

HUDSON FIRE PROTECTION DISTRICT
Weld County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2017

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July 30, 2018

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Independent Auditor's Report

Board of Directors
Hudson Fire Protection District
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Hudson Fire Protection District (District) as of and for the year ended December 31, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Hudson Fire Protection District, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VIII, the schedule of proportionate share of net pension (asset) liability – Fire and Police Pension Association – Statewide Defined Benefit Plan on page 29, the schedule of District contributions – Fire and Police Pension Association – Statewide Defined Benefit Plan on page 30, the schedule of changes in the net pension liability and related ratios of the Volunteers' Pension Plan on page 31, the schedule of pension contributions – Volunteers' Pension Plan on page 32, and the schedule of pension investment returns – Volunteers' Pension Plan on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 17, 2018

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2017**

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2017**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 through 28 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information consisting of the schedule of proportionate share of net pension (asset) liability – Fire and Police Pension Association – Statewide Defined Benefit Plan, the schedule of District contributions – Fire and Police Pension Association – Statewide Defined Benefit Plan, the schedule of changes in the net pension liability and related ratios of the Volunteers' Pension Plan, the schedule of pension contributions – Volunteers' Pension Plan, and the schedule of pension investment returns – Volunteers' Pension Plan which can found on pages 29 through 33, respectively, of this report. Also included is supplemental information consisting of the schedule of changes in fiduciary net position – Volunteers' Pension Fund - budget and actual and the General Fund - schedule of expenditures – budget and actual. This supplemental information can be found on pages 35 through 36, respectively, of this report. Additionally other information consisting of the summary of assessed valuation, mill levy and property taxes collected, can be found on page 38 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,067,466 at the close of the most recent fiscal year. Comparative information for the year ended December 31, 2017 and 2016 follows.

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2017**

As noted in the table below, the largest portion of the District's net position, \$4,180,555, reflects its investment in capital assets (e.g. land, buildings, fire trucks and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current assets increased by \$782,392 or 14.0% from 2016. Cash and investments increased by \$214,768 due to positive operating results. Property taxes receivable increased by \$555,573, or 19.9%, due to an increase in the District's assessed valuation of 20.0%. The District reported net pension liabilities of \$446,183, which was a \$37,959 increase from 2016. Total deferred outflows of resources related to pensions increased by \$167,411 and deferred inflows related to pensions decreased by \$6,541. Net pension liabilities and the related deferred inflows and outflows of resources related to pensions fluctuate from year-to-year based on the actuary calculations for pensions and the District's relative proportion of the overall net pension liability. The District's capital asset and long-term liability activity is discussed in the capital asset and debt administration section of this management's discussion and analysis. Total net position increased due to positive operating results. See additional information in the changes in net position discussion below.

NET POSITION

	December 31,	
	2017	2016
ASSETS		
Current assets	\$ 6,385,268	\$ 5,602,876
Noncurrent assets	-	2,153
Capital assets	<u>4,336,723</u>	<u>3,828,103</u>
Total assets	<u>10,721,991</u>	<u>9,433,132</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	458,248	290,837
Total deferred outflows of resources	<u>458,248</u>	<u>290,837</u>
LIABILITIES		
Current liabilities	84,023	53,324
Long-term liabilities	<u>612,866</u>	<u>801,118</u>
Total liabilities	<u>696,889</u>	<u>854,442</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	3,347,429	2,791,856
Deferred inflows related to pensions	<u>68,455</u>	<u>74,996</u>
Total deferred inflows of resources	<u>3,415,884</u>	<u>2,866,852</u>
NET POSITION		
Net investment in capital assets	4,180,555	3,444,698
Restricted for emergencies	102,100	98,100
Unrestricted	<u>2,784,811</u>	<u>2,459,877</u>
Total net position	<u>\$ 7,067,466</u>	<u>\$ 6,002,675</u>

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2017**

As noted in the table below, the District's overall financial position, as measured by net position, increased \$1,064,791, during 2017. Property taxes decreased by \$272,286, or 8.9%, due to a 46.6% decrease in the assessed valuation, which was partially offset by a 2.497 mill levy increase as approved by the District's voters. Fire protection expenses increased by \$215,809 or 11.3% due to higher firefighter wages and benefits in 2017 than 2016. This was due primarily due to filling vacant firefighter positions in 2017 and raises given to existing firefighters. Interest and fiscal charges decreased for 2017 due to the District paying off one of the capital leases earlier than maturity. Long-term liability activity is discussed in more detail in the capital asset and debt administration section below.

