



Eaton Fire Protection District

Financial Statements and Supplementary Information

For the Year Ended December 31, 2017



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July 31, 2018

Eaton Fire Protection District

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Independent Auditor's Report

Board of Directors
Eaton Fire Protection District
Eaton, Colorado

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Eaton Fire Protection District (the "District"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the budgetary comparison information for the General Fund on page 40, and the pension related schedules on pages 41 through 44 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.

Anton Collins Mitchell LLP

Greeley, Colorado
July 24, 2018

**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

This section of the annual financial report offers readers of the Eaton Fire Protection District's (the "District") financial statements management's discussion and analysis of the District's financial performance during the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Background Information

The District was created in 1960, by a number of citizens concerned about fire protection for their homes and businesses. The predominant fund approach for the District was comprised of one basic fund: the General Fund.

On November 11, 2003, the taxpayers approved a ballot question which eliminated the Taxpayer Bill of Rights ("TABOR") limits that were imposed on the District in 1992. The mill levy for 2017 was set at 9.000 mills.

Financial Highlights

- The District's financial status declined over the course of the 2017 fiscal year. Total net position decreased \$254,441 or 6.3%. This is primarily due to increases in Pension Expense.
- General revenues account for \$2,476,123, 100%, of all revenues. The District had \$0 in program specific revenues in the form of operating grants and contributions during 2017.
- The District had \$2,730,564 in expenses related to governmental activities; with \$0 of these expenses offset by program specific charges for services and operating grants and contributions. General revenues, property and specific ownership taxes of \$2,435,517 and \$40,606 in other revenues were adequate to provide for the governmental activities.
- The District decreased its outstanding capital leases by \$139,510, or 20.8%.

Overview of the Financial Statements

This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

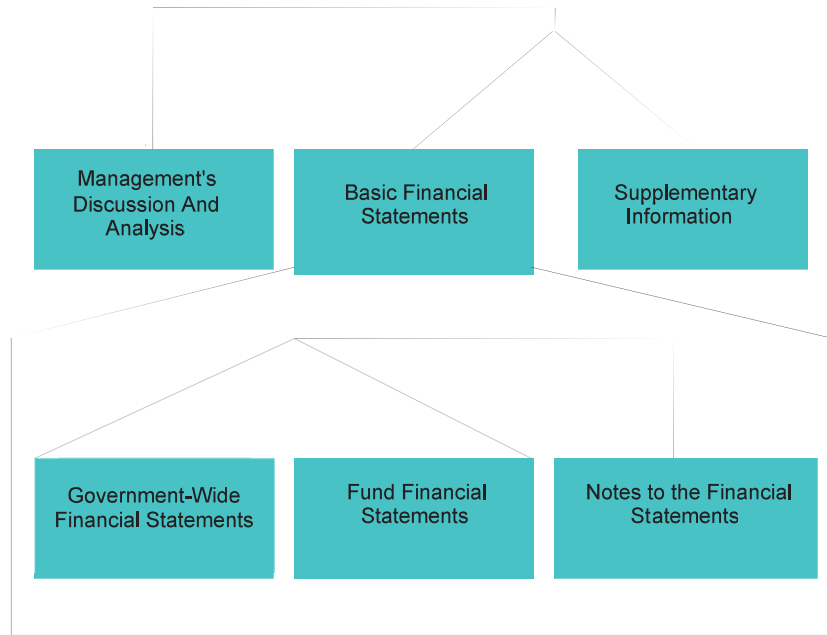
- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental fund statements reflect how basic services such as fire protection were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

**Table 1
Organization of the Eaton Fire Protection
District's Annual Financial Report**



SUMMARY



DETAIL

Table 2, displayed on the following page, summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the two types of financial statements, government-wide and fund financial statements, found in the basic financial statements.

**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

**Table 2
Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Governmental Fund
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-Wide Statements

The government-wide statements are designed to provide readers a broad overview of the District finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. These statements provide both *short-term* and *long-term* information about the District's *overall* financial status.

The *statement of net position* presents information on all of the District's assets, liabilities, deferred outflows of resources and deferred inflows of resources with the difference between them 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. To assess the District's overall health, you need to consider additional non-financial factors such as the condition of buildings, vehicles and equipment.

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 flow in future fiscal periods.

**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Included in governmental activities are all of the District's basic services such as fire protection.

The basic government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District funds are all in one category: governmental funds.

- *Governmental funds*: All of the District's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

The District maintains one governmental fund, the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund which is considered a major fund. The basic governmental fund financial statements can be found on pages 15 to 18 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 19 to 38 of this report.

**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Financial Analysis of the District as a Whole

Net Position and Changes in Net Position

The District's *combined* net position was smaller on December 31, 2017, than it was the year before, decreasing 6.3% to \$3,763,467. Table 3 provides a summary of the District's net position at December 31, 2017 and 2016.

**Table 3
Condensed Statement of Net Position**

	2017	2016
Assets		
Current assets	\$ 4,013,142	\$ 3,262,651
Capital assets, net	3,430,203	3,434,663
Net pension asset	-	141,858
Total assets	7,443,345	6,839,172
Deferred outflows of resources		
Deferred outflows of resources relating to pensions	566,949	408,686
Total deferred outflows of resources	566,949	408,686
Liabilities		
Current liabilities	164,639	135,213
Long-term liabilities	1,022,540	702,730
Total liabilities	1,187,179	837,943
Deferred inflows of resources		
Deferred revenue - property taxes	2,939,619	2,267,279
Deferred inflows of resources relating to pensions	120,029	124,728
Total deferred inflows of resources	3,059,648	2,392,007
Net position		
Net investment in capital assets	2,904,028	2,768,978
Restricted	74,284	227,437
Unrestricted	785,155	1,021,493
Total net position	\$ 3,763,467	\$ 4,017,908

**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Table 4 provides a summary of the changes in net position. Following Table 4 is specific discussion related to overall revenues and expenses.

