

CANON CITY FIRE PROTECTION DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2017

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July 31, 2018

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Canon City Fire Protection District
Canon City, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Canon City Fire Protection District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information on pages 27-31 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 Canon City Fire Protection District's financial statements. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 individual fund financial statement is fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

July 31, 2018

CANON CITY AREA FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of Canon City Area Fire Protection District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the District's financial statements which begin on page 1.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

The District's basic financial statement consists of three components: 1) the government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Statement of Net position presents information on all of the District's assets and liabilities, with the difference between the two 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 reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes). The government-wide financial statements detail functions of the District that are principally supported by tax revenues (governmental activities), grants and charges for services. The governmental activity of the District is public safety – Fire/Emergency Services.

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

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental 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. The governmental fund financial statements can be found on pages 3 - 5 of this report. The District adopted an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund is located on page 27 of this report.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6 through 26 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also

**Canon City Area Fire Protection District
Condensed Statement of Net Position
December 31,**

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Assets		
Current assets	6,245,911	5,552,546
Capital assets	1,487,555	1,310,679
Total Assets	<u>7,733,466</u>	<u>6,863,225</u>
Deferred Outflows of Resources	412,416	380,906
Liabilities		
Current liabilities	106,645	78,182
Long-term liabilities	<u>3,153,330</u>	<u>3,060,729</u>
Total Liabilities	<u>3,259,975</u>	<u>3,138,911</u>
Deferred Inflows of Resources	3,705,162	3,670,056
Net Position		
Net Investment in Capital Assets	1,487,555	1,310,679
Restricted	183,435	157,435
Unrestricted	<u>(490,245)</u>	<u>(1,032,950)</u>
Total Net Position	<u>1,180,745</u>	<u>435,164</u>

presents required supplementary information consisting of the schedules of revenues, expenditures and changes in fund balance – budget to actual – General, Bond, and Acquisition Funds and the summary of historical information of the Defined Benefit Pension Plans, which can be found on pages 6 through 26 of this report.

Canon City Area Fire Protection District
MD&A

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 exceeded liabilities by \$1,180,745 at the close of the most recent fiscal year.

The District's net position reflect its investment in capital assets (e.g. land, buildings and improvements, equipment and vehicles) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

From 2016 to 2017, the District's total assets increased \$870,241. The increase is attributable to larger amounts of property taxes receivable from a voter approved increase in the mill levy effective January 2015 as well as slightly higher property valuations. Total liabilities increased \$121,064, primarily due to increases in accounts payable and long term debt. The Statement of Net Position can be found on page 1.

Canon City Area Fire Protection District
Condensed Statement of Activities
December 31,

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues		
Grants and donations	6,375	13,012
General Revenues		
Taxes	4,264,573	4,132,165
Investment Earnings	32,934	23,372
Other	950,788	249,097
Impact Fees	36,089	22,629
Total General Revenues	5,284,384	4,427,263
Total Revenues	5,290,759	4,440,275
Expenses		
General government	4,301,154	4,136,466
Wildland Deployment	244,024	158,074
Total expenses	4,545,178	4,294,540
Change in Net Position	745,581	145,735
Net Position, Beginning	435,164	289,429
Net Position, Ending	1,180,745	435,164

The District's overall financial position, as measured by net position, increased \$745,581 during 2017.

Financial Analysis of the District's Funds

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

Government Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Fund balances are detailed on page 3 of this report.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$2,442,910. Of this fund balance, \$287,693 is restricted, meaning it is not available for new spending, because it has already been committed for emergencies under Taxpayers' Bill of Rights (TABOR), debt service and capital outlay. The \$2,155,217 remainder of the fund balance is unreserved and undesignated.