CHANGES IN NET POSITION

	Years Ended December 31,	
	2017	2016
REVENUES		
Program revenues:		
Charges for services	\$ 16,400	\$ -
Operating grants and contributions	450	650
Capital grants and contributions	115,819	-
Total program revenue	<u>132,669</u>	<u>650</u>
General revenues:		
Property taxes	2,790,396	3,062,682
Specific ownership taxes	216,809	179,134
Net investment income	37,120	16,179
Other	13,343	10,469
Gain on disposal of capital assets	11,700	-
Total general revenue	<u>3,069,368</u>	<u>3,268,464</u>
EXPENSES		
Fire protection	2,123,011	1,907,202
Interest and fiscal charges	14,235	31,512
Total expenses	<u>2,137,246</u>	<u>1,938,714</u>
CHANGE IN NET POSITION	1,064,791	1,330,400
NET POSITION - BEGINNING OF YEAR	<u>6,002,675</u>	<u>4,672,275</u>
NET POSITION - END OF YEAR	<u><u>\$ 7,067,466</u></u>	<u><u>\$ 6,002,675</u></u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2017**

serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's general fund reported an ending fund balance of \$2,956,990. Of this fund balance, \$102,100 is restricted, meaning it is not available for new spending, because it has been restricted for emergencies under the Taxpayers' Bill Of Rights (TABOR). Additionally, \$760,000 has been assigned by the District's Board of Directors for the future purchase of a fire truck. See further explanation of fund balance categories in Note 2 and Note 9 of the Financial Statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Variances. For the year 2017, the District amended the General Fund budget due to the District entering into a capital lease for firefighting equipment, grant revenues expended on vehicle purchases, other capital outlay not anticipated in the original budget, and for the early payoff off of a capital lease. The budget to actual comparison details can be seen on page 6 of the financial statements, with further detail on the budget to actual comparison for the expenditures in the supplemental information on pages 35 and 36 of the financial statements. District revenues were over the budgeted amount by \$85,233. Actual expenditures were under the 2017 amended budget by \$332,600, as a result of various actual expenditure items being less than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets at December 31, 2017 amounted to \$4,336,723 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and fire trucks and equipment. The analysis of changes in capital assets is as follows:

CAPITAL ASSETS (net of depreciation)			
	2016	Change	2017
Land	\$ 166,265	\$ -	\$ 166,265
Buildings and improvements	2,489,026	56,486	2,545,512
Fire trucks and equipment	1,172,812	452,134	1,624,946
Total	\$ 3,828,103	\$ 508,620	\$ 4,336,723

During 2017, the District replaced the windows on the upper floor of Station #1 for \$21,952, installed a concrete parking lot at Station #3 for \$38,500, installed Plymovent Systems at Stations #1 and #3 for \$38,985 and \$20,816, respectively, purchased a Series 4000 Tender for \$278,507, entered into a capital lease for the purchase of Scott airpaks for \$211,420, and used District funds along with grant revenues to purchase two Chevrolet Tahoes for \$62,846 and \$63,696, respectively, and a Ford F-250 pickup for \$50,752. Also during 2017, the District sold the 1990 GMC Brush Truck, recognizing a gain on disposal of \$11,700.

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

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

**HUDSON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2017**

LONG-TERM OBLIGATIONS

	<u>2016</u>	<u>Change</u>	<u>2017</u>
Capital Leases:			
702 Cedar land and building	\$ 383,405	\$ (383,405)	\$ -
Scott airpicks	-	156,168	156,168
Compensated absences	7,336	3,179	10,515
Total	<u>\$ 390,741</u>	<u>\$ (224,058)</u>	<u>\$ 166,683</u>

During 2017, the District made the paid off the capital lease for 702 Cedar land and building ahead of the scheduled maturity. Additionally, the District entered into a capital lease to purchase Scott airpicks for \$211,420.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2018 fiscal year, the District's assessed valuation increased by \$92,379,830 or 20.0%. As a result, the District levied \$555,573 of property taxes for collection in 2018 than was levied for 2017 collection. Total budgeted revenue is \$3,543,579. The District budgeted \$3,525,643 of expenditures, including \$795,000 for capital outlay. Overall the District budgeted revenue in excess of expenditures \$17,936. Budgeted fund balance is expected to end the year at \$2,967,194. Of this fund balance, \$760,000 has been assigned for the future purchase of a new fire truck.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2017**

