

HUDSON FIRE PROTECTION DISTRICT
Weld County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2016



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Independent Auditor's Report

Board of Directors
Hudson Fire Protection District
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Hudson Fire Protection District (District) as of and for the year ended December 31, 2016, 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, the major fund, and the aggregate remaining fund information of Hudson Fire Protection District, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 III through VIII, the schedule of proportionate share of net pension asset – Fire and Police Pension Association – Statewide Defined Benefit Plan on page 30, the schedule of District contributions – Fire and Police Pension Association – Statewide Defined Benefit Plan on page 31, the schedule of changes in the net pension liability and related ratios of the Volunteers' Pension Plan on page 32, the schedule of pension contributions – Volunteers' Pension Plan on page 33, and the schedule of pension investment returns – Volunteers' Pension Plan on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 26, 2017

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

Our discussion and analysis of Hudson Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the District's basic 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) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary and other 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 the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government'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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements detail functions of the District that are principally supported by tax revenues (governmental activities). The governmental activity of the District is public safety.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local 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 financing requirements.

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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 financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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.

The District adopts an annual appropriated budget for the General Fund and Volunteers' Pension Fund. A budgetary comparison statement for each fund has been provided to demonstrate compliance with the appropriated budget.

The governmental and fiduciary fund financial statements can be found on pages 3 through 8 of this report.

Notes to the 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 9 through 29 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information consisting of the schedule of proportionate share of net pension asset – Fire and Police Pension Association – Statewide Defined Benefit Plan, the schedule of District contributions – Fire and Police Pension Association – Statewide Defined Benefit Plan, the schedule of changes in the net pension liability and related ratios of the Volunteers' Pension Plan, the schedule of pension contributions – Volunteers' Pension Plan, and the schedule of pension investment returns – Volunteers' Pension Plan which can be found on pages 30 through 34, respectively, of this report. Also included is supplemental information consisting of the schedule of changes in fiduciary net position – Volunteers' Pension Fund - budget and actual and the General Fund - schedule of expenditures – budget and actual. This supplemental information can be found on pages 35 through 36, respectively, of this report. Additionally other information consisting of the summary of assessed valuation, mill levy and property taxes collected, can be found on page 38 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,002,675 at the close of the most recent fiscal year.

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As noted in the table below, the largest portion, \$3,444,698, of the District's net position reflects its investment in capital assets (e.g. land, buildings, fire trucks and equipment) 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 resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current assets increased by \$663,885 or 13.4% from 2015. Cash and investments increased by \$937,424 due to positive operating results. Property taxes receivable decreased by \$273,917, or 8.9%, due to a decrease in the District's assessed valuation of 46.6%, which was mostly offset by a voter approved increase in the District's mill levy by 2.500 mills, which is an increase of 70.7%. The District's capital asset and long-term liability activity is discussed in the capital asset and debt administration section of this management's discussion and analysis. Total net position increased due to positive operating results. See additional information in the changes in net position discussion below.

NET POSITION

	December 31,	
	2016	2015
ASSETS		
Current assets	\$ 5,602,876	\$ 4,938,991
Noncurrent assets	2,153	63,981
Capital assets	3,828,103	4,039,631
Total assets	<u>9,433,132</u>	<u>9,042,603</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	290,837	111,342
Total deferred outflows of resources	<u>290,837</u>	<u>111,342</u>
LIABILITIES		
Current liabilities	53,324	54,392
Long-term liabilities	801,118	1,353,663
Total liabilities	<u>854,442</u>	<u>1,408,055</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	2,791,856	3,065,773
Deferred inflows related to pensions	74,996	7,842
Total deferred inflows of resources	<u>2,866,852</u>	<u>3,073,615</u>
NET POSITION		
Net investment in capital assets	3,444,698	3,173,478
Restricted for emergencies	98,100	88,900
Unrestricted	2,459,877	1,409,897
Total net position	<u>\$ 6,002,675</u>	<u>\$ 4,672,275</u>

As noted in the table below, the District's overall financial position, as measured by net position, increased \$1,330,400, during 2016. This increase in financial condition during 2016 can be attributed to an increase in property tax revenues of \$307,820 or 11.2% due to higher assessed values for the District's tax base, primarily oil and gas. Specific ownership taxes decreased due to a lower allocation of specific ownership taxes from the county. During 2015 the District

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
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recognized a gain on the disposal of capital assets, however for 2016 there were no capital asset disposals.

Fire protection expenses increased by \$419,033 or 28.2% due to higher firefighter wages and benefits in 2016 than 2015. This was due primarily due to staff hired to fill new positions in 2015 had a full year of wages in 2016 when compared to 2015, as well as a full year of benefits. Additionally, there were three new positions filled for 2016. Interest and fiscal charges increased for 2016 due to the addition of a new capital lease for the purchase of a fire truck. Long-term liability activity is discussed in more detail in the capital asset and debt administration section below.

CHANGES IN NET POSITION

	Years Ended December 31,	
	2016	2015
REVENUES		
Program revenues:		
Operating grants and contributions	\$ 650	\$ 1,200
Total program revenue	<u>650</u>	<u>1,200</u>
General revenues:		
Property taxes	3,062,682	2,754,862
Specific ownership taxes	179,134	197,850
Net investment income	16,179	3,701
Other	10,469	5,475
Gain on disposal of capital assets	-	30,000
Total general revenue	<u>3,268,464</u>	<u>2,991,888</u>
EXPENSES		
Fire protection	1,907,202	1,488,169
Interest and fiscal charges	31,512	38,968
Total expenses	<u>1,938,714</u>	<u>1,527,137</u>
CHANGE IN NET POSITION	1,330,400	1,465,951
NET POSITION - BEGINNING OF YEAR	<u>4,672,275</u>	<u>3,206,324</u>
NET POSITION - END OF YEAR	<u>\$ 6,002,675</u>	<u>\$ 4,672,275</u>

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 fund follows.

