

NORTH-WEST FIRE PROTECTION DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2018

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
North-West Fire Protection District
Fairplay, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North-West Fire Protection 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 each major fund of the North-West Fire Protection District, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 29-33 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.

John Luttrell & Associates, LLC

June 19, 2019

NORTH-WEST FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of North-West Fire Protection District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements which begin on page 1.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) the government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary 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 Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in the government-wide financial statements for some items will result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused PTO leave).

The government-wide financial statements detail functions of the District that are principally supported by tax revenues (governmental activities) and charges for services. The governmental activity of the District is public safety – Fire/Emergency Services.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District reports governmental and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 funds with similar information presented for governmental activities in the government wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 3 through 5 of this report.

The District adopted an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund is located on page 29 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting for fiduciary funds is much like the government-wide financial statements.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6-28 of this report.

Other Information: In addition to the basic financial statements, this report also presents required supplementary information consisting of the schedules of revenues, expenditures and changes in fund balance – budget to actual – General Fund and the summary of historical information of the Volunteer Firefighter Pension Plan and Statewide Defined Benefit Plan, which can be found on pages 30-33, of this report.

North-West Fire Protection District
Condensed Statement of Net Assets
December 31,

| | <u>Governmental Activities</u> | |
|---|--------------------------------|--------------|
| | <u>2018</u> | <u>2017</u> |
| Assets | | |
| Current assets | \$ 2,481,701 | \$ 2,103,601 |
| Capital assets | 990,265 | 840,193 |
| Total Assets | 3,471,966 | 2,943,794 |
| Deferred Outflows | | |
| SWDB Pension | 144,812 | 196,271 |
| Volunteer Pension | 32,351 | 86,602 |
| Total Liabilities & Deferred Inflows | 177,163 | 282,873 |
| Liabilities | | |
| Current liabilities | 98,615 | 78,141 |
| Long-term liabilities | 656,561 | 541,340 |
| Total Liabilities | 755,176 | 619,481 |
| Deferred Inflows | | |
| Deferred Revenues - Property Taxes | 1,225,282 | 1,163,087 |
| SWDB Pension | 41,268 | 1,690 |
| Volunteer Pension | 19,300 | 54,401 |
| Total Liabilities & Deferred Inflows | 1,285,850 | 1,219,178 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 782,321 | 766,060 |
| Restricted | 65,300 | 43,800 |
| Unrestricted | 760,482 | 578,148 |
| Total Net Assets | \$ 1,608,103 | \$ 1,388,008 |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,608,103 at the close of the most recent fiscal year.

The District's net assets reflect its investment in capital assets (e.g. land, buildings and improvements, equipment and vehicles) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the

North-West Fire Protection District
MD&A

resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

From 2017 to 2018, the District's total assets increased \$220,095. The increase is primarily due to increase in cash and property tax receivables due to the voter approved increase in the District's mill levy in November 2017.

North-West Fire Protection District
Condensed Statement of Activities
December 31,

| | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Revenues | | |
| Program Revenues | | |
| Charges for Services | \$ 552,739 | \$ 436,069 |
| Operating Grants | 4,308 | 125 |
| Total Program Revenues | <u>557,047</u> | <u>436,194</u> |
| General Revenues | | |
| Taxes | 1,324,292 | 991,711 |
| Investment Earnings | 25,657 | 23,151 |
| Other | 6,578 | 8,580 |
| Total General Revenues | <u>1,356,527</u> | <u>1,023,442</u> |
| Total Revenues | <u>1,913,574</u> | <u>1,459,636</u> |
| Program Expenses | | |
| General Government | (1,690,965) | (1,350,439) |
| Interest on Long-Term Debt | (2,514) | (4,945) |
| Loss on Disposal of Capital Assets | - | - |
| Total Program Expenses | <u>(1,693,479)</u> | <u>(1,355,384)</u> |
| Change in Net Assets | <u>220,095</u> | <u>104,252</u> |
| Net Assets, Beginning, As Restated | <u>1,388,008</u> | <u>1,283,756</u> |
| Net Assets, Ending | <u>\$ 1,608,103</u> | <u>\$ 1,388,008</u> |

The District's overall financial position, as measured by net assets, increased \$220,095 during 2018. This was due to increases in services revenue (Wildland) and Property Tax revenue (Taxes) due to the mill levy increase.