General Fund Budgetary Highlights

Budget Variances: The budget to actual comparison details can be seen on pages 27, 28, and 30 of the financial statements. General fund revenues exceeded budget by \$631,589 due to higher Specific Ownership Tax collection and Wildland Deployments.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets at December 31, 2017 amounted to \$1,487,555 (net of accumulated depreciation/amortization). The analysis of changes in capital assets is as follows:

Capital Assets (Net of Depreciation)			
	<u>2016</u>	<u>Change</u>	<u>2017</u>
Land	187,838	-	187,838
Buildings	339,803	30,458	405,480
Vehicles	783,038	146,418	894,237
Total	<u>1,310,679</u>	<u>176,876</u>	<u>1,487,555</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations: At the end of the current fiscal year, the District had total outstanding long term obligations for Compensated Absences of \$485,646. The analysis of changes in long term debt is as follows:

Long Term Obligations			
	<u>2016</u>	<u>Change</u>	<u>2017</u>
Compensated absences	433,629	52,017	485,646
Total	<u>433,629</u>	<u>52,017</u>	<u>485,646</u>

Economic Factors and Next Year's Budgets and Rates

The District's revenues and expenditures for 2017 are expected to be greater than 2016. Tax revenue will increase as a result of continued increase in collection of Specific Ownership Taxes. Overall, the decrease in grants and donations is projected to be less than the increase in tax revenue. Although it will not affect revenues and expenditures for 2017, the residential assessment rate for 2017 valuations is expected to be adjusted, as required by the state constitution, from the current 7.96% to 7.2%. Residential tax revenue in 2018 will reflect this reduction, and with increased property valuations, the District expects to see nearly flat or decreased tax revenue .

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those interested in the government's finances. Questions concerning any of the information provided in the report or additional financial information should be addressed to: Canon City Area Fire Protection District, 1475 N. 15th Street, Canon City, CO 81212.

BASIC FINANCIAL STATEMENTS

CANON CITY FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2017

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Investments	\$ 2,332,692	\$ 1,647,465
Receivables		
Property Taxes	3,779,382	3,716,257
Accounts	5,144	141,166
Prepaid Expenses	128,693	47,658
Capital Assets, not depreciated	187,838	187,838
Capital Assets, depreciated, net of accumulated depreciation	1,299,717	1,122,841
	<u>7,733,466</u>	<u>6,863,225</u>
TOTAL ASSETS		
DEFERRED OUTFLOWS OF RESOURCES		
Related to Volunteer Pension	28,626	24,305
Related to Old Hire Pension	383,790	356,601
	<u>412,416</u>	<u>380,906</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES		
LIABILITIES		
Accounts Payable	87,509	60,107
Accrued Expenses	19,136	18,075
Noncurrent Liabilities		
Accrued Compensated Absences	485,646	433,629
Net Pension Liability - Volunteer Pension	166,488	159,170
Net Pension Liability - Old Hire Pension	2,501,196	2,467,930
	<u>3,259,975</u>	<u>3,138,911</u>
TOTAL LIABILITIES		
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	3,696,356	3,663,043
Related to Volunteer Pension	8,806	7,013
	<u>3,705,162</u>	<u>3,670,056</u>
TOTAL DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net Investment in Capital Assets	1,487,555	1,310,679
Restricted for Emergencies	159,000	133,000
Restricted for Growth Related Matters	24,435	24,435
Unrestricted	(490,245)	(1,032,950)
	<u>\$ 1,180,745</u>	<u>\$ 435,164</u>
TOTAL NET POSITION		

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

CANON CITY FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
				2017	2016
PRIMARY GOVERNMENT					
Governmental Activities					
Fire Administration	\$ 4,043,899	\$ -	\$ -	\$ (4,043,899)	\$ (3,671,355)
Fire Fighting and Prevention	184,023	6,375	-	(177,648)	(378,404)
Communications	73,232	-	-	(73,232)	(73,695)
Wildland Deployment	244,024	-	-	(244,024)	(158,074)
Total Governmental Activities	<u>\$ 4,545,178</u>	<u>\$ 6,375</u>	<u>\$ -</u>	<u>(4,538,803)</u>	<u>(4,281,528)</u>
GENERAL REVENUES					
Charges for Services				943,231	243,864
Property Taxes				3,644,894	3,597,633
Specific Ownership Taxes				619,679	534,532
Interest				32,934	23,372
Other				43,646	27,862
TOTAL GENERAL REVENUES				<u>5,284,384</u>	<u>4,427,263</u>
CHANGE IN NET POSITION				745,581	145,735
NET POSITION, Beginning				435,164	(643,083)
Prior Period Adjustment				-	932,512
NET POSITION, Ending				<u>\$ 1,180,745</u>	<u>\$ 435,164</u>

