2,211	8,637
Benefit payments	(34,612)	(33,412)	(33,412)	(33,412)
Pension plan administrative expense	(877)	(3,334)	(533)	(4,533)
Net change in plan fiduciary net position	1,979	(14,006)	(14,141)	(12,938)
Plan fiduciary net position - beginning (market value of assets at beginning of year)	95,356	109,362	123,503	136,441
Plan fiduciary net position - ending (market value of assets at end of year)	<u>\$ 97,335</u>	<u>\$ 95,356</u>	<u>\$ 109,362</u>	<u>\$ 123,503</u>
Net Pension Liability	192,376	186,197	184,773	155,861
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	33.60%	33.87%	37.18%	44.21%
Covered Employee Payroll	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2017, 2016, 2015 and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2018, 2017, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
OLD HIRE PLAN SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS (to be built prospectively)

For the Year Ended December 31, 2018

Plan Year Ended December 31,	Actuarially Determined Contribution *	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2017	\$ 24,319	\$ 24,319	\$ -	N/A	N/A
2016	\$ 17,593	\$ 17,593	\$ -	N/A	N/A
2015	\$ 17,593	\$ 17,593	\$ -	N/A	N/A
2014	\$ 15,124	\$ 16,370	\$ (1,246)	N/A	N/A

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

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET OF
THE STATEWIDE DEFINED BENEFIT PENSION PLAN

As of December 31, *

	2017	2016	2015	2014
District's proportion of the net pension asset	0.3961%	0.4651%	0.5002%	0.5139%
District's proportionate share of the net pension asset (liability)	\$ 569,811	\$ (168,046)	\$ 8,818	\$ 579,986
District's covered payroll	\$ 2,316,742	\$ 2,411,314	\$ 2,463,001	\$ 2,310,574
District's proportionate share of the net pension liability as a percentage of its covered payroll	24.60%	-6.97%	0.36%	25.10%
Plan fiduciary net position as a percentage of the total pension asset	106.30%	98.21%	100.10%	106.80%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2017, 2016, 2015 and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2018, 2017, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE STATEWIDE DEFINED BENEFIT PENSION PLAN
For the Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 185,111	\$ 185,339	\$ 190,410	\$ 193,990
Contributions in relation to the statutorily required contribution	(185,111)	(185,339)	(190,410)	(193,990)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,313,883	\$ 2,316,742	\$ 2,411,314	\$ 2,463,001
Contributions as a percentage of covered payroll	8%	8%	8%	8%

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER PLAN SCHEDULE OF CHANGES IN NET PENSION LIABILITY / (ASSET) AND RELATED RATIOS
LAST 10 YEARS (to be built prospectively)

As of December 31, *

Plan measurement period ending December 31,	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 2,932	\$ 5,367	\$ 5,367	\$ 6,740
Interest on the total pension liability	64,361	75,050	75,262	69,562
Benefit changes	-	37,205	-	75,047
Difference between expected and actual experience of the total pension liability	-	(207,867)	-	11,054
Changes of assumptions	-	30,510	-	-
Benefit payments	(80,040)	(83,084)	(83,820)	(87,570)
Net change in total pension liability	(12,747)	(142,819)	(3,191)	74,833
Total pension liability - beginning	896,001	1,038,820	1,042,011	967,178
Total pension liability - ending	<u>\$ 883,254</u>	<u>\$ 896,001</u>	<u>\$ 1,038,820</u>	<u>\$ 1,042,011</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000
Net investment income	84,532	30,306	10,303	39,014
Benefit payments	(80,040)	(83,084)	(83,820)	(87,570)
Pension plan administrative expense	(5,509)	(1,178)	(3,193)	(1,287)
State of Colorado supplemental discretionary payment	22,500	22,500	22,500	22,500
Net change in plan fiduciary net position	55,483	2,544	(20,210)	6,657
Plan fiduciary net position - beginning (market value of assets at beginning of year)	590,007	587,463	607,673	601,016
Plan fiduciary net position - ending (market value of assets at end of year)	<u>\$ 645,490</u>	<u>\$ 590,007</u>	<u>\$ 587,463</u>	<u>\$ 607,673</u>
Net Pension Liability / (Asset)	237,764	305,994	451,357	434,338
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.08%	65.85%	56.55%	58.32%
Covered Employee Payroll	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2017, 2016, 2015 and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2018, 2017, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER PLAN SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS (to be built prospectively)