ASSETS

Cash deposits	\$ 98,066
Investments	2,908,348
Due from county treasurer	14,725
Accounts receivable	11,700
Deposits	5,000
Property taxes receivable	3,347,429
Capital assets, not being depreciated	166,265
Capital assets, being depreciated, net of accumulated depreciation	<u>4,170,458</u>
Total assets	<u>10,721,991</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension - SWDBP	347,698
Deferred outflows related to pension - VP	110,550
Total deferred outflows of resources	<u>458,248</u>

LIABILITIES

Accounts payable	71,837
Salaries and benefits payable	9,012
Accrued interest payable	3,174
Net pension liability - SWDBP	61,810
Net pension liability - VP	384,373
Capital leases:	
Due within one year	61,020
Due in more than one year	105,663
Total liabilities	<u>696,889</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue	3,347,429
Deferred inflows related to pension - SWDBP	68,455
Total deferred inflows of resources	<u>3,415,884</u>

NET POSITION

Net investment in capital assets	4,180,555
Restricted for:	
Emergencies	102,100
Unrestricted	2,784,811
Total net position	<u>\$ 7,067,466</u>

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

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Fire protection	\$ 2,123,011	\$ 16,400	\$ 450	\$ 115,819	\$ (1,990,342)
Interest and fiscal charges	14,235	-	-	-	(14,235)
	<u>\$ 2,137,246</u>	<u>\$ 16,400</u>	<u>\$ 450</u>	<u>\$ 115,819</u>	<u>(2,004,577)</u>
General revenues:					
Taxes:					
Property taxes					2,790,396
Specific ownership taxes					216,809
Net investment earnings					37,120
Other					13,343
Gain on disposal of capital assets					11,700
Total general revenues					<u>3,069,368</u>
Change in net position					1,064,791
Net position - Beginning of year					6,002,675
Net position - End of year					<u>\$ 7,067,466</u>

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

**HUDSON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
December 31, 2017**

	General Fund
ASSETS	
Cash deposits	\$ 98,066
Investments	2,908,348
Due from county treasurer	14,725
Accounts receivable	11,700
Deposits	5,000
Property taxes receivable	3,347,429
TOTAL ASSETS	\$ 6,385,268
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 71,837
Salaries and benefits payable	9,012
TOTAL LIABILITIES	80,849
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	3,347,429
TOTAL DEFERRED INFLOWS OF RESOURCES	3,347,429
 FUND BALANCE	
Spendable fund balances:	
Restricted for emergencies	102,100
Assigned:	
Future fire truck purchase	760,000
Unassigned	2,094,890
TOTAL FUND BALANCE	2,956,990
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 6,385,268
 Adjustments to reconcile the governmental fund balance sheet to the statement of net position are as follows:	
Fund balance per above	\$ 2,956,990
Capital assets reported in the governmental activities are not financial resources and, therefore are not reported in the governmental fund balance sheet:	
Capital assets, net	4,336,723
Certain amounts related to the District's pension plans reported on the statement of net position are not reported in the fund balance sheet:	
Deferred outflows of resources - SWDBP	347,698
Deferred inflows of resources - SWDBP	(68,455)
Deferred outflows of resources - VP	110,550
Net pension liability - SWDBP	(61,810)
Net pension liability - VP	(384,373)
Long-term liabilities, including leases payable, compensated absences and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the fund balance sheet:	
Capital lease payable	(156,168)
Compensated absences	(10,515)
Accrued interest payable	(3,174)
Net position of governmental activities	\$ 7,067,466

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

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND
Year Ended December 31, 2017**

	General Fund
REVENUES	
Property taxes	\$ 2,790,396
Specific ownership taxes	216,809
Net investment income	37,120
Grant revenue	115,819
Cost recovery	16,400
Donations	450
Other	13,343
Total revenues	3,190,337
EXPENDITURES	
Administration	1,691,375
Training	50,238
Equipment repair and maintenance	5,309
Vehicles	58,523
New equipment	69,225
Station maintenance	55,301
Capital outlay	784,474
Debt service	460,385
Contribution to Volunteers' Pension Fund	50,000
Total expenditures	3,224,830
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(34,493)
OTHER FINANCING SOURCES (USES)	
Capital lease proceeds	211,420
Sale of capital assets	11,700
Total other financing sources (uses)	223,120
NET CHANGE IN FUND BALANCE	188,627
FUND BALANCE - BEGINNING OF YEAR	2,768,363
FUND BALANCE - END OF YEAR	\$ 2,956,990