**Table 4
Changes in Net Position from Operating Results**

	2017	2016
Revenues		
Program revenues:		
Operating grants and contributions	\$ -	\$ 10,083
General revenues:		
Taxes	2,435,517	2,719,046
Earnings on investments	6,513	1,216
Other	34,093	122,287
Total revenue	2,476,123	2,852,632
Expenses		
Firefighting	1,640,737	1,364,120
Stations and buildings	166,457	137,605
Administration	169,326	166,825
Volunteer firefighters' pension expense	555,764	117,315
Equipment repair	83,615	110,492
Fire training	67,880	35,446
Interest on long-term debt	26,949	27,707
Communications	6,573	5,299
Emergency medical services	13,263	11,908
Total expenses	2,730,564	1,976,717
Change in net position	\$ (254,441)	\$ 875,915

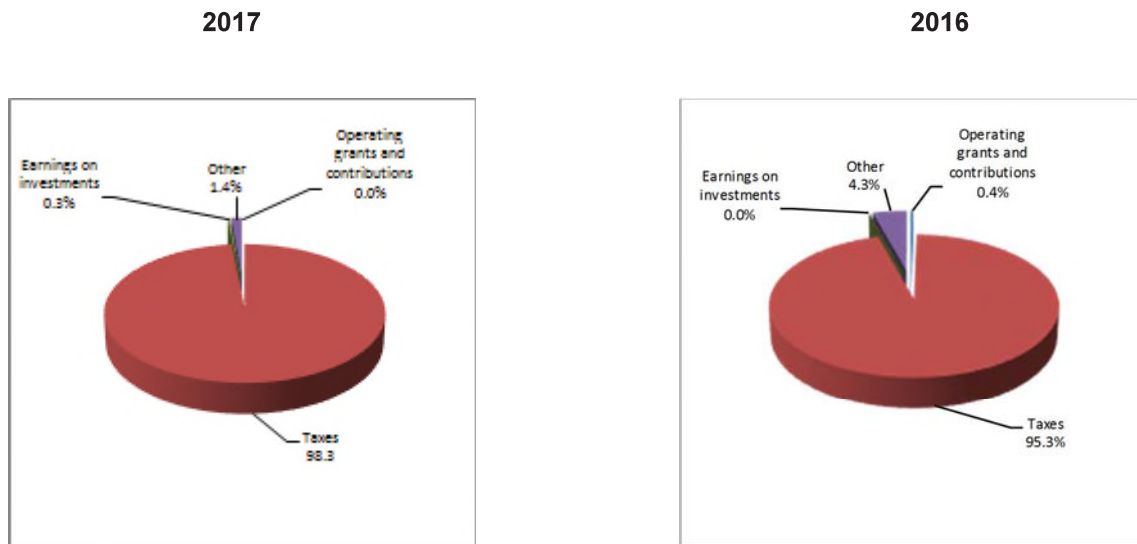
Property and specific ownership taxes account for most of the District's revenue, contributing about 98.4 cents for every dollar raised (see Table 5). The remaining 1.6 cents came from earnings on investments and other sources.

The District expenses predominantly relate to fire protection, which includes administration, firefighting, training, equipment, communications, stations and buildings, emergency medical service, and debt service.

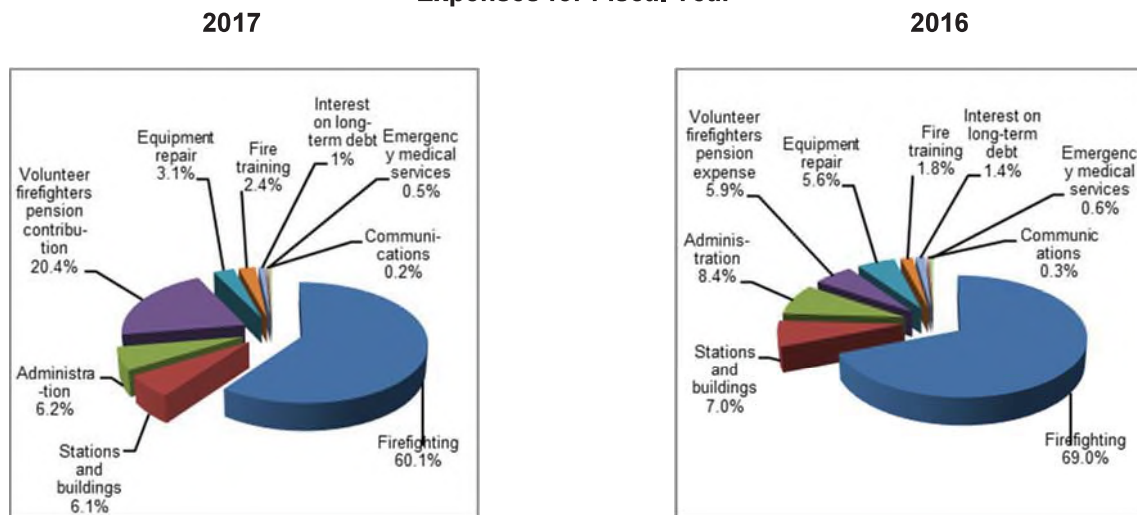
**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Detailed below in Tables 5 and 6 are charts displaying revenues by sources and expenses by program for the total District.