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

CANON CITY FIRE PROTECTION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	GENERAL FUND	
	2017	2016
ASSETS		
Cash and Investments	\$ 2,332,692	\$ 1,647,465
Property Taxes Receivable	3,779,382	3,716,257
Prepaid Expenses	128,693	47,658
Accounts Receivable	5,144	141,166
	<u>5,144</u>	<u>141,166</u>
TOTAL ASSETS	<u>\$ 6,245,911</u>	<u>\$ 5,552,546</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 87,509	\$ 60,107
Accrued Expenses	19,136	18,075
	<u>19,136</u>	<u>18,075</u>
TOTAL LIABILITIES	<u>106,645</u>	<u>78,182</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	3,696,356	3,663,043
	<u>3,696,356</u>	<u>3,663,043</u>
FUND BALANCE		
Fund Balance		
Nonspendable	128,693	47,658
Restricted for Emergencies	159,000	133,000
Unassigned	2,155,217	1,630,663
	<u>2,155,217</u>	<u>1,630,663</u>
TOTAL FUND BALANCE	<u>2,442,910</u>	<u>1,811,321</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	1,487,555	1,310,679
Long-term liabilities and related assets are not due and payable in the current period and are not reported in the funds. These include compensated absences (\$485,646), net pension liability volunteer plan of (\$166,488), net pension liability old hire plan of (\$2,501,196), deferred outflows related to the volunteer pension plan of \$28,626 and old hire plan of \$383,790, and deferred inflows related to the volunteer pension plan of (\$8,806).	<u>(2,749,720)</u>	<u>(2,686,836)</u>
Net position of governmental activities	<u>\$ 1,180,745</u>	<u>\$ 435,164</u>

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

CANON CITY FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	GENERAL FUND	
	2017	2016
REVENUES		
Taxes	\$ 4,264,573	4,132,165
Charges for Services	907,142	221,235
Grants	6,375	13,012
Impact Fees	36,089	22,629
Interest	32,934	23,372
Miscellaneous	43,646	27,862
	<u>5,290,759</u>	<u>4,440,275</u>
TOTAL REVENUES		
EXPENDITURES		
Personnel Costs and Benefits	3,337,558	3,153,353
Support Services	189,445	188,671
Operations	20,719	38,585
Fire Prevention and Life Safety	3,572	5,300
Apparatus Maintenance	43,689	31,489
Facilities	28,046	29,887
Communications	73,232	73,695
Training	36,035	24,599
Health and Safety	44,475	50,596
Capital Outlay	241,117	130,707
Insurance	397,258	
Wildland Deployment	244,024	158,074
	<u>4,659,170</u>	<u>3,884,956</u>
TOTAL EXPENDITURES		
NET CHANGE IN FUND BALANCES	631,589	555,319
FUND BALANCES, Beginning	<u>1,811,321</u>	<u>1,256,002</u>
FUND BALANCES, Ending	<u>\$ 2,442,910</u>	<u>\$ 1,811,321</u>

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

CANON CITY FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 631,589
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay \$339,154 that exceeded depreciation expense (\$162,278) for the current period.	176,876
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the change in compensated absences for the year.	(52,017)
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>(10,867)</u>
Change in Net Position of Governmental Activities	<u>\$ 745,581</u>

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Canon City Fire Protection District was formed to provide fire protection and emergency medical services to Canon City and surrounding area within its boundaries. The District is governed by a five-member Board of Directors elected by the residents.