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

**HUDSON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

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

Net change in fund balance - General Fund	<u>\$ 188,627</u>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay - capitalized	784,474
Depreciation	<u>(275,854)</u>
	<u>508,620</u>
Revenues and expenses in the statement of activities that do not provide or use current financial resources are not reported as revenues or expenditures in the funds:	
Proceeds from sale of capital assets	(11,700)
Gain on sale of capital assets	<u>11,700</u>
	<u>-</u>
Some expenses reported in the governmental fund statements were made subsequent to the measurement date for the net pension asset calculation and will therefore be reported as expenses in 2017.	
Deferred outflows of resources:	
District contributions subsequent to measurement date - SWDBP	83,449
District contributions subsequent to measurement date - VPP	<u>50,000</u>
	<u>133,449</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Increase in compensated absences payable	(3,179)
Pension expense - SWDBP	(24,010)
Pension income - VPP	<u>26,554</u>
	<u>(635)</u>
Some expenses as reported in the statement of activities do not require the use of current financial resources and, therefore, the change from year to year is not reported as an expenditure in the governmental fund:	
Change in accrued interest payable	<u>7,493</u>
	<u>7,493</u>
The capital lease issuance provides current financial resources to governmental funds, while the repayment of principal of capital leases consumes current financial resources of governmental funds. Premiums and discounts related to the issuance of capital leases consumes current financial resources, while these items are capitalized and amortized in the statement of net position and activities. These transactions, however, have no affect on net position:	
Capital lease proceeds	(211,420)
Principal payments on capital leases	435,898
Amortization of capital lease premium	<u>2,759</u>
	<u>227,237</u>
Change in net position	<u>\$ 1,064,791</u>

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

HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended December 31, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 2,791,856	\$ 2,791,856	\$ 2,790,396	\$ (1,460)
Specific ownership taxes	195,429	195,429	216,809	21,380
Net investment income	2,000	2,000	37,120	35,120
Grant revenue	-	115,819	115,819	-
Cost recovery	-	-	16,400	16,400
Other	-	-	450	450
Donations	-	-	13,343	13,343
Total revenues	<u>2,989,285</u>	<u>3,105,104</u>	<u>3,190,337</u>	<u>85,233</u>
EXPENDITURES				
Administration	1,870,871	1,870,871	1,691,375	179,496
Training	69,500	69,500	50,238	19,262
Equipment repair and maintenance	17,600	17,600	5,309	12,291
Vehicles	84,100	84,100	58,523	25,577
New equipment	122,000	122,000	69,225	52,775
Station maintenance	88,500	88,500	55,301	33,199
Capital outlay	505,000	784,474	784,474	-
Debt service	75,715	460,385	460,385	-
Contribution to Volunteers' Pension Plan	60,000	60,000	50,000	10,000
Total expenditures	<u>2,893,286</u>	<u>3,557,430</u>	<u>3,224,830</u>	<u>332,600</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>95,999</u>	<u>(452,326)</u>	<u>(34,493)</u>	<u>417,833</u>
OTHER FINANCING SOURCES				
Capital lease proceeds	-	211,420	211,420	-
Sale of capital assets	-	11,700	11,700	-
Total other financing sources	<u>-</u>	<u>223,120</u>	<u>223,120</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	95,999	(229,206)	188,627	417,833
FUND BALANCE - BEGINNING OF YEAR	<u>2,768,227</u>	<u>2,768,363</u>	<u>2,768,363</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,864,226</u></u>	<u><u>\$ 2,539,157</u></u>	<u><u>\$ 2,956,990</u></u>	<u><u>\$ 417,833</u></u>

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

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
VOLUNTEERS' PENSION FUND
December 31, 2017**

ASSETS	
Cash deposits	\$ 33,853
Investments	914,087
Contributions receivable	<u>13,550</u>
TOTAL ASSETS	<u>961,490</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 961,490</u></u>

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

**HUDSON FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
VOLUNTEERS' PENSION FUND
Year Ended December 31, 2017**

ADDITIONS

Contributions:	
District contribution	\$ 50,000
State participation contribution	13,550
Total contributions	63,550
Investment income:	
Investment income	95,048
Less investment expense	(9,826)
Net investment income	85,222
Total additions	148,772

DEDUCTIONS

Benefit payments	82,128
Administrative expenses:	
Insurance	200
Directors' fees	150
Payroll taxes	12
Actuary study	4,500
Total deductions	86,990

NET INCREASE IN NET POSITION	61,782
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	899,708
NET POSITION RESTRICTED FOR PENSIONS - ENDING	\$ 961,490

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

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 – DEFINITION OF REPORTING ENTITY

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

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

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

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund type:

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

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

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

Budgets

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

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

For the year ended December 31, 2017 the District amended the General Fund budget, increasing the appropriated expenditures from \$2,893,286 to \$3,557,430.