**Table 5
Sources of Revenues for Fiscal Year**



**Table 6
Expenses for Fiscal Year**



Governmental Activities

The increase in fund balance for the General Fund was \$53,733 during 2017.

The governmental funds monitor cash resources and expenditures. During 2017, the District expended \$224,154 on capital asset additions. This significant expenditure is not considered an expense on the government-wide statement of activities. Rather, these costs are written off over time as depreciation expense.

As reflected on the reconciliation of governmental funds revenues and expenditures to the government-wide statement of activities (page 18), depreciation exceeded capital outlay by \$4,460.

**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Financial Analysis of District's Funds

General Fund

The General Fund was established and is continually funded to provide for the daily activities, salaries, expenses, and operating costs of the District. This fund provides for functional areas of the organization - administration, firefighting, fire prevention, communications, and building and grounds maintenance. The General Fund also provides for such other items as insurance, utilities, and other costs the District incurs. The primary funding source for the General Fund is taxation of real property. Other sources of income for the General Fund include earnings on investments and miscellaneous sources. The primary projects or program efforts for establishing needed funding during 2017 were normal operational costs of the District and capital outlay.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements.

It should be noted that the District's budget format is designed to establish and monitor divisional functions of the District's operations to more closely align expenses with the areas of responsibility. These divisions are set up as cost centers for accountability in each of the following areas:

- Administration
- Firefighting
- Fire Training
- Equipment Repair
- Communications
- Fire Station and Buildings
- Emergency Medical Services
- Debt Service

Emergency Reserve

The District must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At December 31, 2017, the District's TABOR restriction amounted to \$74,284.

Capital Assets and Debt Administration

Capital Assets

By the end of 2017, the District had invested \$3,430,203 (net of accumulated depreciation) in a broad range of capital assets, including land, building, vehicles and other equipment (See Table 7). This amount represents a net decrease of \$4,460 or .1% percent from last year. Additional information on the District's capital assets can be found in Note 3 to the financial statements. Total depreciation expense for 2017 was \$228,614.

**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

**Table 7
Capital Assets (Net of Depreciation)**

Governmental Activities	2017	2016	% of Change
Land	\$ 100,000	\$ 100,000	0.0%
Building and improvements	2,173,461	2,088,478	4.1%
Vehicles and equipment	1,156,742	1,246,185	-7.2%
Total	\$ 3,430,203	\$ 3,434,663	-0.1%

Long-Term Debt

At year-end, the District had \$526,175 in capital lease obligations, a net decrease of \$139,510 from the previous year, as shown below in Table 8. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

**Table 8
Outstanding Long-Term Debt**

Governmental activities:	2017	2016	% of Change
Capital lease obligations	\$ 526,175	\$ 665,685	-21.0%
Compensated absences	36,384	37,045	-1.8%
Total	\$ 562,559	\$ 702,730	-19.9%

During 2017, the District continued to pay down its debt. Colorado Revised Statute 32-1-1101(6) states that a fire district shall have a limit of bonded indebtedness determined by a specific formula. The District's outstanding debt is below this limit.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

The District's budget for general property tax revenues of \$2,939,619 (based on an assessed valuation for the District of \$326,624,380 and a mill levy of 9 mills) with a budget of \$2,939,619 for expenditures for all funds during 2017. The tax levy plus carryover funds should be adequate to cover all the District's 2017 budgeted expenditures.

The lease/purchase plan for the Administration Building will have a small impact on operational funds until the capital lease on the fire station is paid. Then that same annual cost becomes the debt payment for the new building, Development of the Training Center continues. The Training Center is a capital project that will continue to be developed over the next few years. The District is committed to continued development of the Contingency Fund. This fund will be used to purchase a wildland apparatus within the next three years. In order to be in future compliance regarding radios, the District has developed a program to assure all radios are upgraded prior to 2019. As an ongoing project, Eaton Fire remains committed to achieve energy efficiency in operations of the District.

**Eaton Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Eaton Fire Protection District at (970) 454-2115.

Basic Financial Statements

Eaton Fire Protection District
Statement of Net Position
December 31, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 791,451
Investments	250,000
Property taxes receivable	2,939,619
Prepaid items	32,072
Capital assets:	
Not being depreciated	100,000
Being depreciated, net of accumulated depreciation	3,330,203
Total assets	7,443,345
Deferred outflows of resources	
Deferred outflows of resources relating to pensions	566,949
Total deferred outflows of resources	566,949
Liabilities	
Accounts payable	48,275
Accrued liabilities	102,299
Accrued interest	14,065
Non-current liabilities:	
Accrued compensated absences	36,384
Due within one year	3,920
Due in more than one year	522,255
Net pension liability	459,981
Total liabilities	1,187,179
Deferred inflows of resources	
Deferred revenue - property taxes	2,939,619
Deferred inflows of resources relating to pensions	120,029
Total deferred inflows of resources	3,059,648
Net Position	
Net investment in capital assets	2,904,028
Restricted for:	
Emergencies	74,284
Unrestricted	785,155
Total net position	\$ 3,763,467

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

Eaton Fire Protection District
Statement of Activities
Year Ended December 31, 2017