Governmental fund: The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

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 general fund reported an ending fund balance of \$2,768,363. Of this fund balance, \$98,100 is restricted, meaning it is not available for new spending, because it has been restricted for emergencies under the Taxpayers' Bill Of Rights (TABOR). Additionally, \$710,000 has been assigned by the District's Board of Directors for the future purchase of a fire truck. See further explanation of fund balance categories in Note 2 and Note 9 of the Financial Statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Variances. The District did not amend the General Fund budget for 2016 as appropriated expenditures exceeded actual expenditures. The budget to actual comparison details can be seen on page 6 of the financial statements, with further detail on the budget to actual comparison for the expenditures in the supplemental information on pages 36 and 37 of the financial statements. District revenues were under the budgeted amount by \$13,263. Actual expenditures were under the 2016 budgeted by \$737,474, as a result of various actual expenditure items being less than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets at December 31, 2016 amounted to \$3,828,103 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and fire trucks and equipment. The analysis of changes in capital assets is as follows:

CAPITAL ASSETS (net of depreciation)			
	2015	Change	2016
Land	\$ 166,265	\$ -	\$ 166,265
Construction in progress	13,700	(13,700)	-
Buildings	2,514,174	(25,148)	2,489,026
Fire trucks and equipment	1,345,492	(172,680)	1,172,812
Total	\$ 4,039,631	\$ (211,528)	\$ 3,828,103

During 2016, the District completed the installation of the generator at Station #3 for \$9,600 and also repainted the old section of Station #3 for \$10,800. The District also purchased two radios which were capitalized at a combined cost of \$11,716.

Additional information on the District's capital assets can be found in Note 4 to the Financial Statements.

Long-Term Obligations. At the end of the current fiscal year, the District had several outstanding capital leases. The analysis of changes in capital leases is as follows:

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

LONG-TERM OBLIGATIONS

	<u>2015</u>	<u>Change</u>	<u>2016</u>
Capital Leases:			
702 Cedar land and building	\$ 437,008	\$ (53,603)	\$ 383,405
2013 E-One Pumper	429,145	(429,145)	-
Compensated absences	6,142	1,194	7,336
Total	<u>\$ 872,295</u>	<u>\$ (481,554)</u>	<u>\$ 390,741</u>

During 2016, the District made the scheduled payments on the capital lease for the 702 Cedar land and building. Additionally, for 2016 the District elected to pay-off the 2013 E-One Pumper lease prior to the scheduled maturity with available funds in the amount of \$429,145 plus accrued interest.

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

For the 2017 fiscal year, the District's assessed valuation decreased by \$402,406,690 or 46.6%. However in November 2016, the voters in the District approved a 2.500 mill levy increase beginning in 2017 to fund District operating expenditures. The mill levy increase partially offset the decrease in assessed valuation, the net result being a decrease of \$273,917 of property taxes being levied for collection in 2017 than was levied for 2016. Total budgeted revenue is \$2,989,285. The District budgeted \$2,883,286 of expenditures, including \$505,000 for capital outlay. Overall the District budgeted revenue in excess of expenditures \$105,999. Budgeted fund balance is expected to end the year at \$2,874,226. Of this fund balance, \$760,000 has been assigned for the future purchase of a new fire truck.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Hudson Fire Protection District, 702 Cedar Street, P.O. Box 2, Hudson, CO 80642.

BASIC FINANCIAL STATEMENTS

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2016**

ASSETS

Cash deposits	\$ 127,739
Investments	2,663,907
Due from county treasurer	14,374
Deposits	5,000
Property taxes receivable	2,791,856
Net pension asset - SWDBP	2,153
Capital assets, not being depreciated	166,265
Capital assets, being depreciated, net of accumulated depreciation	<u>3,661,838</u>
Total assets	<u>9,433,132</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension - SWDBP	230,837
Deferred outflows related to pension - VP	<u>60,000</u>
Total deferred outflows of resources	<u>290,837</u>

LIABILITIES

Accounts payable	37,009
Salaries and benefits payable	5,648
Accrued interest payable	10,667
Net pension liability - VP	410,377
Capital leases:	
Due within one year	63,732
Due in more than one year	<u>327,009</u>
Total liabilities	<u>854,442</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue	2,791,856
Deferred inflows related to pension - SWDBP	<u>74,996</u>
Total deferred inflows of resources	<u>2,866,852</u>

NET POSITION

Net investment in capital assets	3,444,698
Restricted for:	
Emergencies	98,100
Unrestricted	<u>2,459,877</u>
Total net position	<u><u>\$ 6,002,675</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Fire protection	\$ 1,907,202	\$ -	\$ 650	\$ -	\$ (1,906,552)
Interest and fiscal charges	31,512	-	-	-	(31,512)
	<u>\$ 1,938,714</u>	<u>\$ -</u>	<u>\$ 650</u>	<u>\$ -</u>	<u>(1,938,064)</u>

General revenues:

Taxes:

Property taxes

3,062,682

Specific ownership taxes

179,134

Net investment earnings

16,179

Other

10,469

Total general revenues

3,268,464

Change in net position

1,330,400

Net position - Beginning of year (Restated)

4,672,275

Net position - End of year

\$ 6,002,675

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HUDSON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2016**

	General Fund
ASSETS	
Cash deposits	\$ 127,739
Investments	2,663,907
Due from county treasurer	14,374
Deposits	5,000
Property taxes receivable	2,791,856
TOTAL ASSETS	\$ 5,602,876
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 37,009
Salaries and benefits payable	5,648
TOTAL LIABILITIES	42,657
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	2,791,856
TOTAL DEFERRED INFLOWS OF RESOURCES	2,791,856
 FUND BALANCE	
Spendable fund balances:	
Restricted for emergencies	98,100
Assigned:	
Future fire truck purchase	710,000
Unassigned	1,960,263
TOTAL FUND BALANCE	2,768,363
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 5,602,876
 Adjustments to reconcile the governmental fund balance sheet to the statement of net position are as follows:	
Fund balance per above	\$ 2,768,363
Capital assets reported in the governmental activities are not financial resources and, therefore are not reported in the governmental fund balance sheet:	
Capital assets, net	3,828,103
Certain amounts related to the District's pension plans reported on the statement of net position are not reported in the fund balance sheet:	
Net pension asset - SWDBP	2,153
Deferred outflows of resources - SWDBP	230,837
Deferred inflows of resources - SWDBP	(74,996)
Net pension liability - VP	(410,377)
Deferred outflows of resources - VP	60,000
Long-term liabilities, including leases payable, compensated absences and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the fund balance sheet:	
Capital leases payable and lease premium	(383,405)
Compensated absences	(7,336)
Accrued interest payable	(10,667)
Net position of governmental activities	\$ 6,002,675

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2016**

	General Fund
REVENUES	
Property taxes	\$ 3,062,682
Specific ownership taxes	179,134
Net investment income	16,179
Donations	650
Other	10,469
Total revenues	3,269,114
 EXPENDITURES	
Administration	1,487,513
Training	20,992
Equipment repair and maintenance	4,802
Vehicles	56,271
New equipment	96,413
Station maintenance	56,410
Contribution to Volunteers' Pension Fund	60,000
Capital outlay	33,583
Capital lease	522,276
Total expenditures	2,338,260
 NET CHANGE IN FUND BALANCE	 930,854
 FUND BALANCE - BEGINNING OF YEAR	 1,837,509
FUND BALANCE - END OF YEAR	\$ 2,768,363