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's governmental funds follows.

Government Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$1,075,327. Of this fund balance, \$65,300 is restricted, meaning it is not available for new spending, because it has already been committed for emergencies as required by Article X, Section 20 of the Colorado Constitution,

commonly referred to as the Taxpayers' Bill of Rights (TABOR). The District had \$2,079 in Nonspendable fund balance in the form of prepaid expenses. The \$1,007,948 remainder of the fund balance is unassigned.

General Fund Budgetary Highlights

Budget Variances: The District did amend its general fund budget for 2018. The original budgeted revenues were \$1,642,695 and the original budgeted expenses were \$1,656,591. The amended budgeted revenues were \$2,153,678 and the amended budgeted expenses were \$2,131,917. The budget to actual comparison details can be seen on page 29 of the financial statements. District revenues were over budget by \$24,977. Actual expenditures were under budget by \$166,215.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets at December 31, 2018 amounted to \$990,265 (net of accumulated depreciation/amortization). The analysis of changes in capital assets is as follows:

**CAPITAL ASSETS
(net of depreciation)**

| | <u>2017</u> | <u>Change</u> | <u>2018</u> |
|-------------------------|-------------------|-------------------|-------------------|
| Land | \$ 40,048 | \$ - | \$ 40,048 |
| Buildings | 301,801 | (17,730) | 284,071 |
| Machinery and Equipment | 138,978 | (17,320) | 121,658 |
| Vehicles | 359,366 | 185,122 | 544,488 |
| Total | <u>\$ 840,193</u> | <u>\$ 150,072</u> | <u>\$ 990,265</u> |

The District purchased in 2018 a new Type III vehicle for \$265,082. Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations: At the end of the current fiscal year, the District had a total outstanding Capital Lease of \$207,944. The analysis of changes in lease payable is as follows:

LONG-TERM OBLIGATIONS

| | <u>2017</u> | <u>Change</u> | <u>2018</u> |
|----------------|------------------|-------------------|-------------------|
| Capital Leases | <u>\$ 74,133</u> | <u>\$ 133,811</u> | <u>\$ 207,944</u> |

In 2018 the District engaged in a new lease to purchase the new Type III vehicle for \$265,082. In 2018 the District continued to make the scheduled principal and interest payments on the leases.

Additional information on the District's long-term obligations can be found in Note 5 of this report.

Economic Factors and Next Year's Budgets and Rates

The District's revenues are projected to decrease due to conservative Wildland Revenue projections. The expenditures are expected to increase due to the purchased of new vehicles in 2019.

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those interested in the government's finances. Questions concerning any of the information provided in the report or additional financial information should be addressed to: North-West Fire Protection District, PO Box 1090, 21455 Highway 285, Fairplay, CO 80440-1090.

BASIC FINANCIAL STATEMENTS

NORTH-WEST FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2018

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 844,891 |
| Receivables | |
| Property Taxes | 1,225,282 |
| Accounts Receivable | 291,748 |
| Prepaid Expenses | 2,079 |
| Net Pension Asset - SWDB Pension | 117,701 |
| Capital Assets, Not Depreciated | 40,048 |
| Capital Assets, Depreciated | |
| Net of Accumulated Depreciation | <u>950,217</u> |
| TOTAL ASSETS | <u>3,471,966</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related SWDB Pension | 144,812 |
| Related to Volunteer Pension | <u>32,351</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>177,163</u> |
| Accounts Payable | 20,284 |
| Accrued Salaries and Benefits | 43,107 |
| Accrued Compensated Absences | 35,224 |
| Net Pension Liability - Volunteer Pension | 448,617 |
| Noncurrent Liabilities | |
| Due within One Year | 49,049 |
| Due in More Than One Year | <u>158,895</u> |
| TOTAL LIABILITIES | <u>755,176</u> |
| DEFERRED INFLOWS | |
| Deferred Revenues - Property Taxes | 1,225,282 |
| Related SWDB Pension | 41,268 |
| Related to Volunteer Pension | <u>19,300</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>1,285,850</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 782,321 |
| Restricted for Emergencies | 65,300 |
| Unrestricted | <u>760,482</u> |
| TOTAL NET POSITION | <u><u>\$ 1,608,103</u></u> |