For the Year Ended December 31, 2018

Plan Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2017	\$ 46,610	\$ 56,500	\$ (9,890)	N/A	N/A
2016	\$ 46,610	\$ 56,500	\$ (9,890)	N/A	N/A
2015	\$ 44,354	\$ 56,500	\$ (12,146)	N/A	N/A
2014	\$ 44,354	\$ 56,500	\$ (12,146)	N/A	N/A

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

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE PERA NET PENSION LIABILITY
As of December 31, *

	2017	2016	2015	2014
District's proportion of the net pension liability	0.0114%	0.0107%	0.0103%	0.0106%
District's proportionate share of the net pension liability	\$ 127,214	\$ 143,939	\$ 113,073	\$ 95,429
District's covered payroll	\$ 72,077	\$ 58,295	\$ 58,340	\$ 58,340
District's proportionate share of the net pension liability as a percentage of its covered payroll	176.50%	246.91%	193.82%	163.57%
Plan fiduciary net position as a percentage of the total pension liability	79.37%	73.60%	76.87%	80.72%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2017, 2016, 2015, and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2018, 2017, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE PERA DEFINED BENEFIT PENSION PLAN
For the Years Ended December 31,

	2018	2017	2016	2015
Statutorily required contribution	\$ 9,139	\$ 10,294	\$ 13,086	\$ 7,986
Contributions in relation to the statutorily required contribution	(9,139)	(10,294)	(13,086)	(7,986)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 91,208	\$ 72,077	\$ 58,295	\$ 58,340
Contributions as a percentage of covered payroll	10.02%	14.28%	22.45%	13.69%

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE PERA NET OTHER POST-EMPLOYMENT BENEFIT LIABILITY

As of December 31, *

	2017
District's proportion of the net pension liability	0.0009%
District's proportionate share of the net pension liability	\$ 11,538
District's covered payroll	\$ 72,077
District's proportionate share of the net pension liability as a percentage of its covered payroll	16.01%
Plan fiduciary net position as a percentage of the total pension liability	17.53%

* The amounts presented for the years shown above were determined as of and for the calendar year ended December 31, 2017 (the Plan's measurement period) occurring prior to the District's calendar year ended December 31, 2018 in accordance with Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*.

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE PERA OTHER POST-EMPLOYMENT
BENEFIT PLAN

For the Years Ended December 31,

	2018
Statutorily required contribution	\$ 930
Contributions in relation to the statutorily required contribution	(930)
Contribution deficiency (excess)	\$ -
District's covered payroll	\$ 91,208
Contributions as a percentage of covered payroll	1.02%

Other Supplemental Information

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GENERAL FUND

For the years ended December 31, 2018, 2017, and 2016

	2018	2017	2016
REVENUES			
Property taxes	\$ 3,498,334	\$ 3,386,715	\$ 3,451,486
Specific ownership taxes	502,573	482,265	429,905
Interest on delinquent taxes	10,271	33,788	11,374
Charges for services, net of adjustment	1,261,744	1,386,887	1,204,370
Permits and fees	13,405	16,257	9,025
Miscellaneous	16,035	32,275	34,301
Earnings on deposits and investments	30,761	16,224	9,608
Capital grants	19,877	-	49,923
<i>Total Revenues</i>	<u>5,353,000</u>	<u>5,354,411</u>	<u>5,199,992</u>
EXPENDITURES			
Current:			
Fire fighting/emergency medical services	3,737,348	3,627,529	3,556,878
Administration	922,518	819,136	747,493
Equipment and supplies	210,488	184,127	161,703
Facility maintenance and operations	114,661	135,858	109,661
Communications	121,605	99,530	107,806
Training	25,441	15,482	30,979
Fire prevention	3,135	4,853	4,651
Capital outlay	16,436	15,784	68,396
Debt service			
Principal	321,215	312,284	303,601
Interest	38,354	47,285	55,968
<i>Total Expenditures</i>	<u>5,511,201</u>	<u>5,261,868</u>	<u>5,147,136</u>
<i>Excess (Deficiency) of Revenue Over (Under) Expenditures</i>	<u>(158,201)</u>	<u>92,543</u>	<u>52,856</u>
<i>Net Change in Fund Balance</i>	<u>(158,201)</u>	<u>92,543</u>	<u>52,856</u>
Fund Balance - January 1	<u>2,363,879</u>	<u>2,271,336</u>	<u>2,218,480</u>
Fund Balance - December 31	<u><u>\$ 2,205,678</u></u>	<u><u>\$ 2,363,879</u></u>	<u><u>\$ 2,271,336</u></u>

See accompanying notes.