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HUDSON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

A reconciliation reflecting the differences between the general fund excess of revenues over (under) expenditures and changes in net position reported for governmental activities in the statement of activities is as follows:

Net change in fund balance - General Fund	<u>\$ 930,854</u>
<p>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:</p>	
Capital outlay - capitalized	32,116
Depreciation	(243,644)
	<u>(211,528)</u>
<p>Some expenses reported in the governmental fund statements were made subsequent to the measurement date for the net pension asset calculation and will therefore be reported as expenses in 2017.</p>	
Deferred outflows of resources:	
District contributions subsequent to measurement date - SWDBP	70,036
District contributions subsequent to measurement date - VPP	60,000
	<u>130,036</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Increase in compensated absences payable	(1,194)
Pension expense - SWDBP	(19,523)
Pension expense adjustment - VPP	10,991
	<u>(9,726)</u>
<p>Some expenses as reported in the statement of activities do not require the use of current financial resources and, therefore, the change from year to year is not reported as an expenditure in the governmental fund:</p>	
Accrued interest	8,016
	<u>8,016</u>
<p>The capital lease issuance provides current financial resources to governmental funds, while the repayment of principal of capital leases consumes current financial resources of governmental funds. Premiums and discounts related to the issuance of capital leases consumes current financial resources, while these items are capitalized and amortized in the statement of net position and activities. These transactions, however, have no affect on net position:</p>	
Principal payments on capital leases	481,890
Amortization of capital lease premium	858
	<u>482,748</u>
Change in net position	<u><u>\$ 1,330,400</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 3,065,773	\$ 3,062,682	\$ (3,091)
Specific ownership taxes	214,604	179,134	(35,470)
Net investment income	2,000	16,179	14,179
Other	-	10,469	10,469
Donations	-	650	650
Total revenues	<u>3,282,377</u>	<u>3,269,114</u>	<u>(13,263)</u>
EXPENDITURES			
Administration	1,769,019	1,487,513	281,506
Training	93,000	20,992	72,008
Equipment repair and maintenance	17,400	4,802	12,598
Vehicles	100,100	56,271	43,829
New equipment	183,000	96,413	86,587
Station maintenance	97,500	56,410	41,090
Capital outlay	680,000	33,583	646,417
Capital leases	75,715	522,276	(446,561)
Contribution to Volunteers' Pension Plan	60,000	60,000	-
Total expenditures	<u>3,075,734</u>	<u>2,338,260</u>	<u>737,474</u>
NET CHANGE IN FUND BALANCE	206,643	930,854	724,211
FUND BALANCE - BEGINNING OF YEAR	<u>1,762,042</u>	<u>1,837,509</u>	<u>75,467</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,968,685</u>	<u>\$ 2,768,363</u>	<u>\$ 799,678</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
VOLUNTEERS' PENSION FUND
December 31, 2016**

ASSETS	
Cash deposits	\$ 47,960
Investments	848,593
Interest receivable	4,144
TOTAL ASSETS	<u>900,697</u>
LIABILITIES	
Accounts payable	989
TOTAL LIABILITIES	<u>989</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 899,708</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
VOLUNTEERS' PENSION FUND
Year Ended December 31, 2016**

ADDITIONS

Contributions:	
District contribution	\$ 60,000
State participation contribution	13,550
Total contributions	73,550
Investment income:	
Investment income	36,989
Less investment expense	(12,607)
Net investment income	24,382
Total additions	97,932

DEDUCTIONS

Benefit payments	85,927
Administrative expenses:	
Insurance	200
Directors' fees	225
Payroll taxes	17
Administrative	233
Actuary study	5,400
Total deductions	92,002

NET DECREASE IN NET POSITION	5,930
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	893,778
NET POSITION RESTRICTED FOR PENSIONS - ENDING	\$ 899,708

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Hudson Fire Protection District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District was established to provide fire protection services to the Towns of Hudson and Lochbuie and the surrounding geographic area in Weld County, Colorado.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization. The District is not a component unit of any other primary governmental entity, including the Towns of Hudson and Lochbuie.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District except for the fiduciary activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District, with the difference between the assets and deferred outflows of resources and the liabilities and deferred inflows of resources of the District being reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 and the fiduciary fund 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 a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property and specific ownership taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District. In the fiduciary fund, benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund type:

The Volunteers' Pension Fund accounts for the activities of the District's volunteer firefighter's pension plan, which accumulates resources for pension benefit payments for its volunteer firefighters.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Investments

Investments are stated at fair value, based on quoted market prices.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue and reported as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

The five largest corporate property tax payers in the District, each representing more than 7% of the District's total assessed valuation, had a combined assessed valuation of approximately 75% of the total assessed valuation within the District.

Capital Assets

Capital assets, which include land, buildings, fire trucks 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

Buildings, fire trucks and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50	years
Fire trucks	10	years
Other equipment and vehicles	5	years

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB 68* (GASB 71).

In addition to liabilities, the statement of net position and fund 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/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 tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. The District has also recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68 and GASB 71.

Fund Balances – Governmental Fund

The District's governmental fund balance may consist of five classifications based on the relative strength of the spending constraints as follows:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Governmental Activities and Governmental Fund Cash and Investments

Cash and investments as of December 31, 2016 consist of the following:

Cash deposits	\$ 127,739
Investments	2,663,907
Total cash and investments (Governmental Activities and Fund)	<u>\$ 2,791,646</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District's cash deposits had a bank balance of \$133,733 and a carrying balance of \$127,739.

Investments

Credit Risk

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

The District has invested in a local government invest pool, the Colorado Local Government Liquid Asset Trust (COLOTRUST), which is rated AAAM by Standard & Poor's.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to three to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirement.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer however, the District invests primarily in local government investment pools, which are not subject to concentration of credit risk.

As of December 31, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$2,663,907</u>

COLOTRUST

At December 31, 2016, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAM by Standard and Poor's.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment in COLOTRUST is valued using Level 2 inputs.

Volunteers' Pension Plan Cash and Investments

Cash and investments as of December 31, 2016 consist of the following:

Cash deposits	\$ 47,960
Investments	848,593
Total cash and investments (Pension Fund)	<u>\$ 896,553</u>

Investments

Credit Risk

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes regarding investments in that the District has entered into a Trust Agreement with a Colorado bank to oversee the pension fund investments. Therefore, the pension investments are not limited to those described above applicable to local governments. A portion of the Plan's investments are invested in stock and mutual funds. These investments are unrated.