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

NORTH-WEST FIRE PROTECTION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2018

| | GENERAL FUND |
|--|---------------------|
| ASSETS | |
| Cash and Investments | \$ 844,891 |
| Property Taxes Receivable | 1,225,282 |
| Accounts Receivable | 291,748 |
| Prepaid Expenses | 2,079 |
| TOTAL ASSETS | \$ 2,364,000 |
| LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY | |
| LIABILITIES | |
| Accrued Expenses | \$ 20,284 |
| Accounts Payable | 43,107 |
| TOTAL LIABILITIES | 63,391 |
| DEFERRED INFLOWS | |
| Deferred Revenues - Property Taxes | 1,225,282 |
| FUND EQUITY | |
| Fund Balance | |
| Nonspendable | 2,079 |
| Restricted for Emergencies | 65,300 |
| Unassigned | 1,007,948 |
| TOTAL FUND EQUITY | 1,075,327 |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY | \$ 2,364,000 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Fund Equity, Governmental Funds | 1,075,327 |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | 990,265 |
| Long-term liabilities and related assets are not due and payable in the current period and, not reported in the funds. This includes capital lease payable (\$207,944), compensated absences (\$35,224), net pension liability of (\$330,916), deferred outflows related to pensions of \$177,163, and deferred inflows related to pensions of (\$60,568). | (457,489) |
| Net position of governmental activities | \$ 1,608,103 |

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

NORTH-WEST FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2018

| | <u>GENERAL FUND</u> |
|---|----------------------------|
| REVENUES | |
| Property Taxes | \$ 1,149,375 |
| Specific Ownership Taxes | 174,917 |
| Charges for Services | 552,739 |
| Interest | 25,657 |
| Grants and Donations | 4,308 |
| Rental Income | <u>6,578</u> |
| TOTAL REVENUES | <u>1,913,574</u> |
| EXPENDITURES | |
| Salaries and Benefits | 1,072,702 |
| Professional Services | 149,359 |
| Firefighting and Prevention | 236,352 |
| General and Administrative | 108,422 |
| Capital Outlay | 265,082 |
| Debt Service | |
| Principal | 131,271 |
| Interest and Fiscal Charges | <u>2,514</u> |
| TOTAL EXPENDITURES | <u>1,965,702</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>(52,128)</u> |
| OTHER FINANCING SOURCES (USES) | |
| Proceeds from Lease | <u>265,082</u> |
| TOTAL FINANCING SOURCES (USES) | <u>265,082</u> |
| NET CHANGE IN FUND BALANCES | 212,954 |
| FUND BALANCES, Beginning | <u>862,373</u> |
| FUND BALANCES, Ending | <u><u>\$ 1,075,327</u></u> |

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

NORTH-WEST FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

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

| | |
|--|--------------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ 212,954 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlay \$265,082 exceeded depreciation expense (\$115,010) for the year. | 150,072 |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the capital lease payments of \$131,271 and change in accrued absences of (\$5,722). | 124,052 |
| Proceeds from long-term debt is a revenue in the governmental funds, but increase long-term liabilities in the statement of net position. | (265,082) |
| Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized. | <u>(1,901)</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 220,095</u></u> |

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North-West Fire Protection District (the “District”) was formed in 1981 to provide fire protection services for the Towns of Fairplay and Alma, Colorado and the surrounding areas. The District is governed by a five-member Board of Directors elected by the eligible electors of the District.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value.