Governmental Activities	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Firefighting	\$ 1,640,737	\$ -	\$ -	\$ (1,640,737)
Fire station and buildings	166,457	-	-	(166,457)
Administration	169,326	-	-	(169,326)
Equipment repair	83,615	-	-	(83,615)
Fire training	67,880	-	-	(67,880)
Communications	6,573	-	-	(6,573)
Emergency medical services	13,263	-	-	(13,263)
Volunteer firefighters' pension expense	555,764	-	-	(555,764)
Interest on long-term debt	26,949	-	-	(26,949)
Total governmental activities and primary government	\$ 2,730,564	\$ -	\$ -	(2,730,564)
General revenues:				
Property taxes				2,259,668
Specific ownership taxes				175,849
Earnings on investments				6,513
Other				34,093
Total general revenues				2,476,123
Change in net position				(254,441)
Net position at beginning of year				4,017,908
Net position at end of year				\$ 3,763,467

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

Eaton Fire Protection District
Balance Sheet
General Fund
December 31, 2017

Assets	
Cash and cash equivalents	\$ 791,451
Investments	250,000
Property taxes receivable	2,939,619
Total assets	\$ 3,981,070
Liabilities, deferred inflows of resources and fund balance	
Liabilities	
Accounts payable	\$ 48,275
Accrued liabilities	102,299
Total liabilities	150,574
Deferred inflows of resources	
Deferred revenue - property taxes	2,939,619
Total deferred inflows of resources	2,939,619
Fund balance	
Restricted for emergencies	74,284
Unassigned	816,593
Total fund balance	890,877
Total liabilities, deferred inflows of resources and fund balance	\$ 3,981,070

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

Eaton Fire Protection District
Reconciliation of the General Fund Balance Sheet
with the Government-Wide Statement of Net Position
December 31, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - General Fund	\$	890,877
Prepaid insurance is recorded as an asset on the statement of net position and was an expenditure in the year paid in the fund financial statements.		
		32,072
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported as assets in the fund financial statements.		
Capital assets, cost	\$ 5,468,650	
Accumulated depreciation	<u>(2,038,447)</u>	3,430,203
Accrued compensated absences are reflected as a liability on the statement of net position, but are not due and payable from current financial resources, and therefore, are not reflected in the fund financial statements.		
		(36,384)
Long-term liabilities, including capital lease obligations and accrued interest payable, are not due and payable from current financial resources, and therefore, are not reported as liabilities in the fund financial statements.		
Capital lease obligations	\$ (526,175)	
Accrued interest payable	<u>(14,065)</u>	(540,240)
Net pension liability and the related deferred inflows and deferred outflows of resources are not current financial resources or due and payable from current financial resources, and therefore, are not reported in the fund financial statements.		
Net pension liability	\$ (459,981)	
Deferred outflows of resources relating to pensions	566,949	
Deferred inflows of resources relating to pensions	(120,029)	(13,061)
Total net position - governmental activities	\$	3,763,467

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

Eaton Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Year Ended December 31, 2017

Revenues	
Property taxes	\$ 2,259,668
Specific ownership taxes	175,849
Earnings on investments	6,513
Other	34,093
Total revenues	2,476,123
Expenditures	
Current:	
Firefighting	1,473,427
Fire station and buildings	94,442
Administration	164,050
Equipment repair	83,615
Fire training	67,880
Communications	6,573
Emergency medical services	13,263
Volunteer firefighters' pension contribution	125,960
Capital outlay	226,453
Debt service:	
Principal	139,510
Interest	27,217
Total expenditures	2,422,390
Change in fund balance	53,733
Fund balance at beginning of year	837,144
Fund balance at end of year	\$ 890,877

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

Eaton Fire Protection District
Reconciliation of the General Fund Statement of Revenues, Expenditures and
Changes in Fund Balance with the Government-Wide Statement of Activities
Year Ended December 31, 2017

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

Total net change in fund balance - General Fund	\$	53,733
<p>Increase in prepaid insurance is reflected against expense on the government-wide financial statements and the change is not reflected on the fund financial statements.</p>		
		(5,276)
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount that depreciation expense exceeded capital outlay during the period.</p>		
Depreciation expense	\$ (228,614)	
Capital outlay	224,154	(4,460)
<p>Decrease in accrued compensated absences is reflected as an expense on the statement of activities and not reflected as an expenditure on the statement of revenues, expenditures and changes in fund balance.</p>		
		661
<p>Decrease in accrued interest payable is reflected against expense on the statement of activities and is not reflected in the statement of revenues, expenditures and changes in fund balance.</p>		
		268
<p>Repayment of capital lease obligations is an expenditure in the governmental fund financial statements, but it reduces long-term liabilities on the statement of net position and does not affect the statement of activities.</p>		
		139,510
<p>Changes in the District's net pension liability, deferred outflows of resources, and deferred inflows of resources related to the pension plans for the current year are not reported in the governmental funds but are reported in the statement of activities.</p>		
		(438,877)
Change in net position - governmental activities	\$	(254,441)

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

Eaton Fire Protection District
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies

Form of Organization

The Eaton Fire Protection District (the “District”) is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes (“CRS”). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s governing board, and either a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a) a separately elected governing board, b) a governing board appointment by a higher level of government, or c) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an “other stand alone government.”

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 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, charges for services, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support. The District does not report any business-type activities.