Property Taxes

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

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

The four largest corporate property tax payers in the District, each representing more than 5% of the District's total assessed valuation, had a combined assessed valuation of approximately 78% of the total assessed valuation within the District.

Capital Assets

Capital assets, which include land, buildings, fire trucks and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings and improvements	15-50	years
Fire trucks	10	years
Other equipment and vehicles	5-10	years

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and fund balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Property tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. The District has also recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68 and GASB 71.

Fund Balances – Governmental Fund

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

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

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

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

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

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

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

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Estimates

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

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Governmental Activities and Governmental Fund Cash and Investments

Cash and investments as of December 31, 2017 consist of the following:

Cash deposits	\$ 98,066
Investments	<u>2,908,348</u>
Total cash and investments (Governmental Activities and Fund)	<u><u>\$ 3,006,414</u></u>

Cash Deposits

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

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

At December 31, 2017, the District's cash deposits had a bank balance of \$104,699 and a carrying balance of \$98,066.

Investments

Credit Risk

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

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

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

Interest Rate Risk

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

Concentration of Credit Risk

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

As of December 31, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 2,908,348</u>

COLOTRUST

At December 31, 2017, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

The District's investments are not categorized within the fair value hierarchy. The District's investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

Volunteers' Pension Plan Cash and Investments

Cash and investments as of December 31, 2017 consist of the following:

Cash deposits	\$ 33,853
Investments	914,087
Total cash and investments (Pension Fund)	<u>\$ 947,940</u>

Investments

Credit Risk

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

Interest Rate Risk

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

As of December 31, 2017, the Volunteers' Pension Plan held the following investments:

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

	<u>Standard & Poor's Rating</u>	<u>Carrying Value No stated maturity</u>
Exchange-Traded Funds	Not rated	<u>\$ 883,125</u>

Investment Valuation

The Volunteers' Pension Plan investments are not categorized within the fair value hierarchy. The Volunteers' Pension Plan invests in numerous Exchange-Traded Funds which are valued using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 166,265	\$ -	\$ -	\$ 166,265
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>166,265</u>	<u>-</u>	<u>-</u>	<u>166,265</u>
Capital assets, being depreciated:				
Buildings and improvements	2,782,686	117,253	-	2,899,939
Fire trucks and equipment	2,385,958	667,221	(7,500)	3,045,679
Total capital assets, being depreciated	<u>5,168,644</u>	<u>784,474</u>	<u>(7,500)</u>	<u>5,945,618</u>
Less accumulated depreciation for:				
Buildings and improvements	(293,660)	(60,767)	-	(354,427)
Fire trucks and equipment	(1,213,146)	(215,087)	7,500	(1,420,733)
Total accumulated depreciation	<u>(1,506,806)</u>	<u>(275,854)</u>	<u>7,500</u>	<u>(1,775,160)</u>
Total capital assets, being depreciated, net	<u>3,661,838</u>	<u>508,620</u>	<u>-</u>	<u>4,170,458</u>
Government capital assets, net	<u>\$ 3,828,103</u>	<u>\$ 508,620</u>	<u>\$ -</u>	<u>\$ 4,336,723</u>

Depreciation of \$275,854 was charged to the fire protection – operations function in the statement of activities.

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
Capital leases:					
Land and building - 702 Cedar	\$ 380,646	\$ -	\$ (380,646)	\$ -	\$ -
Lease premium - land and building 702 Cedar	2,759	-	(2,759)	-	-
Scott airpacs	-	211,420	(55,252)	156,168	50,505
Compensated absences	7,336	46,246	(43,067)	10,515	10,515
	<u>\$ 390,741</u>	<u>\$ 257,666</u>	<u>\$ (481,724)</u>	<u>\$ 166,683</u>	<u>\$ 61,020</u>

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

Capital Lease – 702 Cedar Land and Building

On June 21, 2010, the District entered into a capital lease obligation for \$682,063 to refund two prior capital leases and provide funding for the construction of a new fire station/administration building. Proceeds were used to refund certain capital leases and assist in funding building construction costs. The lease payments were due on an annual basis through 2022 with an annual principal and interest payment of \$75,715, including imputed interest at a rate of 5.30%. During 2017, the District exercised the option to prepay and terminate the lease prior to the stated maturing of June 21, 2022. During 2017 the interest recognized by the District on the lease was \$24,487, including the early termination fee of \$1,346.