The accounting policies of the Canon City Fire Protection District (the “District”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

Buildings	40 years
Machinery and Equipment	10 - 20 years
Vehicles	15 years

Long-Term Obligations

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

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

Net Position

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

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Fund Balance Classification

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. At December 31, 2017, the District reported prepaid expenses as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2017.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Compensated Absences

Employees of the District are allowed to accumulate unused vacation and sick time. Upon termination of employment with the District, an employee is compensated for all accrued vacation and sick time within the maximum leave accruals at the current rate of pay.

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

Deferred Outflows/Inflows of Resources

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

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

Property Taxes

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

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- In September, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

Legal Compliance

The actual expenditures of the General Fund exceeded the budgeted amount by \$473,491. This may be a violation of State Statute.

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2017 follows:

Petty Cash	\$	283
Cash Deposits		666,473
Investments		<u>1,665,936</u>
Total	\$	<u>2,332,692</u>

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At December 31, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

At December 31, 2017, the District had deposits with financial institutions with a carrying amount of \$666,473. The bank balances with the financial institutions were \$691,879. Of these balances, \$250,000 was covered by federal depository insurance and \$441,879 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

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

Credit Risk

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

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

- Guaranteed investment contracts

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

Local Government Investment Pools

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 observable inputs.

The District had invested \$1,665,936 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017, is summarized below:

	<u>Balances</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/17</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 187,838	\$ -	\$ -	\$ 187,838
Capital Assets, depreciated				
Buildings	1,241,417	65,677	-	1,307,094
Machinery and Equipment	<u>2,846,733</u>	<u>273,477</u>	-	<u>3,120,210</u>
Total Capital Assets, depreciated	<u>4,088,150</u>	<u>339,154</u>	-	<u>4,427,304</u>
Less Accumulated Depreciation				
Buildings	901,614	35,219	-	901,614
Machinery and Equipment	<u>2,063,695</u>	<u>127,059</u>	-	<u>2,063,695</u>
Total Accumulated Depreciation	<u>2,965,309</u>	<u>162,278</u>	-	<u>3,127,587</u>
Total Capital Assets, depreciated, Net	<u>1,122,841</u>	<u>176,876</u>	-	<u>1,299,717</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,310,679</u>	<u>\$ 176,876</u>	<u>\$ -</u>	<u>\$ 1,487,555</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2017.

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/17</u>	<u>Due In</u> <u>One Year</u>
Compensated Absences	\$ 433,629	\$ 52,017	\$ -	\$ 485,646	\$ -

Accrued Compensated Absences are being paid from resources generated by the General Fund.

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance through a commercial carrier for these risks of loss. No claims have exceeded insured amounts in the last three years.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. The District believes that disallowed expenses, if any, would not have a material effect on the overall financial position of the District.

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2017, the emergency reserve of \$159,000 was recorded in the General Fund.

NOTE 8: DEFINED BENEFIT PENSION PLANS

Volunteer Firefighters' Pension Plan

Summary of Significant Accounting Policies

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

General Information about the Pension Plan

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

Funding Policy. An actuary is used to determine the annual required contribution ("ARC") necessary to maintain the actuarial soundness of the Plan. Colorado law requires the State to make an annual contribution to the Plan. Because the District's monthly benefit amount is a maximum of \$300, the State's annual contribution is calculated as the highest State contribution made between 1998 and 2001. The District makes an additional contribution to support the plan.

The actuarial study as of January 1, 2015, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

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

At December 31, 2017 the District reported a liability of \$166,488. The net pension liability was measured as of December 31, 2016, and was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

For the year ended December 31, 2016 the District recognized pension expense of \$11,887. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	\$8,806
Change in Assumptions	\$7,556	N/A
Net difference between projected and actual earnings on pension plan investments	\$13,973	N/A
Contributions subsequent to the measurement date	\$7,097	N/A
Total	\$28,626	\$8,806

\$7,097 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2018	\$2,732
2019	\$3,695
2020	\$4,920
2021	\$1,376
2022	\$0