Eaton Fire Protection District
Notes to Financial Statements
December 31, 2017

The statement of activities demonstrates the degree to which the direct 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 those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The District has only one governmental fund, the General Fund, which is a major fund.

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 a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balance presents increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Property taxes, intergovernmental grants, and earnings on investments 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.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

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Governmental funds are used to account for all or most of a government's general activities. The following is the District's only major governmental fund:

General Fund - The General Fund is the District's primary operating fund. It accounts for all the financial resources of the District.

Budgets

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

- By October 15, the District staff submits to the Board of Directors a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them;
- A public hearing is conducted to obtain taxpayer comments;
- Prior to December 31, the budget is legally enacted through passage of a resolution;
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Directors through passage of a formal resolution.;
- The District legally adopts budgets for all of the funds of the District on a basis consistent with 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.

The total budget for the General Fund was \$2,388,080; there were no revisions to the budget during the year ended December 31, 2017.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months.

Investments

Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

Receivables

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2017. Property taxes levied on December 31, 2017 are identified as property taxes receivable and deferred inflows of resources.

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Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid items in the government-wide financial statements and will be reported as expenses in the following year. These amounts are reflected as expenditures in the year paid in the governmental fund financial statements.

Debt Issuance Costs

In the government-wide financial statements, debt issuance costs are recognized as an expense during the period of issuance.

In the fund financial statements, governmental fund types recognize debt issuance costs as an expenditure during the period of issuance. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable District activities 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 asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Description	Estimated Lives
Buildings and improvements	20-40 years
Vehicles and equipment	10-20 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the District will compensate the employees for the benefits earned. Upon termination of employment from the District, an employee will be compensated for all accrued vacation and compensatory time at their current rate of pay; there is no payment for sick leave upon termination.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements, regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Payments made within 60 days after year-end are considered to have been made with current available financial resources. Capital

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lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

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 represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources relate to pensions (see notes 6 and 7).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources relate to deferred property tax revenue and pensions (see notes 6 and 7).

Fund Balance and Net Position

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

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors (the "Board"). The Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

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Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted resources 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 assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the District by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the District.

In the fund financial statements, property taxes are recognized in the year for which they are levied provided they become available and measurable. Property tax revenues are considered available when they become due or past due and are received by the District within 60 days of the end of the fiscal year.

Pensions

The District contributes to the Statewide Defined Benefit Plan (“SWDB”). The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado (“FPPA”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SWDB plan and additions to/deductions from the SWDB plan fiduciary net position have been determined on the same basis as they are reported by the FPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition, the District contributes to a defined benefit pension plan to provide retirement income for volunteer firefighters in recognition of their service to the District. This plan is an agent multiple-employer Public Employee Retirement System affiliated with the FPPA for the purpose of administering the plan and managing the funds of the plan for investment.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Eaton Fire Protection District
Notes to Financial Statements
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2. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the District's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2017, the District had deposits with financial institutions with a carrying amount (book balance) of \$774,025. The bank balances with the financial institutions was \$784,483, of which \$500,000 was covered by FDIC. The remaining balance of \$284,483 was collateralized with securities held by the financial institutions' agents, but not in the District's name.

Investments:

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The District's policy is to hold investments until maturity.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk. As of December 31, 2017, the District had no investments exposed to custodial credit risk.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

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At December 31, 2017, the District had cash and cash equivalent balances as follows:

Cash with county treasurer	\$ 12,144
Bank deposits	779,307
Total cash and cash equivalents	\$ 791,451

The District categorizes its fair value measurement 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 unobservable inputs.

At December 31, 2017 the District had investment balances, categorized as Level 2 investments, as follows:

	Cost	Fair Value	Weighted Average Maturity Date (in days)	Concentration of Credit Risk
U.S. Treasury Notes	\$ 250,000	\$ 250,000	339	100%

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3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Total capital assets, not being depreciated	100,000	-	-	100,000
Capital assets, being depreciated:				
Buildings and improvements	2,750,038	154,699	-	2,904,737
Vehicles and equipment	2,394,458	69,455	-	2,463,913
Total capital assets, being depreciated	5,144,496	224,154	-	5,368,650
Less accumulated depreciation for:				
Buildings and improvements	(661,560)	(69,716)	-	(731,276)
Vehicles and equipment	(1,148,273)	(158,898)	-	(1,307,171)
Total accumulated depreciation	(1,809,833)	(228,614)	-	(2,038,447)
Total capital assets, being depreciated, net	3,334,663	(4,460)	-	3,330,203
Total capital assets, net	\$ 3,434,663	\$ (4,460)	\$ -	\$ 3,430,203

The above depreciation has allocated \$158,898 to the firefighting category and \$69,716 to the fire station and buildings category.

4. Long-Term Debt

Long-term debt consisted of the following at December 31, 2017:

Capital Lease Obligations

On June 25, 2002, the District entered into a capital lease with a financial institution. The lease term is 170 months, with the first payment due July 1, 2002. The District paid off this lease on June 29, 2017. The lease had required monthly principal and interest payments of \$10,255, at 3% as of June 29, 2017. The interest rate is equal to the New York Prime Rate less 1% subject to a maximum rate of 9% and a minimum rate of 3%. Proceeds were used to construct and equip a fire station.