Interest Rate Risk

Colorado Revised Statutes follow the prudent investor concept for investment for fire pension assets. The District follows State statutes and has not adopted a policy specifically related to interest rate risk.

As of December 31, 2016, the Volunteers' Pension Plan held the following investments:

	Standard & Poor's Rating	Maturity (Investments stated at fair value)					TOTAL
		No stated maturity	Less than one year	One to five years	Six to ten years	More than ten years	
Money market funds	AAAm	\$ 8,527	\$ -	\$ -	\$ -	\$ -	\$ 8,527
Mutual funds	AAAm	390,169	-	-	-	-	390,169
REIT	Not rated	106,529	-	-	-	-	106,529
Corporate bonds	B+ to AAA	-	-	31,758	168,974	55,976	256,708
Municipal bonds	AA-	-	-	-	-	19,476	19,476
U.S. Treasuries	Not applicable	-	-	-	12,501	-	12,501
U.S. Agencies	Not applicable	-	-	-	8,898	45,785	54,683
		<u>\$ 505,225</u>	<u>\$ -</u>	<u>\$ 31,758</u>	<u>\$ 190,373</u>	<u>\$ 121,237</u>	<u>\$ 848,593</u>

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value measurements of the Volunteers' Pension Plan investments are as follows at December 31, 2016:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market funds	\$ 8,527	\$ 8,527	\$ -	\$ -
Mutual funds	390,169	390,169	-	-
REIT	106,529	-	-	106,529
Corporate bonds	256,708	-	256,708	-
Municipal bonds	19,476	-	19,476	-
U.S. Treasuries	12,501	12,501	-	-
U.S. Agencies	54,683	54,683	-	-
	<u>\$ 848,593</u>	<u>\$ 465,880</u>	<u>\$ 276,184</u>	<u>\$ 106,529</u>

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 166,265	\$ -	\$ -	\$ 166,265
Construction in progress	13,700	9,600	(23,300)	-
Total capital assets, not being depreciated	<u>179,965</u>	<u>9,600</u>	<u>(23,300)</u>	<u>166,265</u>
Capital assets, being depreciated:				
Buildings	2,748,586	34,100	-	2,782,686
Fire trucks and equipment	2,374,242	11,716	-	2,385,958
Total capital assets, being depreciated	<u>5,122,828</u>	<u>45,816</u>	<u>-</u>	<u>5,168,644</u>
Less accumulated depreciation for:				
Buildings	(234,412)	(59,248)	-	(293,660)
Fire trucks and equipment	(1,028,750)	(184,396)	-	(1,213,146)
Total accumulated depreciation	<u>(1,263,162)</u>	<u>(243,644)</u>	<u>-</u>	<u>(1,506,806)</u>
Total capital assets, being depreciated, net	<u>3,859,666</u>	<u>(197,828)</u>	<u>-</u>	<u>3,661,838</u>
Government capital assets, net	<u>\$ 4,039,631</u>	<u>\$ (188,228)</u>	<u>\$ (23,300)</u>	<u>\$ 3,828,103</u>

Depreciation of \$243,644 was charged to the fire protection – operations function in the statement of activities.

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2016</u>	<u>Due Within One Year</u>
Capital leases:					
Land and building - 702 Cedar	\$ 433,391	\$ -	\$ (52,745)	\$ 380,646	\$ 55,641
Lease premium - land and building 702 Cedar	3,617	-	(858)	2,759	755
2013 E-One Pumper	429,145	-	(429,145)	-	-
Compensated absences	6,142	7,336	(6,142)	7,336	7,336
	<u>\$ 872,295</u>	<u>\$ 7,336</u>	<u>\$ (488,890)</u>	<u>\$ 390,741</u>	<u>\$ 63,732</u>

The detail of the District’s long-term obligations is as follows:

Capital Lease – 702 Cedar Land and Building

On June 21, 2010, the District entered into a capital lease obligation for \$682,063 to refund two prior capital leases and provide funding for the construction of a new fire station/administration building. Proceeds were used to refund certain capital leases and assist in funding building construction costs. As of December 31, 2016, the building had a cost of \$1,426,196 and accumulated depreciation of \$178,275. The lease payment is due on an annual basis through 2022 with an annual principal and interest payment of \$75,715, including imputed interest at a rate of 5.30%. The final payment is due June 21, 2022.

Capital Lease – 2013 E-One Pumper

Effective July 15, 2015, the District entered into a capital lease obligation for \$429,145 to fund a portion of the purchase of a 2013 E-One Pumper fire truck. The District fire truck cost \$499,145, for which the District made a down payment of \$70,000 upon ordering the fire truck and entered into the \$429,145 capital lease for the remaining balance of the fire truck. The fire truck is listed as security for the capital lease. During 2016 the District paid off the outstanding balance of the capital lease.

The lease purchase agreements do not constitute general obligation debts of the District as defined by Colorado Revised Statutes as there are annual appropriation clauses in the lease agreements.

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**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

The District's long-term lease obligations will mature as follows:

2017	\$ 75,715
2018	75,715
2019	75,715
2020	75,715
2021	75,715
2022	75,714
Total minimum lease payments	<u>454,289</u>
Amount representing interest	<u>(73,643)</u>
Present value of minimum lease payments	<u><u>\$ 380,646</u></u>

At December 31, 2016, the District had no authorized but unissued debt.

NOTE 6 – FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

Statewide Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The District participates in the Statewide Defined Benefit Plan (SWDBP), a cost-sharing multiple-employer defined benefit pension fund administered by the Fire and Police Pension Association of Colorado ("FPPA"). The net pension asset, 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 SWDBP have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The SWDBP covers substantially all full-time firefighter and police officer employees of participating fire or police departments in Colorado hired on or after April 8, 1978, provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the SWDBP may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. Plan benefits are specified in Title 31, Articles 30, 30.5 and 31 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth in the FPPA Rules and Regulations, 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. FPPA issues a publicly available comprehensive annual financial report that can be obtained at www.fppaco.org.

Benefits provided. FPPA provides retirement 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.