Capital Assets

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

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

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

| | |
|-------------------------|---------------|
| Buildings | 15 - 40 years |
| Machinery and Equipment | 5 - 20 years |
| Vehicles | 7 - 15 years |

Compensated Absences

Employees of the District are allowed to accumulate unused paid time off (PTO) up to an accrual amount ("cap") as stated in the District Member Handbook. Upon termination of employment with the District, an employee is compensated for one-half of the employee's accrued but unused PTO, if any, at the employee's current rate of pay.

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

Long-Term Obligations

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

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

Property Taxes

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

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

Net Position

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

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions

Fund Balance Classification

In the government-wide financial statements, net positions are restricted when constraints placed on the net positions are externally imposed.

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 either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The District had nonspendable resources in the form of prepaid expenses 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 Emergency Reserves as being restricted because their use is restricted by the State Constitution for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (motion 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 – These amounts do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. As of December 31, 2018, the District had no assigned fund balance.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- Before October 15, the Board of Directors appoints District Management and the Fire Chief as the District's Budget Committee.
- On or before October 15, District Management and the Fire Chief, acting as the Budget Committee submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- At least one public hearing is conducted to obtain taxpayer comments.
- On or before December 15, the budget is legally enacted through passage of a resolution.
- District Management and the Fire Chief are authorized to transfer budgeted amounts between one or more line items within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3: CASH DEPOSITS

A summary of deposits and investments as of December 31, 2018 follows:

| | |
|---------------|-------------------|
| Petty Cash | \$ 1,188 |
| Cash Deposits | 69,266 |
| Investments | <u>774,437</u> |
| Total | <u>\$ 844,891</u> |

Deposits

Custodial Credit Risk -Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2018, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

At December 31, 2018, the District had deposits with financial institutions with a carrying amount of \$69,266. The bank balances with the financial institutions were \$100,423. All of these balances were covered by federal depository insurance.

Investments

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3: *CASH DEPOSITS* (Continued)

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado local governments.

The District had invested \$774,437 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018, is summarized below:

| | Balances <u>12/31/17</u> | <u>Additions</u> | <u>Deletions</u> | Balances <u>12/31/18</u> |
|---|-----------------------------|-------------------|------------------|-----------------------------|
| Governmental Activities | | | | |
| Capital Assets, not depreciated | | | | |
| Land | \$ 40,048 | \$ - | \$ - | \$ 40,048 |
| Capital Assets, depreciated | | | | |
| Buildings | 662,768 | - | - | 662,768 |
| Machinery and Equipment | 297,321 | - | - | 297,321 |
| Vehicles | <u>1,171,847</u> | <u>265,082</u> | - | <u>1,436,929</u> |
| Total Capital Assets, depreciated | <u>2,131,936</u> | <u>265,082</u> | - | <u>2,397,018</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | 360,967 | 17,730 | - | 378,697 |
| Machinery and Equipment | 158,343 | 17,320 | - | 175,663 |
| Vehicles | <u>812,481</u> | <u>79,960</u> | - | <u>892,441</u> |
| Total Accumulated Depreciation | <u>1,331,791</u> | <u>115,010</u> | - | <u>1,446,801</u> |
| Total Capital Assets, depreciated, Net | <u>800,145</u> | <u>150,072</u> | - | <u>950,217</u> |
| Governmental Activities, Capital Assets, Net | <u>\$ 840,193</u> | <u>\$ 150,072</u> | \$ - | <u>\$ 990,265</u> |

Depreciation expense was charged to general government program of the District.

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2018.

| | Balance <u>12/31/17</u> | <u>Additions</u> | <u>Payments</u> | Balance <u>12/31/18</u> | Due In <u>One Year</u> |
|----------------|----------------------------|-------------------|-------------------|----------------------------|---------------------------|
| Capital Leases | <u>\$ 74,133</u> | <u>\$ 265,082</u> | <u>\$ 131,271</u> | <u>\$ 207,944</u> | <u>\$ 49,049</u> |

Capital Leases

2011 Capital Lease

On December 2, 2011, the District refinanced the 2007 and 2008 capital leases into one new lease. The lease requires seven annual payments of \$76,646 including principal and interest, at 3.39% through December 2, 2018.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: LONG-TERM DEBT (Continued)

2018 Capital Lease

On March 16, 2018, the District entered into a capital lease for the purchase of equipment. The lease requires five annual payments of \$57,138 including principal and interest, at 3.89% through March 16, 2022.