On October 25, 2013, the District entered into a capital lease with a financial institution. The lease term is for one year and may be extended at the option of the lessee, for nine additional terms of one year each, with the first payment due May 1, 2014. The lease matures on May 1, 2023 and requires an annual payment of \$25,000 principal and interest through May 1, 2018 and annual payments of \$100,000 from May 1, 2019 to May 1, 2022 with a final principal and interest payment of \$193,963 due on May 1, 2023. Interest on this lease is at 3.95%. Proceeds were used to acquire and equip the District's administration building.

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The following is a summary of changes in long-term debt of the District for the year ended December 31, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2002 capital lease	\$ 135,547	\$ -	\$ (135,547)	\$ -	\$ -
2013 capital lease	530,138	-	(3,963)	526,175	3,920
Accrued compensated absences	37,045	22,535	(23,196)	36,384	-
Total	\$ 702,730	\$ 22,535	\$ (162,706)	\$ 562,559	\$ 3,920

The annual requirements to amortize all capital leases outstanding as of December 31, 2017, are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 3,920	\$ 21,080	\$ 25,000
2019	79,077	20,923	100,000
2020	82,195	17,805	100,000
2021	85,535	14,465	100,000
2022	88,961	11,039	100,000
2023	186,487	7,476	193,963
Total	\$ 526,175	\$ 92,788	\$ 618,963

The book value of assets acquired through capital lease at December 31, 2017, is as follows:

Land	\$ 75,000
Buildings and improvements	2,137,939
Vehicles and equipment	52,781
Total cost	2,265,720
Less: accumulated depreciation	(701,069)
Book value	\$ 1,564,651

5. 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 carries commercial insurance covering specific and general risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

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6. Volunteer Firefighters' Pension Plan

Plan Description. The District has established the Volunteer Firefighters' Pension Plan (the "Plan"), an agent multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). As of December 31, 2017, the Plan had 21 retirees and beneficiaries, 2 inactive, nonretired members, and 34 active members. FPPA issues an annual, publicly available financial report that includes the assets of the Volunteer Plan. The report may be obtained on FPPA's website at www.fppaco.org.

Benefits Provided. Any firefighter who has both attained the age of 50 and completed 20 years of active service shall be eligible for a monthly pension. Pro rata pensions would apply to volunteers who reached 50 years of age and had between 10 and 20 years of service. 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 which 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.

Funding Policy. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2017, 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.

The District contributed \$125,960 and the State of Colorado contributed \$23,475 to the plan for the year ended December 31, 2017.

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 net pension liability of \$412,584. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

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For the year ended December 31, 2017, the District recognized pension expense of \$555,764. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 70,036	\$ -
Differences between expected and actual experience	55,037	76,960
Assumption changes	52,887	-
District contributions subsequent to measurement date	125,960	-
	\$ 303,920	\$ 76,960

The \$125,960 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2018	23,532
2019	23,531
2020	21,196
2021	27,853
2022	4,888
	\$ 101,000

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Actuarial assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	20 years
Asset valuation period	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.

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, 2015. Following a regularly scheduled experience study in 2015, 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, 2017 Volunteer valuations.

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% rate for females.

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 Fire & Police Pension Association Board of Director’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

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Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund’s target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global equity	36%	6.75%
Equity long/short	10%	4.85%
Illiquid alternatives	23%	8.25%
Fixed income	15%	0.50%
Absolute return	10%	4.05%
Managed futures	4%	3.00%
Cash	2%	0.00%
Total	100%	

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1.00% Decrease *	Current Discount Rate *	1.00% Increase *
District’s net pension liability	\$600,777	\$412,584	\$257,730

* The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

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

7. State of Colorado Fire and Police Pension Association - Defined Benefit Plan

Plan Description. The Statewide Defined Benefit Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2016 has 216 participating employer fire and police departments.

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Employers once had the option to elect to withdraw from the SDB Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at www.fppaco.org.

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

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the SDB Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result, their Separate Retirement Account ("SRA") has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

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

A member may elect to participate in the deferred retirement option plan ("DROP") after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds. The DROP balance invested with the asset custodian at December 31, 2016 was \$61,543,732. This amount was not included in the SWDB Plan Net Position.

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December 31, 2017

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

Members of this Plan and their employers are contributing at the rate of 9.5 percent and 8.0 percent, respectively, of base salary for a total contribution rate of 17.5 percent in 2017. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12.0 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5 percent of base salary through 2015. The District is contributing 8 percent of base salary and the employees are contributing 12 percent of base salary for the reentry group. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent.

The contribution rate for members and employers of affiliated social security employers is 4.75 percent and 4.0 percent, respectively, of base salary for a total contribution rate of 8.75 percent in 2017. Per the 2014 member election, the affiliated social security group will also have their required member contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6.0 percent of base salary. Employer contributions will remain at 4.0 percent resulting in a combined contribution rate of 10 percent in 2022.

Contributions to the SDB Plan from the District were \$60,398 for the year ended December 31, 2017.

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 \$47,397 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating Departments, actuarially determined. At December 31, 2016, the District's proportion was 0.13117 percent, which was an increase of 0.01846 from its proportion measured as of December 31, 2015.