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

The following types of retirement are available under the SWDBP:

- Normal: 25 years of service and age 55 with a 2% benefit for each year of service for the first ten years, then a 2.5% benefit for each year of service thereafter. Benefits are based on the average of the highest 3 years' base salary (as defined in FPPA Rule 101.05).
- Early: 30 years of service or age 50 with a 2% benefit for each year of service for the first ten years, then a 2.5% benefit for each year of service thereafter. Benefits are based on the average of the highest 3 years' base salary (as defined in FPPA Rule 101.05). The early retirement benefit that the member would have received at normal retirement (age55) is reduced on an actuarial equivalent basis to reflect the receipt of the benefit.
- Vested: 5 years of service payable at age 55 with a 2% benefit for each year of service for the first ten years, then a 2.5% benefit for each year of service thereafter. Benefits are based on the average of the highest 3 years' base salary (as defined in FPPA Rule 101.05).
- Deferred: Members who qualify for a normal or vested retirement, may defer the receipt of their benefit pension to as late as age 65 and receive the actuarial equivalent of the benefit. (as defined in FPPA Rule 101.05).

The SWDBP has a deferred retirement option plan (DROP) that allows members to enter the program if they meet one of the following criteria: 1) member is eligible for normal retirement or 2) member is vested or 3) member is eligible for early retirement. The DROP plan allows a member to choose to continue employment for a maximum of five years. During this period of continued employment, the member's retirement benefits as well as employee contributions are paid into a member's DROP account. At the end of the DROP period, the member ceases employment and receives the amount accumulated in the DROP account either in a periodic, lump sum or a monthly lifetime benefit.

Each member must elect a payment option for retirement benefits shortly before benefit payments are paid to ensure that the beneficiary and payment option factors are accurate. The member has six payment options. The payment options allow the member to receive full retirement benefits during the member's lifetime or receive reduced retirement benefits so that a designated beneficiary may receive a portion of the retirement benefit either during the member's lifetime or after the member's death depending on the option selected.

Vested members with more than 5 years of service and non-vested members with less than 5 years of service may elect to withdraw their member contribution accounts upon termination of employment with all FPPA employers; waiving rights to any lifetime retirement benefits earned. The member's contributions plus 5% interest may be refunded to the member with all other contributions being forfeited. If a refund is chosen, stabilization reserve account monies and all employer contributions are forfeited.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement benefit adjustments (formerly referred to as COLAs). Benefit

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

adjustments are not guaranteed and are determined annually by the FPPA Board of Directors based on the most recent actuarial study. The amount of the benefit adjustment can be 0% to 3%, or the greater of the Consumer Price Index (CPI) per year. Benefit adjustments may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

Contributions. Eligible employees and the District are required to contribute to the SWDBP at a rate set by Colorado statute. Employer contribution rates can only be amended by state statute and are 8% of the employee's base salary. Member contribution rates can be amended by statute or by election of the membership. In 2016, eligible employees are required to contribute 9.0% of their FPPA base salary, and as a result of the 2014 Member Contributions Election, the plan member contribution rate will increase by 0.5% of covered salary each year through 2022. Contributions to the SWDBP from the District were \$70,036 for the year ended December 31, 2016.

Annually, at the discretion of the Board of Directors of FPPA, the difference between the combined member/employer contributions and the actuarially determined contribution rate may be allocated to the stabilization reserve account (SRA). If the cost of the SWDBP exceeds the combined member/employer contribution rate, funds from the SRA may be used to make up the shortfall. Amounts set aside in the SRA are allocated to individual accounts for each member. A member may receive the amounts in this individual account upon election of Normal, Early or Vested retirement.

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

At December 31, 2016, the District reported an asset of \$2,153 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension asset was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll forward the total pension asset to December 31, 2015. The District's proportion of the net pension asset was based on District contributions to the SWDBP for the calendar year 2015 relative to the total contributions of participating employers to the SWDBP.

At December 31, 2015, the District's proportion was 0.1221269 percent, which was an increase of 0.0654347 percent from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$19,523. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 17,412	\$ 2,542
Changes of assumptions or other inputs	33,816	
Net difference between projected and actual earnings on pension plan investments	109,573	-
Change in proportion and differences between contributions recognized and proportionate share of contributions	-	72,454
Contributions subsequent to the measurement date	70,036	-
Total	<u>\$ 230,837</u>	<u>\$ 74,996</u>

The \$70,036 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ending December 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31

2017	\$ 25,420
2018	25,420
2019	25,420
2020	22,704
2021	(2,652)
2022	(2,652)
2023	(2,652)
2024	(2,652)
2025	(2,201)
2026	(350)
	<u>\$ 85,805</u>

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

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 years
Asset Valuation Method	5-Year Smoothed Fair Value
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	3.0%

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB is used. For post-retirement members ages 55 through 64, a blend of the previous tables are used.

For determining the actuarially determined contributions in the January 1, 2015 actuarial valuation, the RP-2000 Combined Mortality Tables with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

The actuarial assumptions used in the January 1, 2016 valuation were based on the recommendations of FPPA's actuaries which were approved and adopted by FPPA's Board in July 2015. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits.

Effective with the January 1, 2013 valuations, the Board adopted a five-year smoothing methodology in the determination of the actuarial value of assets. Beginning in the January 1, 2014 valuations, the married assumption for active members was increased from 80% to 85% to reflect the passage of the Colorado Civil Union Act.

The SWDBP's 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 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.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

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**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0% *
Total	<u>100.0%</u>	

* - While the expected inflation exceeds the expected rate of return for cash, a 0.00 percent real rate of return is utilized.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which established the contractually required rates under Colorado Statutes. Based on those assumptions, the SWDBP's fiduciary net position was projected to be available to make all 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.

Sensitivity of the District's proportionate share of the net pension asset (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:

	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Proportionate share of the net pension (asset) liability - SWDBP	<u>\$ 301,592</u>	<u>\$ (2,153)</u>	<u>\$ (254,099)</u>

Pension plan fiduciary net position. Detailed information about the SWDBP's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at www.fppaco.org.

NOTE 7 – STATEWIDE DEATH AND DISABILITY PLAN

Plan Description – The District contributes to the Statewide Death and Disability Plan (SWD&DP), a cost-sharing multiple-employer death and disability plan administered by FPPA. The SWD&DP covers full-time employees of substantially all fire and police departments in Colorado. As of August 1, 2003, the SWD&DP may include part-time police and fire employees. Contributions to the SWD&DP are used solely for the payment of death and disability benefits. Employers who are covered by Social Security may elect supplementary coverage by the Plan.

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

The Plan was established in 1098 pursuant to Colorado Revised Statutes. FPPA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the SWD&DP. That report can be obtained at www.fppaco.org.