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

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

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

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

Assumption Changes: The assumptions shown above pertain to the actuarial valuation as of January 1, 2013 and the associated Actuarially Determined Contribution for the year ending December 31, 2016. Following a regularly scheduled experience study in 2016, the Board adopted a new assumption set for first use in the January 1, 2017 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 1, 2018 Volunteer valuations.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

The primary changes, which can be observed in the January 1, 2017 valuation, as compared to the assumptions shown are as follows:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	36.0%	6.75%
Equity Long/Short	10.0%	4.85%
Illiquid Alternatives	23.0%	8.25%
Fixed Income	15.0%	.50%
Absolute Return	10.0%	4.05%
Managed Futures	4.0%	3.00%
Cash	2.0%	0.00%*
Total	100.0%	

*While expected inflation exceeds the expected rate of return for cash, a 0% real rate of return is utilized.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension asset	\$211,836	\$166,488	\$128,590

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

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Old Hire Fire Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan Description. These plans are individual defined benefit pension plans for firefighter and police employees in the State of Colorado hired before April 8, 1978 (old hires) whose employers have chosen to affiliate with FPPA. The affiliated plans are still governed by their local plan document and local pension board. Each has a separate actuarial valuation done every two years where contributions rates are determined. The Plan provides retirement benefits for Members and beneficiaries according to Plan provisions as enacted and governed by the Firefighters Pension Board. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the Plan. For 2017, retirees could choose one of two retirement benefits as follows:

1. Any firefighter who elects to retire on or after his normal retirement date (20 years of service and 50 years of age) shall be eligible for a monthly pension equal to 60% of his monthly salary at the date of his retirement. For each year of service beyond 20 years, a firefighter shall increase his pension by 2% of salary up to a maximum monthly pension of 80% of his monthly salary at the date of his retirement.
2. Any fire fighter who elects to retire on or after his normal retirement date (when he has completed 20 years of service), is eligible for a monthly pension of one-half of his monthly salary at the date of retirement. In addition, the retiree receives 2% of his monthly salary multiplied by the number of years of service in excess of 20 years. The total monthly pension may not exceed 60% of the monthly salary on the date of retirement. The plan also provides for severance benefits, cost of living adjustments and post-withdrawal and pre-retirement and postretirement death benefits.

FPPA issues independent annual reports that may be obtained by calling FPPA at (303) 770-3772 in the Denver metro area and 1-800-332-FPPA (3772) from outside the metro area.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS

Old Hire Fire Pension Plan

General Information about the Pension Plan

Funding Policy. An actuary is used to determine the annual required contribution (“ARC”) necessary to maintain the actuarial soundness of the Plan. Colorado law requires the State to make an annual contribution to the Plan. Because the District’s monthly benefit amount is over \$300, the State’s annual contribution is calculated as the highest State contribution made between 1998 and 2001. The District makes an additional contribution to support the plan.

The actuarial study as of January 1, 2016, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

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

At December 31, 2017 the District reported a liability of \$2,501,196. The net pension liability was measured as of December 31, 2016, and was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

For the year ended December 31, 2017 the District recognized pension expense of \$232,666. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	N/A
Net difference between projected and actual earnings on pension plan investments	\$157,201	N/A
Contributions subsequent to the measurement date	\$226,589	N/A
Total	\$383,790	N/A

\$226,589 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

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

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

Year ended December 31,	
2018	\$49,226
2019	\$49,228
2020	\$45,487
2021	\$13,260
2022	\$0

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

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Open
Remaining Amortization Period:	20 years*
Asset Valuation Method:	5-Year smoothed market
Inflation	3.00%
Salary Increases:	N/A
Investment Rate of Return:	7.50%
Retirement Age:	Any remaining actives are assumed to retire immediately.
Mortality:	Post-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, RP-2000 Disabled Mortality Table All tables projected with Scale AA.