Eaton Fire Protection District
Notes to Financial Statements
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For the year ended December 31, 2017, the District recognized pension expense of \$69,470. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,320	\$ 2,411
Changes of assumptions or other inputs	32,376	-
Net difference between projected and actual earnings on pension plan investments	127,935	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	40,658
District contributions subsequent to the measurement date	60,398	-
	\$ 263,029	\$ 43,069

The \$60,398 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2018	\$ 42,923
2019	42,923
2020	40,567
2021	17,053
2022	3,882
Thereafter	12,214
	\$ 159,562

Eaton Fire Protection District
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Actuarial Assumptions. The actuarial valuations for the plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2017. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability
Actuarial valuation date	January 1, 2017
Actuarial method	Entry Age Normal
Amortization method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment rate of return *	7.5 percent
Projected salary increases *	4.0 - 14.0 percent
Cost of living adjustment	0.0 percent
* Includes inflation at	2.5 percent

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 are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

For determining the actuarially determined contributions, the RP-2000 Combined Mortality Table 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.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2017 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2017 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2017 were used in the determination of the actuarially determined contributions as of December 31, 2016. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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

Eaton Fire Protection District
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Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global equity	36%	9.25%
Equity long/short	10%	7.35%
Illiquid alternatives	23%	10.75%
Fixed income	15%	4.10%
Absolute return	10%	6.55%
Managed futures	4%	5.50%
Cash	2%	0.0%*
Total	100%	

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50 percent; the municipal bond rate is 3.78 percent (based on the weekly rate closest to but not later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50 percent.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.

The following presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability/(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:

	1.00% Decrease*	Current Discount Rate*	1.00% Increase*
District’s proportionate share of the net pension liability/(asset)	\$403,275	\$47,397	\$(248,176)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

Eaton Fire Protection District
Notes to Financial Statements
December 31, 2017

8. Voluntary Investment Program

Description - Effective May 1, 2010, employees of the District who are members of the SWDB (see Note 7) may voluntarily contribute to the Voluntary Investment Program (“457 Plan”), an Internal Revenue Code Section 457 defined contribution plan administered by FPPA. Plan participation is optional, and contributions are separate from others made to FPPA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 457 Plan provisions to the State Legislature.

Funding Policy - The 457 Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar years 2017, 2016 and 2015). Catch-up contributions up to \$6,000 for calendar years 2017, 2016 and 2015 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). For the years ended December 31, 2017, 2016, and 2015, no member contributions were made to this 457 Plan.

9. Statewide Money Purchase Program

Description - The District participates in the Statewide Money Purchase Program. The Money Purchase Program plan is a multiple-employer defined contribution (money purchase) pension fund covering full-time employees of participating fire or police districts in Colorado (the “MPP”). As of August 1, 2003, the Plan may include part-time police and fire employees. The MPP may also include clerical or other personnel from fire districts whose services are auxiliary to fire protection.

The Fire & Police Members’ Statewide Money Purchase Plan became effective on January 1, 1995. Participants can choose from various mutual funds selected by the Self-Directed Plans Committee pursuant to the fund structure approved by the Board of Directors, as well as mutual funds or other investments offered through a Self-Directed Brokerage Account. There were 40 contributing employer departments as of December 31, 2014. The Plan assets are included in the Fire & Police Members’ Self-Directed Investment Fund.

Funding Policy - Contributions to the Statewide Money Purchase Program are calculated as a percentage of the member’s base salary, which is specified by state statute. Current participants contribute 8 percent of salary, which is matched by the employer. Members are always fully vested in their own contributions, and the earnings on those contributions. Vesting in the employer’s contributions and earnings on those contributions occurs according to the vesting schedule set by state statute at 20% per year after the first year of service to be 100 percent vested after 5 years of service. Employer and member contributions are invested in funds at the discretion of members. For the years ended December 31, 2017, 2016, and 2015 District contributions to the Statewide Money Purchase Program to the contributions were \$10,361, \$11,609, and \$15,011, respectively.

10. TABOR Compliance

In November 1992, Colorado voters passed an amendment (the “Amendment” or “TABOR”) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local districts. The limits on property taxes, revenue, and “fiscal year spending” include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires

Eaton Fire Protection District
Notes to Financial Statements
December 31, 2017

voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the “spending limit” must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

The Amendment also requires local districts to establish emergency reserves to be used for declared emergencies only. Emergencies as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$74,284 for this purpose.

On November 11, 2003, the voting citizens of the Eaton Fire Protection District authorized the District to collect, retain and spend all revenues collected from ad valorem property taxes of 6.48 mills effective fiscal year 2003, and continuing thereafter as provided by law; provided that the District’s general operating property tax rate shall not be increased without voter approval; and the revenues from all such revenue sources be spent for general operations purposes as a voter approved revenue change and an exception to the limits which would otherwise apply, including without limitation Article X, Section 20 of the Colorado Constitution, Section 29-1-301, CRS, as it may be amended, or any other law.

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

11. Violation of State Statutes

During the year ended December 31, 2017, expenditures exceeded budget appropriations by \$34,310 in the General Fund which may be in violation of state statutes.

12. Subsequent Events

Management of the District has evaluated subsequent events through July 24, 2018 the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosure in the financial statements were identified.