Future Debt Service Requirements

Annual debt service requirements for the capital leases at December 31, 2018, are as follows.

| <u>Year Ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|------------------|-------------------|
| 2019 | \$ 49,049 | \$ 8,089 | \$ 57,138 |
| 2020 | 50,957 | 6,181 | 57,138 |
| 2021 | 52,939 | 4,199 | 57,138 |
| 2022 | <u>54,999</u> | <u>2,139</u> | <u>57,138</u> |
| Total Debt Service Requirements | <u>\$ 207,944</u> | <u>\$ 20,608</u> | <u>\$ 228,552</u> |

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The District maintains insurance through a commercial carrier for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

NOTE 7: COMMITMENTS AND CONTINGENCIES

TABOR Amendment - Colorado voters passed the Taxpayer's Bill of Rights (TABOR), which amended the State Constitution to add Article X, Section 20, which imposes several limitations and requirements, including revenue raising, spending abilities, and other specific requirements of state and local government. In 1998 the District's voters exempted the District from TABOR's revenue and spending limits, and the annual revenue limits imposed by Section 29-1-301 of the Colorado Revised Statutes.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by TABOR. At December 31, 2018, the emergency reserve of \$65,300 was recorded in the General Fund. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS

Volunteer Firefighter Pension Plan

Summary of Significant Accounting Policies

The District has established the Volunteer Firefighter Pension Plan (the “Volunteer Plan”), an agent multiple-employer defined benefit pension fund administered by the District’s Volunteer Firefighter Pension Board (the “Pension Board”) through the Colorado Fire & Police Pension Association (“FPPA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Volunteer Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Volunteer Plan

Plan Description. The Volunteer Plan was closed to new members on March 1, 2001; accordingly, volunteer firefighters must have begun their volunteer service to the District prior to that date in order to be eligible to participate in the Volunteer Plan. Any eligible volunteer firefighter who has both attained the age of fifty and completed twenty years of creditable service shall be eligible for a monthly pension. Additionally, any eligible volunteer firefighter that has reached the age of fifty with at least ten years of creditable service will receive a pension benefit that is prorated for years of creditable service between 10 and 20 years. An eligible volunteer firefighter who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the Pension Board. The Volunteer Plan also provides for a lump-sum burial benefit upon the death of an active or retired eligible volunteer firefighter. Spouses of volunteer deceased eligible firefighters may receive benefits as authorized by State statute. FPPA issues an annual, publicly-available financial report that includes the assets of the Volunteer Plan. That report may be obtained on FPPA’s website at <http://www.fppaco.org>.

Funding Policy. An actuary is used to determine the annual required contribution (“ARC”) that would be necessary to maintain the actuarial soundness of the Volunteer Plan. The Volunteer Plan receives contributions from the District in an amount determined by the District Board and Colorado law requires the State to make a matching contribution to the Volunteer Plan in any year in which the District makes a contribution. The amount of the District’s contribution, if any, is at the sole discretion of the District Board and is separate from the State match.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

General Information about the Volunteer Plan (Continued)

Because the District's monthly benefit amount is over \$300, State statute provides that the State's matching contribution is calculated as the greater of (a) the contribution amount that would have been actuarially required if the District's monthly benefit amount had been \$300 in the immediately preceding year; or (b) the highest State match made to the District between 1998 and 2001. In either case, the State match is capped at the amount of revenue that would be generated from a one-half mill tax on the District's net assessed valuation in the immediately preceding year.

The actuarial study as of January 1, 2017, indicated that the current levels of contributions to the fund the Volunteer Plan are not adequate to support on an actuarially sound basis the prospective benefits for the present Volunteer Plan. The District believes that by having closed the Volunteer Plan to new members and thereby reducing the number of Volunteer Plan participants, along with the market rebounds, the Volunteer Plan will return to an actuarially sound basis.