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

Assumption Changes: The assumptions shown above pertain to the actuarial valuation as of January 1, 2015 and the associated Actuarially Determined Contribution for the year ending December 31, 2016. Following a regularly scheduled experience study in 2016, the Board adopted a new assumption set for first use in the January 1, 2017 valuations. Those assumption changes are incorporated into the Total Pension Liability as of December 31, 2016, since it is based on the actuarial valuation as of January 1, 2017. The assumption changes will be observed in the Actuarially Determined Contribution for the year ending December 31, 2018.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

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

The complete assumption set can be found in the actuarial valuation report as of January 1, 2017. The primary changes as compared to the assumptions shown are as follows:

Inflation	2.50%
Mortality	Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.
	Disabled (pre-1980): RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	36.0%	6.75%
Equity Long/Short	10.0%	4.85%
Illiquid Alternatives	23.0%	8.25%
Fixed Income	15.0%	.50%
Absolute Return	10.0%	4.05%
Managed Futures	4.0%	3.00%
Cash	2.0%	0.00%*
Total	100.0%	

*While expected inflation exceeds the expected rate of return for cash, a 0% real rate of return is utilized.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension asset	\$3,037,485	\$2,501,196	\$2,044,871

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

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

NOTE 9: NEW HIRES DEFINED CONTRIBUTION PENSION PLAN

The District has adopted a locally administered pension plan for firemen hired on or after April 8, 1978. An employee becomes eligible if they work at least 1,600 hours per year. Employees contribute 9.5% of compensation which is matched by the employer. In addition, the participant may voluntarily contribute up to 10% of compensation paid within 30 days after the valuation date of the plan year. The participants contribution is 100% vested at all times. Vesting for employer contributions is as follows:

<u>Years of service</u>	<u>Percent vested</u>
Less than 2	None
2	20%
3	40%
4	60%
5	80%
6	100%

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 9: NEW HIRES DEFINED CONTRIBUTION PENSION PLAN (Continued)

Qualified payroll for these employees for the year ended December 31, 2017, was \$2,162,567. Required and actual contribution for this plan by the District and employees for 2017 was \$205,537 each. The District has no further liability for pension benefits in excess of the funds available in the fund.

REQUIRED SUPPLEMENTAL INFORMATION

CANON CITY FIRE PROTECTION DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2017

	2017		VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Property Taxes	\$ 3,636,189	\$ 3,644,894	\$ 8,705	\$ 3,597,633
Specific Ownership Taxes	475,000	619,679	144,679	534,532
Charges for Services	140,000	907,142	767,142	221,235
Grants	4,550	6,375	1,825	13,012
Impact Fees	8,500	36,089	27,589	22,629
Interest	10,000	32,934	22,934	23,372
Miscellaneous	28,620	43,646	15,026	27,862
TOTAL REVENUES	<u>4,302,859</u>	<u>5,290,759</u>	<u>987,900</u>	<u>4,440,275</u>
EXPENDITURES				
Personnel Costs and Benefits	3,324,231	3,337,558	(13,327)	3,153,353
Support Services	198,536	189,445	9,091	188,671
Operations	31,010	20,719	10,291	38,585
Fire Prevention and Life Safety	3,150	3,572	(422)	5,300
Apparatus Maintenance	38,850	43,689	(4,839)	31,489
Facilities	42,300	28,046	14,254	29,887
Communications	75,817	73,232	2,585	73,695
Training	47,505	36,035	11,470	24,599
Health and Safety	53,595	44,475	9,120	50,596
Capital Outlay	250,605	241,117	9,488	130,707
Contingency	20,000	-	20,000	-
Insurance	-	397,258	(397,258)	-
Wildland Deployment	100,080	244,024	(143,944)	158,074
TOTAL EXPENDITURES	<u>4,185,679</u>	<u>4,659,170</u>	<u>(473,491)</u>	<u>3,884,956</u>
CHANGE IN FUND BALANCE	117,180	631,589	514,409	555,319
FUND BALANCE, Beginning	<u>-</u>	<u>1,811,321</u>	<u>1,811,321</u>	<u>1,256,002</u>
FUND BALANCE, Ending	<u>\$ 117,180</u>	<u>\$ 2,442,910</u>	<u>\$ 2,325,730</u>	<u>\$ 1,811,321</u>

See the accompanying independent auditors' report.