Funding Policy – The District and/or employee is required to contribute at a rate of 2.6% of base salary for all members as set by statute. All contributions are made by members or on behalf of members. The 2.6% contribution may be paid entirely by the employer or the member, or it may be split between the employer and the member. Currently, the District is making the full 2.6% contribution on behalf of the members. For the years ending December 31, 2016, 2015, and 2014, the District's contributions to the SWD&DP were \$22,763, \$15,047 and \$6,796, respectively, equal to their required contributions for each year.

NOTE 8 – VOLUNTEERS' PENSION PLAN

Plan Description

Plan administration: The District administers a single-employer defined benefit pension plan for the benefit of its volunteers, the Volunteers' Pension Plan (VPP). The VPP was established pursuant to the authority of Title 31, Article 30, Part 11 of the Colorado Revised Statutes. The VPP is defined as a defined benefit plan and provides retirement benefits for members and beneficiaries according to the VPP provisions as enacted and governed by the Pension Fund Board of Trustees. The VPP's assets may be used only for the payment of benefits to the members of the VPP, in accordance with the terms of the VPP.

The Pension Fund's Board of Trustees is comprised of the five Directors of the District, plus two individuals elected from one or more of the following groups to the extent such groups exist at the time of election: active District volunteers, retired District volunteers, or retired District volunteers returned to active service pursuant to section C.R.S. 31-30-1132.

Plan membership: As of December 31, 2016, there are 17 retired volunteers receiving benefits and 3 surviving spouses receiving benefits, 2 inactive volunteers who are vested, 2 active volunteers who are vested and 1 active volunteer who is not vested in the VPP. On May 19, 2015 the District Board of Directors adopted a resolution which closed the Volunteer Pension Fund to new members.

Benefits provided: Volunteer firefighters who complete the minimum annual training required by the State and the District are eligible to participate in the plan for that year. The maximum monthly benefit that volunteers can receive based on 20 years of service is \$475. Volunteers' rights to a benefit vest after 10 years of service. Volunteers, who retire at or after the age of 50 with 10 years of credited service, are entitled to a partial benefit. In addition, the VPP provides death and disability benefits funded by insurance policies.

Contributions: The District makes contributions based upon District established benefits and funding requirements based upon an actuarial study. VPP members do not make contributions. The State of Colorado also contributes to the VPP in an amount set by statute.

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Investments

Investment policy: The VPP's investment policies are in accordance with C.R.S. 31-30-1113. The VPP's investments are administered by a bank trustee. State statutes allow the trustee to invest the fund in accordance with Article 1.1 of Title 15 of the C.R.S, but the trustee shall at all times hold fixed-income obligations having a book value or cost of not less than sixty percent (60%) of the total contributions made to the trust less the amounts paid out.

Concentrations: As of December 31, 2016, the District had invested more than five percent (5%) of the VPP's net position in the following investments:

Dreyfus Small Cap Stock Index Fund	\$ 47,570
Dreyfus Bond Market Index Investment Fund	\$ 49,421
Fidelity Asset Manager 85% Mutual Fund	\$123,423
Oppenheimer Global Fund Class A	\$ 96,052
NorthStar Healthcare Income Inc	\$ 57,399
NorthStar Real Estate Income II Inc	\$ 57,744

Rate of return: For the year ended December 31, 2016, the annual money-weighted rate of return on VPP investments, net of VPP investment expense, was a positive 1.254 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the District at December 31, 2016, were as follows:

Total pension liability	\$ 1,301,087
Plan fiduciary net position	(890,710)
District's net pension liability	<u>\$ 410,377</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>68.46%</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods include in the measurement:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	Implicit
Investment rate of return	5.0 percent, net of fees and expenses
Projected salary increases	Not applicable
Cost-of-living adjustments	0.0 percent
Retirement age	50% rate assumed until age 65 at which 100% retirement is assumed

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

The Pre-Retirement mortality rates are based on the RP-2000 Combined Healthy Generational Mortality Table with Blue Collar Adjustment, projected with Scale AA, with 40% multiplier for off-duty mortality. The Post-Retirement mortality rates are based on the RP-2000 Combined Mortality Rate Table with Blue Collar Adjustment, with generational mortality projected with a Scale AA.

Several demographic assumptions have been changed since the prior valuation, including mortality, termination, and disability. The assumptions are the same as the assumption set used to value volunteer fire districts in Colorado that are associated with the Fire and Police Pension Association of Colorado.

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 (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 5.00%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 5.00%.

Changes in the Net Pension Liability

Changes in the District's net pension liability for the year ended December 31, 2016 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at 12/31/15	\$ 1,417,372	\$ 936,004	\$ 481,368
Changes for the year:			
Service cost	5,868	-	5,868
Interest on the total pension liability	68,917	-	68,917
Changes in assumptions or other inputs	(107,138)	-	(107,138)
Benefit payments	(83,932)	(83,932)	-
District contributions	-	60,000	(60,000)
State of Colorado contributions	-	13,550	(13,550)
Pension plan net investment income	-	(32,278)	32,278
Administrative expense	-	(2,634)	2,634
Net Changes	<u>(116,285)</u>	<u>(45,294)</u>	<u>(70,991)</u>
Balances at 12/31/16	<u>\$ 1,301,087</u>	<u>\$ 890,710</u>	<u>\$ 410,377</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the District, calculated using the discount rate of 5.0 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current rate:

	4.00%	5.00%	6.00%
District's net pension liability - VPP	\$ 573,232	\$ 410,377	\$ 277,236

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the District recognized pension expense (income) of (\$10,991).

The \$60,000 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ending December 31, 2017.

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Contributions subsequent to the measurement date	\$ 60,000

NOTE 9 - FUND EQUITY

At December 31, 2016, the District reported the following classifications of fund equity.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$98,100 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$710,000 is comprised of amounts assigned by the Board of Directors by a resolution to be used for the future purchase of fire truck.

NOTE 10 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

The net investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the net investment in capital assets was \$3,444,698.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$98,100 as of December 31, 2016 as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 12).

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees and volunteers, or acts of God. The District maintains commercial insurance for general liability, workers compensation, property, vehicle damage and liability, umbrella, management liability, and public official bond. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On May 7, 1996, a majority of the District's electors authorized the District to collect, retain and spend all revenue and proceeds from any revenue source since December 30, 1992 and that any revenue received in excess of TABOR limitations be restricted for capital expenditures.

On November 2, 2004, a majority of the District's electors passed the following ballot question:

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Shall the Hudson Fire Protection District be authorized to collect, retain and spend all revenues and other funds collected from ad valorem property taxes and any other source, effective January 1, 2005, and every year thereafter, provided that the District's mill levy shall not be increased without voter approval, as a voter approved revenue change and an exception to the limits which would otherwise apply, including without limitation the revenue and spending limits of Article X, Section 20 of the Colorado Constitution, Section 29-1-301, Colorado Revised Statutes, or any other law?