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

At December 31, 2018 the District reported a liability of \$448,617. The net volunteer pension liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total volunteer pension liability to December 31, 2018.

For the year ended December 31, 2018 the District recognized volunteer pension expenses of \$81,785. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to volunteer pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | N/A | \$1,866 |
| Net difference between projected and actual earnings on pension plan investments | \$12,351 | \$14,922 |
| Change in assumptions and other inputs | N/A | \$2,512 |
| Contributions subsequent to the measurement date | \$20,000 | N/A |
| Total | \$32,351 | \$19,300 |

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

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

\$20,000 reported as deferred outflows of resources related to volunteer pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to volunteer pensions will be recognized in pension expense as follows:

| Year ended December 31, | |
|--------------------------------|-----------|
| 2019 | (\$2,333) |
| 2020 | \$1,353 |
| 2021 | (\$2,240) |
| 2022 | (\$3,729) |
| 2023 | N/A |

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

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

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

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

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

The primary changes, which will be observed in the January 1, 2018 actuarial valuations, as compared to the actuarial assumptions shown above are as follows:

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

The long-term expected rate of return on volunteer pension plan investments was determined by FPPA using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of volunteer 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.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in the Volunteer Fund's target asset allocation as of December 31, 2017 as determined by FPPA are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------|-------------------|--|
| Global 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% | |

The discount rate used to measure the total volunteer pension liability was 7.50 percent. The projection of cash flows used by FPPA to determine the discount rate assumed that contributions from participating employers will be made based on their ARCs. Based on those assumptions, the Volunteer Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment) to determine the total pension liability.

Sensitivity of the District's net pension liability (asset) to changes in the discount rate. The following presents the net volunteer pension asset calculated using the discount rate of 5.41 percent, as well as the net volunteer pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.41 percent) or 1-percentage-point higher (6.41 percent) than the current rate:

| | 1% Decrease (4.41%) | Current Discount Rate (5.41%) | 1% Increase (6.41%) |
|-----------------------|------------------------|----------------------------------|------------------------|
| Net pension liability | \$525,645 | \$448,617 | \$384,855 |

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

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

FPPA System Description. The Fire & Police Pension Association administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only.

FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>

Statewide Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The District contributes to the Statewide Defined Benefit Pension Plan (“SWDB Plan”), a cost-sharing multiple employer defined benefit pension plan, which is administered by the FPPA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. Assets of the SWDB Plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund.

General Information about the Pension Plan

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

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

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

Contributions. 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.

Contributions from members and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 21.5 percent of base salary in 2017. It is a local decision as to whether the member or employer pays the additional 4 percent contribution.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4.75 and 4 percent, respectively, of base salary for a total contribution rate of 8.75 percent in 2017. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

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

At December 31, 2018, the District reported an asset in the amount of \$117,701 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The District's proportion of the net pension asset was based on the District's contributions to the SWDB Plan for the calendar year 2017 relative to the total contributions of participating employers to the SWDB Plan.

At December 31, 2017, the District's proportion was 0.08181%, which was a decrease of 0.001012% from its proportion measured as of December 31, 2016.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

For the year ended December 31, 2018 the District recognized a pension asset of \$118,657. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$84,879 | \$1,304 |
| Change in assumptions and other inputs | \$17,733 | N/A |
| Difference between projected and actual investment earnings | N/A | \$39,964 |
| Contributions subsequent to the measurement date | \$42,200 | N/A |
| Total | \$144,812 | \$41,268 |

\$42,200 reported as deferred outflows of resources related to contributions made subsequent to the measurement date but before the end of the District's reporting period, will be recognized as a reduction of the net pension liability in the year December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31 | |
|-------------------------------|------------|
| 2019 | \$ 13,947 |
| 2020 | \$ 12,127 |
| 2021 | (\$4,859) |
| 2022 | (\$11,158) |
| 2023 | \$ 12,505 |
| Thereafter | \$ 38,782 |

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

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

Total Pension Liability:

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

Actuarially Determined Contributions:

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

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

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

The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the roll-forward calculation of the total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2016. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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:

| Asset Class | Target Allocation | Long-Term Expected Real 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 | 100.0% | |

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

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

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability (asset) | \$128,142 | (\$117,701) | (\$321,842) |

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

Subsequent Event. The FPPA Board completed an actual experience study and approved changes to the actuarial assumptions effective January 1, 2019. The inflation assumption will remain at 2.5%. The investment return assumption will be reduced from 7.5% to 7% which will increase the cost of pension benefits. The change in the investment return assumption reflects the deduced real return expectations from recent capital market data.