Capital Lease – Scott Airpacs

Effective May 1, 2017, the District entered into a master equipment lease purchase agreement, which qualified as a capital lease obligation, for \$211,420 to fund the purchase of Scott airpacs. The District Scott airpacs \$211,420. The Scott airpacs are listed as security for the master equipment lease purchase agreement. At December 31, 2017, the accumulated depreciation on the Scott airpacs was \$14,095. The lease requires annual payments of \$55,252, including interest at 3.04%, on May 1, through May 1, 2020. In April 2018, the District paid off the outstanding balance of the capital lease.

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

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

2018	\$ 55,252
2019	55,252
2020	55,253
Total minimum lease payments	165,757
Amount representing interest	(9,589)
Present value of minimum lease payments	<u>\$ 156,168</u>

At December 31, 2017, the District had no authorized but unissued debt.

NOTE 6 – FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

Statewide Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

Benefits provided. FPPA provides retirement and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement.

The following types of retirement are available under the SWDBP:

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement benefit adjustments (formerly referred to as COLAs). Benefit adjustments are not guaranteed and are determined annually by the FPPA Board of Directors based on the most recent actuarial study. The amount of the benefit adjustment can be 0% to 3%, or the greater of the Consumer Price Index (CPI) per year. Benefit adjustments may begin

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

Contributions. Eligible employees and the District are required to contribute to the SWDBP at a rate set by Colorado statute. Employer contribution rates can only be amended by state statute and are 8% of the employee's base salary. Member contribution rates can be amended by statute or by election of the membership. In 2017, eligible employees were required to contribute 9% of their FPPA base salary, and as a result of the 2014 Member Contributions Election, the plan member contribution rate will increase by 0.5% of covered salary each year through 2022. Contributions to the SWDBP from the District were \$83,449 for the year ended December 31, 2017.

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

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

At December 31, 2017, the District reported net pension liability of \$61,810 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 January 1, 2017. The District's proportion of the net pension liability was based on District contributions to the SWDBP for the calendar year 2016 relative to the total contributions of participating employers to the SWDBP.

At December 31, 2016, the District's proportion was 0.1710590 percent, which was an increase of 0.0489321 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of \$24,010. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 55,189	\$ 3,144
Changes of assumptions or other inputs	42,221	
Net difference between projected and actual earnings on pension plan investments	166,839	-
Change in proportion and differences between contributions recognized and proportionate share of contributions	-	65,311
Contributions subsequent to the measurement date	83,449	-
Total	<u>\$ 347,698</u>	<u>\$ 68,455</u>

The \$83,449 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ending December 31, 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 Ending December 31

2018	\$ 55,681
2019	55,681
2020	51,876
2021	16,361
2022	3,190
2023	3,190
2024	3,190
2025	3,697
2026	2,928
	<u>\$ 195,794</u>

Actuarial assumptions. The total pension asset in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-term Investment Rate of Return *	7.5%
Projected Salary Increases	4.0%-14.0%
Cost of Living Adjustments (COLA)	0.0%
* Includes Inflation at	2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
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%	0.00% *
Total	<u>100%</u>	

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

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

Sensitivity of the District's proportionate share of the net pension asset (liability) to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	6.50%	7.50%	8.50%
Proportionate share of the net pension (asset) liability - SWDBP	<u>\$ 525,905</u>	<u>\$ 61,810</u>	<u>\$ (323,644)</u>

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

NOTE 7 – STATEWIDE DEATH AND DISABILITY PLAN

Plan Description – The District contributes to the Statewide Death and Disability Plan (SWD&DP), a cost-sharing multiple-employer death and disability plan administered by FPPA. The SWD&DP covers full-time employees of substantially all fire and police departments in Colorado. As of August 1, 2003, the SWD&DP may include part-time police and fire employees. Contributions to the SWD&DP are used solely for the payment of death and disability benefits. Employers who are covered by Social Security may elect supplementary coverage by the Plan. The Plan was established in 1098 pursuant to Colorado Revised Statutes. FPPA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the SWD&DP. That report can be obtained at www.fppaco.org.

Funding Policy – The District and/or employee is required to contribute at a rate of 2.7% of base salary for all members as set by statute. All contributions are made by members or on behalf of members. The 2.7% contribution may be paid entirely by the employer or the member, or it may be split between the employer and the member. Currently, the District is making the full 2.7% contribution on behalf of the members. For the years ending December 31, 2017, 2016, and 2015, the District’s contributions to the SWD&DP were \$28,195, \$22,763 and \$15,047, respectively, equal to their required contributions for each year.