Required Supplementary Information

Eaton Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance
(Budget and Actual) - General Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 2,267,279	\$ 2,267,279	\$ 2,259,668	\$ (7,611)
Specific ownership taxes	120,000	120,000	175,849	55,849
Earnings on investments	-	-	6,513	6,513
Contributions	14,000	14,000	-	(14,000)
Other	-	-	34,093	34,093
Total revenues	2,401,279	2,401,279	2,476,123	74,844
Expenditures				
Current:				
Firefighting	1,422,423	1,422,423	1,473,427	(51,004)
Administration	170,190	170,190	164,050	6,140
Fire training	66,000	66,000	67,880	(1,880)
Fire station and buildings	82,980	82,980	94,442	(11,462)
Equipment repair	86,170	86,170	83,615	2,555
Emergency medical services	14,000	14,000	13,263	737
Communications	10,300	10,300	6,573	3,727
Volunteer firefighters' pension contribution	124,908	124,908	125,960	(1,052)
Capital outlay	153,540	153,540	226,453	(72,913)
Debt service:				
Principal	119,934	119,934	139,510	(19,576)
Interest	37,635	37,635	27,217	10,418
Contingency	100,000	100,000	-	100,000
Total expenditures	2,388,080	2,388,080	2,422,390	(34,310)
Change in fund balance	\$ 13,199	\$ 13,199	53,733	\$ 40,534
Fund balance at beginning of year			837,144	
Fund balance at end of year			\$ 890,877	

See accompanying Independent Auditor's Report.

Eaton Fire Protection District
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)
FPPA - Cost-Sharing Defined Benefit Plan
Last Ten Fiscal Years

December 31,	2017	2016	2015	2014
District's proportion of the net pension liability / (asset)	0.13117%	0.11271%	0.10590%	0.08695%
District's proportionate share of the net pension liability / (asset)	\$ 47,397	\$ (1,987)	\$ (119,519)	\$ (115,847)
District's covered payroll	\$ 683,260	\$ 554,862	\$ 479,320	\$ 381,056
District's proportionate share of the net pension liability / (asset) as a percentage of its covered payroll	-6.94%	0.36%	24.94%	30.40%
Plan fiduciary net position as a percentage of the total pension	98.21%	100.10%	106.80%	105.80%

* The amounts presented for each fiscal year were determined as of 12/31 of the prior year.

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See accompanying Independent Auditor's Report

Eaton Fire Protection District
Schedule of District Contributions
FPPA - Cost-Sharing Defined Benefit Plan
Last Ten Fiscal Years

December 31,	2017	2016	2015	2014	2013
Statutorily Required Contribution	\$ 60,398	\$ 54,661	\$ 44,390	\$ 38,099	\$ 30,213
Contributions in Relation to the Statutorily Required Contribution	60,398	54,661	44,390	38,099	30,213
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 754,967	\$ 683,260	\$ 554,862	\$ 479,320	\$ 381,056
Contributions as a Percentage of Covered Payroll	8.00%	8.00%	8.00%	7.95%	7.93%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See accompanying Independent Auditor's Report.

Eaton Fire Protection District
Schedule of Changes in Net Pension Liability/Asset
and Related Ratios - Volunteer Firefighters' Pension Plan
Last Ten Fiscal Years

Measurement Period Ended December 31,	2016	2015	2014
Total pension liability			
Service Cost	\$ 26,151	\$ 26,151	\$ 39,895
Interest on the Total Pension Liability	76,963	79,067	89,369
Benefit Changes	543,010	-	-
Difference Between Expected and Actual Experience	68,173	-	(150,022)
Assumption Changes	65,510	-	-
Benefit Payments	(158,670)	(108,780)	(110,880)
Net Change in Total Pension Liability	621,137	(3,562)	(131,638)
Total Pension Liability - Beginning	1,091,231	1,094,793	1,226,431
Total Pension Liability - Ending	\$ 1,712,368	\$ 1,091,231	\$ 1,094,793
Plan Fiduciary Net Position			
Employer Contributions	\$ 143,421	\$ 103,603	\$ 88,572
Pension Plan Net Investment Income	62,597	21,208	72,595
Benefit Payments	(158,670)	(108,780)	(110,880)
Pension Plan Administrative Expenses	(2,141)	(4,187)	(2,077)
State of Colorado Supplemental Discretionary Payment	23,475	23,475	23,475
Net Change in Plan Fiduciary Net Position	68,682	35,319	71,685
Plan Fiduciary Net Position - Beginning	1,231,102	1,195,783	1,124,098
Plan Fiduciary Net Position - Ending	\$ 1,299,784	\$ 1,231,102	\$ 1,195,783
Net Pension Liability/(Asset) - Ending	\$ 412,584	\$ (139,871)	\$ (100,990)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.91%	112.82%	109.22%
Covered Payroll	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See accompanying Independent Auditor's Report.

**Eaton Fire Protection District
Schedule of District Contributions
Volunteer Firefighters' Pension Plan
Last Ten Fiscal Years**

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$ 90,763	\$ 90,763	\$ -	N/A	N/A
2009	\$ 92,256	\$ 92,256	\$ -	N/A	N/A
2010	\$ 106,133	\$ 106,133	\$ -	N/A	N/A
2011	\$ 89,408	\$ 89,408	\$ -	N/A	N/A
2012	\$ 98,176	\$ 98,176	\$ -	N/A	N/A
2013	\$ 98,176	\$ 109,476	\$ (11,300)	N/A	N/A
2014	\$ 54,140	\$ 112,047	\$ (57,907)	N/A	N/A
2015	\$ 54,140	\$ 127,078	\$ (72,938)	N/A	N/A
2016	\$ 6,618	\$ 166,896	\$ (160,278)	N/A	N/A
2017	\$ 6,618	\$ 125,960	\$ (119,342)	N/A	N/A

See accompanying Independent Auditor's Report.

Notes to Schedule of Contributions:

Actual Contribution includes both employer and State of Colorado Supplemental Discretionary Payment.

Valuation Date:

Actuarially determined contributions rates are calculated as of January 1 of odd number years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2015, determines the contribution amounts for 2016 and 2017.