REQUIRED SUPPLEMENTAL INFORMATION

NORTH-WEST FIRE PROTECTION DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2018

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
|---|--------------------|-------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 1,163,087 | \$ 1,163,087 | \$ 1,149,375 | \$ (13,712) |
| Specific Ownership Taxes | 139,570 | 154,196 | 174,917 | 20,721 |
| Charges for Services | 53,600 | 509,500 | 552,739 | 43,239 |
| Interest and Other | 12,000 | 24,000 | 25,657 | 1,657 |
| Grants and Donations | - | 28,376 | 4,308 | (24,068) |
| Rental Income | 9,438 | 9,438 | 6,578 | (2,860) |
| TOTAL REVENUES | <u>1,377,695</u> | <u>1,888,597</u> | <u>1,913,574</u> | <u>24,977</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Salaries and Benefits | 819,820 | 1,099,979 | 1,072,702 | 27,277 |
| Professional Services | 197,423 | 215,273 | 149,359 | 65,914 |
| Firefighting and Prevention | 47,500 | 149,000 | 236,352 | (87,352) |
| General and Administrative | 156,299 | 160,799 | 108,422 | 52,377 |
| Debt Service | 132,549 | 133,784 | 133,785 | (1) |
| Capital Outlay | 273,000 | 273,082 | 265,082 | 8,000 |
| Contingency | 30,000 | 100,000 | - | 100,000 |
| TOTAL EXPENDITURES | <u>1,656,591</u> | <u>2,131,917</u> | <u>1,965,702</u> | <u>166,215</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(278,896)</u> | <u>(243,320)</u> | <u>(52,128)</u> | <u>191,192</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from Lease | <u>265,000</u> | <u>265,082</u> | <u>265,082</u> | <u>-</u> |
| TOTAL OTHER SOURCES (USES) | <u>265,000</u> | <u>265,082</u> | <u>265,082</u> | <u>-</u> |
| CHANGE IN FUND BALANCE | (13,896) | 21,762 | 212,954 | 191,192 |
| FUND BALANCE, Beginning | <u>541,590</u> | <u>541,590</u> | <u>862,373</u> | <u>320,783</u> |
| FUND BALANCE, Ending | <u>\$ 527,694</u> | <u>\$ 563,352</u> | <u>\$ 1,075,327</u> | <u>\$ 511,975</u> |

See the accompanying independent auditors' report.

NORTH-WEST FIRE PROTECTION DISTRICT

SCHEDULE OF CONTRIBUTIONS
 VOLUNTEER FIREFIGHTERS' PENSION PLAN
 December 31, 2018

| <u>FY Ending December 31</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Actual Contribution as a % of Covered Payrol</u> |
|----------------------------------|--|--------------------------------|---|----------------------------|---|
| 2009 | \$ 26,657 | \$ 26,657 | \$ - | N/A | N/A |
| 2010 | 53,278 | 37,827 | (15,451) | N/A | N/A |
| 2011 | 55,548 | 39,439 | (16,109) | N/A | N/A |
| 2012 | 41,785 | 33,010 | (8,775) | N/A | N/A |
| 2013 | 41,785 | 33,010 | (8,775) | N/A | N/A |
| 2014 | 41,785 | 33,010 | (8,775) | N/A | N/A |
| 2015 | 45,942 | 35,365 | (10,577) | N/A | N/A |
| 2016 | 45,942 | 35,365 | (10,577) | N/A | N/A |
| 2017 | 36,278 | 20,000 | (16,278) | N/A | N/A |

See the accompanying independent auditors' report.