NOTE 8 – VOLUNTEERS’ PENSION PLAN

Plan Description

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

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

**HUDSON FIRE PROTECTION DISTRICT
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Plan membership: As of December 31, 2017, there are 17 retired volunteers receiving benefits and 2 surviving spouses receiving benefits, 2 inactive volunteers who are vested, 2 active volunteers who are vested and 1 active volunteer who is not vested in the VPP. On May 19, 2015 the District Board of Directors adopted a resolution which closed the Volunteer Pension Fund to new members.

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

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

Investments

Investment policy: The VPP's investment policies are in accordance with C.R.S. 31-30-1113. The VPP's investments are administered by a bank trustee. State statutes allow the trustee to invest the fund in accordance with Article 1.1 of Title 15 of the C.R.S.

Concentrations: As of December 31, 2017, the District had invested more than five percent (5%) of the VPP's net position in the following investments:

IShares TR S&P 500 Growth ETF	\$ 78,218
IShares TR S&P 500 Value ETF	\$ 80,082
IShares TR Cores US Aggregate Bond ETF	\$141,582
IShares TR Barclay Intermediate Credit Bond ETF	\$ 76,229
PIMCO ETF TR Active Bond ETF	\$ 94,234

Rate of return: For the year ended December 31, 2017, the annual money-weighted rate of return on VPP investments, net of VPP investment expense, was a positive 6.670 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the District at December 31, 2017, were as follows:

Total pension liability	\$ 1,284,081
Plan fiduciary net position	(899,708)
District's net pension liability	<u>\$ 384,373</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70.07%</u>

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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

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

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

Single Discount rate: The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 5.00%; the municipal bond rate is 3.78%; and the resulting Single Discount Rate is 5.00%.

Changes in the Net Pension Liability

Changes in the District's net pension liability for the year ended December 31, 2017 were as follows:

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at 12/31/2016	\$ 1,301,087	\$ 890,710	\$ 410,377
Changes for the year:			
Service cost	5,868	-	5,868
Interest on the total pension liability	63,053	-	63,053
Changes in assumptions or other inputs	-	-	-
Benefit payments	(85,927)	(85,927)	-
District contributions	-	60,000	(60,000)
State of Colorado contributions	-	13,550	(13,550)
Pension plan net investment income	-	27,450	(27,450)
Administrative expense	-	(6,075)	6,075
Net Changes	<u>(17,006)</u>	<u>8,998</u>	<u>(26,004)</u>
Balances at 12/31/2017	<u>\$ 1,284,081</u>	<u>\$ 899,708</u>	<u>\$ 384,373</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the District, calculated using the discount rate of 5.0 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current rate:

	4.00%	5.00%	6.00%
District's net pension liability - VPP	<u>\$ 542,996</u>	<u>\$ 384,373</u>	<u>\$ 254,484</u>

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

For the year ended December 31, 2017, the District recognized pension income of \$26,554.

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
Net difference between projected and actual earnings on pension plan investments	\$ 60,550
Contributions subsequent to the measurement date	50,000
Total	<u>\$ 110,550</u>

The \$50,000 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ending December 31, 2018.

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

<u>Year Ending December 31</u>	
2018	\$ 19,076
2019	19,076
2020	19,074
2020	3,324
	<u>\$ 60,550</u>

NOTE 9 - FUND EQUITY

At December 31, 2017, the District reported the following classifications of fund equity.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$102,100 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$760,000 is comprised of amounts assigned by the Board of Directors by a resolution to be used for the future purchase of fire truck.

NOTE 10 - NET POSITION

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

The net investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017, the net investment in capital assets was \$4,180,555.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$102,100 as of December 31, 2017 as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 12).