On November 8, 2016, a majority of the District's electors passed the following ballot question:

Shall Hudson Fire Protection District taxes be increased \$1,225,000 (first full fiscal year dollar increase) annually beginning in levy year 2016 (for collection in calendar year 2017) by increasing the District's existing property tax by 2.5 mills to be used for the District's general operation and administration, all revenue from the 2.5 mills and any earnings on this tax, constituting a permanent voter-approved revenue change within the meaning of Article X, Section 20 of the Colorado Constitution and an exception to the limitations set forth in Section 29-1-301 of the Colorado Revised Statutes, and any other law?

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**HUDSON FIRE PROTECTION DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION ASSET -
FIRE AND POLICE PENSION ASSOCIATION - STATEWIDE DEFINED BENEFIT PLAN
LAST THREE FISCAL YEARS(1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.1221269%	0.0566922%	0.0486309%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ (2,153)	\$ (63,981)	\$ (43,485)
District's Covered Employee Payroll	\$ 592,036	\$ 254,941	\$ 211,224
Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	0.4%	25.1%	20.6%
Calculation of Collective Net Pension Liability (Asset):			
Total Pension Liability	\$ 1,846,961,999	\$ 1,652,901,084	\$ 1,533,631,141
Plan Fiduciary Net Position	<u>(1,848,724,853)</u>	<u>(1,765,758,630)</u>	<u>(1,623,049,809)</u>
Net Pension Liability (Asset)	<u>\$ (1,762,854)</u>	<u>\$ (112,857,546)</u>	<u>\$ (89,418,668)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	-100.1%	-106.8%	-105.8%

(1) - The amounts presented for each fiscal year were determined as of 12/31.

NOTE: Information for the prior seven years was not available to report.

**HUDSON FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS -
FIRE AND POLICE PENSION ASSOCIATION - STATEWIDE DEFINED BENEFIT PLAN
LAST FOUR FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 70,036	\$ 47,363	\$ 20,396	\$ 16,898
Contributions in Relation to the Contractually Required Contribution	(70,036)	(47,363)	(20,396)	(16,898)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 875,459	\$ 592,036	\$ 254,941	\$ 211,224
Contributions as a Percentage of Covered Employee Payroll	8.00%	8.00%	8.00%	8.00%

NOTE: Information for the prior six years was not available to report.

**HUDSON FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS OF THE VOLUNTEERS' PENSION PLAN
LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 5,868	\$ 21,531
Interest	68,917	67,465
Changes of benefit terms	-	-
Differences between expected and actual experience	(107,138)	20,411
Changes of assumptions	-	-
Benefit payments	(83,932)	(82,650)
Net change in total pension liability	<u>(116,285)</u>	<u>26,757</u>
Total pension liability - beginning	1,417,372	1,390,615
Total pension liability - ending (a)	<u><u>\$ 1,301,087</u></u>	<u><u>\$ 1,417,372</u></u>
Plan fiduciary net position		
District contribution	\$ 60,000	\$ 40,000
State participation contribution	13,550	13,550
Net investment income	(32,278)	17,554
Benefit payments	(83,932)	(82,650)
Administrative expenses	(2,634)	-
Net change in plan fiduciary net position	<u>(45,294)</u>	<u>(11,546)</u>
Plan fiduciary net position - beginning	936,004	947,550
Plan fiduciary net position - ending (b)	<u><u>\$ 890,710</u></u>	<u><u>\$ 936,004</u></u>
District's net pension liability - ending (a) - (b)	<u><u>\$ 410,377</u></u>	<u><u>\$ 481,368</u></u>
Plant fiduciary net position as a percentage of the total pension liability	<u>68.46%</u>	<u>66.04%</u>
Covered payroll	N/A	N/A
District's net pension liability as a percentage of covered payroll	N/A	N/A

**HUDSON FIRE PROTECTION DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS - VOLUNTEERS' PENSION PLAN
LAST 10 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 38,014	\$ 53,418	\$ 53,418	\$ 29,265	\$ 29,265	\$ 40,537	\$ 40,537	\$ 23,833	\$ 23,833	\$ 37,916
Contributions in relation to the actuarially determined contribution:										
District contributions	60,000	60,000	40,000	40,000	40,000	40,000	40,000	40,000	35,000	35,000
State of Colorado contributions	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550
Total combined contributions	<u>73,550</u>	<u>73,550</u>	<u>53,550</u>	<u>53,550</u>	<u>53,550</u>	<u>53,550</u>	<u>53,550</u>	<u>53,550</u>	<u>48,550</u>	<u>48,550</u>
Contribution deficiency (excess)	<u>\$ (35,536)</u>	<u>\$ (20,132)</u>	<u>\$ (132)</u>	<u>\$ (24,285)</u>	<u>\$ (24,285)</u>	<u>\$ (13,013)</u>	<u>\$ (13,013)</u>	<u>\$ (29,717)</u>	<u>\$ (24,717)</u>	<u>\$ (10,634)</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percent of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: January 1, 2016

Actuarially determined contribution rates are calculated as of January 1

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization method	20 years
Asset valuation method	Market value
Inflation	Implicit
Investment rate of return	5.0%, net of fees and expenses
Salary increases	Not applicable
Cost-of-living adjustments	0.0%
Retirement age	All fire fighters are assumed to retire upon the earlier of attainment of age 50 and completion of 20 years of service
Mortality	The Pre-Retirement mortality rates are based on the RP-2000 Combined Healthy Generational Mortality Table with Blue Collar Adjustment, projected with Scale AA, with 40% multiplier for off-duty mortality. The Post-Retirement mortality rates are based on the RP-2000 Combined Mortality Rate Table with Blue Collar Adjustment, with generational mortality projected with a Scale AA

**HUDSON FIRE PROTECTION DISTRICT
SCHEDULE OF PENSION INVESTMENT RETURNS -
VOLUNTEERS' PENSION PLAN
LAST THREE YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	1.254%	-5.743%	1.508%

NOTE: Information for the prior seven years was not available to report.