NORTH-WEST FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
VOLUNTEER FIREFIGHTERS' PENSION PLAN

| Measurement Period Ending December 31, | 2014 | 2015 | 2016 | 2017 |
|--|-------------------|-------------------|-------------------|-------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 15,469 | \$ 6,485 | \$ 6,485 | \$ 3,464 |
| Interest on the Total Pension Liability | 46,273 | 46,139 | 45,892 | 42,187 |
| Benefit Changes | - | - | - | - |
| Difference Between Expected and Actual Experiences | (66,622) | - | (24,135) | - |
| Assumption Changes | (89,580) | - | 96,951 | 52,308 |
| Benefit Payments | (53,414) | (55,955) | (55,860) | (58,734) |
| Net Change in Total Pension Liability | (147,874) | (3,331) | 69,333 | 39,225 |
| Total Pension Liability - Beginning | 787,343 | 639,469 | 636,138 | 705,471 |
| Total Pension Liability - Ending | <u>\$ 636,138</u> | <u>\$ 636,138</u> | <u>\$ 705,471</u> | <u>\$ 744,696</u> |
| Plan Fiduciary Net Position | | | | |
| Employer Contribution | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| Pension Plan Net Investment Income | 20,379 | 5,875 | 14,933 | 39,533 |
| Benefit Payments | (53,414) | (55,955) | (55,860) | (58,734) |
| Pension Plan Administrative Expenses | (858) | (1,784) | (730) | (4,209) |
| State of Colorado Supplemental Discretionary Payment | 15,365 | 15,365 | 8,975 | - |
| Net Change in Plan Fiduciary Net Position | 1,472 | (16,499) | (12,682) | (3,410) |
| Plan Fiduciary Net Position - Beginning | 327,198 | 328,670 | 312,171 | 299,489 |
| Plan Fiduciary Net Position - Ending | <u>328,670</u> | <u>312,171</u> | <u>299,489</u> | <u>296,079</u> |
| Net Pension Liability/(Asset) | \$ 310,799 | \$ 323,967 | \$ 405,982 | \$ 448,617 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 51.40% | 49.07% | 42.45% | 39.76% |
| Covered Employee Payroll | N/A | N/A | N/A | N/A |
| Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll | N/A | N/A | N/A | N/A |

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

See the accompanying independent auditors' report.

NORTH-WEST FIRE PROTECTION DISTRICT

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

Years Ended December 31,

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|-------------|--------------|-------------|-------------|-------------|
| District's proportionate share of the Net Pension Liability (Asset) | 0.109% | 0.101% | 0.096% | 0.092% | 0.082% |
| District's proportionate share of the Net Pension Liability (Asset) \$ | (97,532) | \$ (114,008) | \$ (1,687) | \$ 33,220 | \$ 117,701 |
| District's covered-employee payroll \$ | 473,752 | \$ 454,284 | \$ 472,663 | \$ 482,438 | \$ 527,501 |
| District's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll | -20.6% | -25.1% | -0.4% | 6.9% | 22.3% |
| Plan fiduciary net position as a percentage of the total pension liability | 106.8% | 105.8% | 105.8% | 98.2% | 106.3% |

Notes:

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

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

See the accompanying independent auditors' report.

NORTH-WEST FIRE PROTECTION DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
STATEWIDE DEFINED BENEFIT PLAN

Years Ended December 31, 2013 through 2017

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contributions | \$ 37,900 | \$ 36,343 | \$ 37,476 | \$ 37,813 | \$ 38,595 | \$ 42,200 |
| Contributions in relation to the Statutorily required contributions | <u>37,900</u> | <u>36,343</u> | <u>37,476</u> | <u>37,813</u> | <u>38,595</u> | <u>42,200</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 473,752 | \$ 454,284 | \$ 468,450 | \$ 472,663 | \$ 482,438 | \$ 527,501 |
| Contributions as a percentage of covered-employee payroll | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |

Notes:

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

See the accompanying independent auditors' report.