CANON CITY FIRE PROTECTION DISTRICT

SCHEDULE OF CONTRIBUTIONS
 VOLUNTEER FIREFIGHTERS' PENSION PLAN
 December 31, 2017

<u>FY Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	20,644	20,940	(296)	N/A	N/A
2015	20,644	20,962	(318)	N/A	N/A
2016	16,870	17,362	(492)	N/A	N/A
2017	16,870	17,342	(472)	N/A	N/A

*Includes both employer and State of Colorado Supplementary Discretionary Payment

See the accompanying independent auditors' report.

CANON CITY FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
VOLUNTEER FIREFIGHTERS' PENSION PLAN
Year Ended December 31,

Measurement Period Ending December 31,	2015	2016
Total Pension Liability		
Service Cost	\$ 2,868	\$ 2,868
Interest on the Total Pension Liability	29,380	29,627
Benefit Changes	-	-
Difference Between Expected and Actual Experiences	-	(5,821)
Assumption Changes	-	9,881
Benefit Payments	(28,227)	(29,720)
Net Change in Total Pension Liability	4,021	6,835
Total Pension Liability - Beginning	404,186	408,207
Total Pension Liability - Ending	<u>\$ 408,207</u>	<u>\$ 415,042</u>
Plan Fiduciary Net Position		
Employer Contribution	\$ 6,755	\$ 11,569
Pension Plan Net Investment Income	4,540	12,527
Benefit Payments	(28,227)	(29,720)
Pension Plan Administrative Expenses	(2,003)	(652)
State of Colorado Supplemental Discretionary Payment	14,207	5,793
Net Change in Plan Fiduciary Net Position	(4,728)	(483)
Plan Fiduciary Net Position - Beginning	253,765	249,037
Plan Fiduciary Net Position - Ending	<u>\$ 249,037</u>	<u>\$ 248,554</u>
Net Pension Liability/(Asset)	\$ 159,170	\$ 166,488
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.01%	59.89%
Covered Employee Payroll	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	N/A	N/A

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

See the accompanying independent auditors' report.

CANON CITY FIRE PROTECTION DISTRICT

SCHEDULE OF CONTRIBUTIONS
 OLD HIRE FIRE PENSION PLAN
 December 31, 2017

<u>FY Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	217,218	-	217,218	N/A	N/A
2015	216,474	433,692	(217,218)	N/A	N/A
2016	216,474	216,474	-	N/A	N/A
2017	226,589	226,589	-	N/A	N/A

*Includes both employer and State of Colorado Supplementary Discretionary Payment

See the accompanying independent auditors' report.

CANON CITY FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
 OLD HIRE FIRE PENSION PLAN
 Year Ended December 31,

Measurement Period Ending December 31,	2016	2016
Total Pension Liability		
Service Cost	\$ -	\$ -
Interest on the Total Pension Liability	379,911	383,483
Benefit Changes	-	-
Difference Between Expected and Actual Experiences	(129,968)	-
Assumption Changes	214,700	-
Benefit Payments	(418,860)	(415,106)
Net Change in Total Pension Liability	45,783	(31,623)
Total Pension Liability - Beginning	5,271,122	5,316,905
Total Pension Liability - Ending	<u>\$ 5,316,905</u>	<u>\$ 5,285,282</u>
Plan Fiduciary Net Position		
Employer Contribution	\$ 433,692	\$ 216,474
Pension Plan Net Investment Income	48,508	139,835
Benefit Payments	(418,860)	(415,106)
Pension Plan Administrative Expenses	(4,360)	(6,092)
Net Change in Plan Fiduciary Net Position	58,980	(64,889)
Plan Fiduciary Net Position - Beginning	2,789,995	2,848,975
Plan Fiduciary Net Position - Ending	<u>\$ 2,848,975</u>	<u>\$ 2,784,086</u>
Net Pension Liability/(Asset)	\$ 2,467,930	\$ 2,501,196
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	53.58%	52.68%
Covered Employee Payroll	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	N/A	N/A

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

See the accompanying independent auditors' report.