SUPPLEMENTAL INFORMATION

HUDSON FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -
VOLUNTEERS' PENSION FUND -
BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
ADDITIONS			
General fund contribution	\$ 60,000	\$ 60,000	\$ -
State participation contribution	13,550	13,550	-
Investment income	25,000	36,989	11,989
Total additions	<u>98,550</u>	<u>110,539</u>	<u>11,989</u>
DEDUCTIONS			
Benefit payments	97,500	85,927	11,573
Insurance	250	200	50
Investment expense	25,000	12,607	12,393
Directors' fees	600	225	375
Payroll taxes	50	17	33
Administrative	100	233	(133)
Actuary study	6,500	5,400	1,100
Contingency	5,000	-	5,000
Total deductions	<u>135,000</u>	<u>104,609</u>	<u>30,391</u>
NET DECREASE IN NET POSITION	(36,450)	5,930	42,380
NET POSITION - BEGINNING	<u>899,609</u>	<u>893,778</u>	<u>(5,831)</u>
NET POSITION - ENDING	<u><u>\$ 863,159</u></u>	<u><u>\$ 899,708</u></u>	<u><u>\$ 36,549</u></u>

HUDSON FIRE PROTECTION DISTRICT
GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
EXPENDITURES			
Administration			
Salaries and wages:			
District Administrator	\$ 66,578	\$ 72,205	\$ (5,627)
Administrative Assistant	18,000	5,110	12,890
Fire Chief salary	82,500	84,800	(2,300)
Firefighter/Training Officer	60,500	56,634	3,866
Firefighters	825,000	757,905	67,095
Backfill time	100,000	42,854	57,146
Directors' fees	8,000	4,800	3,200
Stipends	20,000	5,300	14,700
Benefits :			
Payroll taxes	21,057	20,348	709
Unemployment taxes	3,158	3,043	115
FPPA match	77,440	70,036	7,404
Workers compensation insurance	45,000	36,953	8,047
Employee health insurance	138,600	114,618	23,982
Group life insurance	3,000	802	2,198
FPPA - death and disability	25,168	22,763	2,405
Payroll expense - direct deposit	2,000	1,015	985
Employee benefits	5,326	-	5,326
Property insurance	38,000	30,113	7,887
Elections	25,000	40,238	(15,238)
Office supplies:			
General	9,000	4,050	4,950
Postage	1,000	849	151
Printing and publishing	500	462	38
Bank fees	100	35	65
Professional services	60,000	23,949	36,051
District travel (mileage)	500	411	89
Public relations	3,000	107	2,893
County Treasurer's fees	45,987	45,947	40
Membership expenses	20,000	7,886	12,114
Firefighter benefits	10,000	2,548	7,452
Dispatch fees	4,605	4,265	340
Subscriptions/dues	15,000	9,202	5,798
Public education	4,000	1,065	2,935
Provisions District	6,000	6,434	(434)
Computer maintenance and supplies	25,000	10,766	14,234
Total administration	<u>1,769,019</u>	<u>1,487,513</u>	<u>281,506</u>
Training			
Chief certifications	6,000	129	5,871
Training aids	14,000	3,266	10,734
Education	55,000	17,198	37,802
Travel - education	8,000	384	7,616
Provisions - education	10,000	15	9,985
Total training	<u>93,000</u>	<u>20,992</u>	<u>72,008</u>

(continued)

HUDSON FIRE PROTECTION DISTRICT
GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended December 31, 2016
(continued)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Equipment repair and maintenance			
Medical equipment maintenance:			
Repair	400	-	400
Annual testing	1,000	-	1,000
Fire equipment maintenance:			
Equipment repair	4,000	1,149	2,851
PPE repair or replacement	1,000	-	1,000
Annual fire equipment testing	10,000	3,653	6,347
Radio repair and testing	1,000	-	1,000
Total equipment repair and maintenance	17,400	4,802	12,598
Vehicles			
Fuel and oil	25,000	15,007	9,993
Vehicle repairs	75,000	41,256	33,744
Vehicle licensing	100	8	92
Total vehicles	100,100	56,271	43,829
New equipment			
Firefighting supplies:			
Firefighting equipment	30,000	2,846	27,154
PPE	50,000	16,901	33,099
Firefighting supplies - disposable	4,000	6,957	(2,957)
Medical supplies:			
Medical equipment	14,000	9,087	4,913
Medical supplies - disposable	-	1,107	(1,107)
Radios	60,000	41,889	18,111
Uniforms	25,000	17,626	7,374
Total new equipment	183,000	96,413	86,587
Station maintenance			
Station maintenance	25,000	13,167	11,833
Satellite/internet	5,000	3,400	1,600
Heating/electric	35,000	19,497	15,503
Telephone	18,000	13,599	4,401
Trash service	1,500	1,211	289
Water and sewer	5,000	3,728	1,272
Security	8,000	1,808	6,192
Total station maintenance	97,500	56,410	41,090
Capital outlay			
Buildings improvements	110,000	25,757	84,243
Major equipment	550,000	7,826	542,174
Furniture and fixtures	20,000	-	20,000
Total capital outlay	680,000	33,583	646,417
Capital leases			
Principal - Station 1	52,745	52,745	-
Interest - Station 1	22,970	22,970	-
Principal - 2013 E-One Pumper	-	429,145	(429,145)
Interest - 2013 E-One Pumper	-	17,416	(17,416)
Total capital lease	75,715	522,276	(446,561)
Contribution to Volunteers' Pension Plan	60,000	60,000	-
TOTAL EXPENDITURES	\$ 3,075,734	\$ 2,338,260	\$ 737,474

OTHER INFORMATION

**HUDSON FIRE PROTECTION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected Currently</u>	
2006	\$ 184,342,050	3.550	\$ 654,414	\$ 652,581	99.72%
2007	\$ 182,114,570	3.536	\$ 644,139	\$ 643,919	99.97%
2008	\$ 177,315,360	3.536	\$ 626,987	\$ 601,836	95.99%
2009	\$ 169,744,180	3.697	\$ 627,544	\$ 626,298	99.80%
2010	\$ 206,371,540	3.537	\$ 729,936	\$ 726,324	99.51%
2011	\$ 212,536,950	3.552	\$ 754,931	\$ 752,553	99.68%
2012	\$ 220,369,670	3.555	\$ 783,414	\$ 783,544	100.02%
2013	\$ 263,453,960	3.536	\$ 931,573	\$ 931,564	100.00%
2014	\$ 346,029,967	3.536	\$ 1,223,561	\$ 1,212,180	99.07%
2015	\$ 776,803,020	3.550	\$ 2,757,650	\$ 2,754,862	99.90%
2016	\$ 864,328,680	3.547	\$ 3,065,773	\$ 3,062,682	99.90%
Estimated for the year ending December 31, 2017	\$ 461,921,990	6.044	\$ 2,791,856		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific year of assessment.