NOTE 11 - RISK MANAGEMENT

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

**HUDSON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

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

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

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

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

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

REQUIRED SUPPLEMENTAL INFORMATION

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.1710590%	0.1221269%	0.0566922%	0.0486309%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 61,810	\$ (2,153)	\$ (63,981)	\$ (43,485)
District's Covered Employee Payroll	\$ 875,459	\$ 592,036	\$ 254,941	\$ 211,224
Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	7.1%	0.4%	25.1%	20.6%
Calculation of Collective Net Pension Liability (Asset):				
Total Pension Liability	\$ 2,021,526,883	\$ 1,846,961,999	\$ 1,652,901,084	\$ 1,533,631,141
Plan Fiduciary Net Position	(1,985,393,043)	(1,848,724,853)	(1,765,758,630)	(1,623,049,809)
Net Pension Liability (Asset)	<u>\$ 36,133,840</u>	<u>\$ (1,762,854)</u>	<u>\$ (112,857,546)</u>	<u>\$ (89,418,668)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	-98.2%	-100.1%	-106.8%	-105.8%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 83,449	\$ 70,036	\$ 47,363	\$ 20,396	\$ 16,898
Contributions in Relation to the Contractually Required Contribution	(83,449)	(70,036)	(47,363)	(20,396)	(16,898)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,044,245	\$ 875,459	\$ 592,036	\$ 254,941	\$ 211,224
Contributions as a Percentage of Covered Employee Payroll	8.0%	8.0%	8.0%	8.0%	8.0%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 5,868	\$ 5,868	\$ 21,531
Interest	63,053	68,917	67,465
Differences between expected and actual experience	-	(107,138)	20,411
Changes of assumptions	-	-	-
Benefit payments	(85,927)	(83,932)	(82,650)
Net change in total pension liability	<u>(17,006)</u>	<u>(116,285)</u>	<u>26,757</u>
Total pension liability - beginning	<u>1,301,087</u>	<u>1,417,372</u>	<u>1,390,615</u>
Total pension liability - ending (a)	<u><u>\$ 1,284,081</u></u>	<u><u>\$ 1,301,087</u></u>	<u><u>\$ 1,417,372</u></u>
Plan fiduciary net position			
District contribution	\$ 60,000	\$ 60,000	\$ 40,000
State participation contribution	13,550	13,550	13,550
Net investment income	27,450	(32,278)	17,554
Benefit payments	(85,927)	(83,932)	(82,650)
Administrative expenses	(6,075)	(2,634)	-
Net change in plan fiduciary net position	<u>8,998</u>	<u>(45,294)</u>	<u>(11,546)</u>
Plan fiduciary net position - beginning	<u>890,710</u>	<u>936,004</u>	<u>947,550</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 899,708</u></u>	<u><u>\$ 890,710</u></u>	<u><u>\$ 936,004</u></u>
District's net pension liability - ending (a) - (b)	<u><u>\$ 384,373</u></u>	<u><u>\$ 410,377</u></u>	<u><u>\$ 481,368</u></u>
Plant fiduciary net position as a percentage of the total pension liability	<u>70.07%</u>	<u>68.46%</u>	<u>66.04%</u>
Covered payroll	N/A	N/A	N/A
District's net pension liability as a percentage of covered payroll	N/A	N/A	N/A

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 38,014	\$ 38,014	\$ 53,418	\$ 53,418	\$ 29,265	\$ 29,265	\$ 40,537	\$ 40,537	\$ 23,833	\$ 23,833
Contributions in relation to the actuarially determined contribution:										
District contributions	60,000	60,000	60,000	40,000	40,000	40,000	40,000	40,000	40,000	35,000
State of Colorado contributions	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550
Total combined contributions	<u>73,550</u>	<u>73,550</u>	<u>73,550</u>	<u>53,550</u>	<u>53,550</u>	<u>53,550</u>	<u>53,550</u>	<u>53,550</u>	<u>53,550</u>	<u>48,550</u>
Contribution deficiency (excess)	<u>\$ (35,536)</u>	<u>\$ (35,536)</u>	<u>\$ (20,132)</u>	<u>\$ (132)</u>	<u>\$ (24,285)</u>	<u>\$ (24,285)</u>	<u>\$ (13,013)</u>	<u>\$ (13,013)</u>	<u>\$ (29,717)</u>	<u>\$ (24,717)</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percent of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: January 1, 2016

Actuarially determined contribution rates are calculated as of January 1

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization method	20 years
Asset valuation method	Market value
Inflation	Implicit
Investment rate of return	5.0%, net of fees and expenses
Salary increases	Not applicable
Cost-of-living adjustments	0.0%
Retirement age	50% rate assumed until age 6 at which 100% retirement is assumed
Mortality	The Pre-Retirement mortality rates are based on the RP-2000 Combined Healthy Generational Mortality Table with Blue Collar Adjustment, projected with Scale AA, with 40% multiplier for off-duty mortality. The Post-Retirement Healthy Retirees and Beneficiaries, mortality rates are based on the RP-2000 Combined Mortality Rate Table with Blue Collar Adjustment, projected with a Scale AA. For Post-Retirement Disabled Retirees, mortality rates are based on the PR-2000 Disabled Mortality, projected with Scale AA.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	6.670%	1.254%	-5.743%	1.508%

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

SUPPLEMENTAL INFORMATION

HUDSON FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -
VOLUNTEERS' PENSION FUND -
BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
ADDITIONS			
General fund contribution	\$ 40,000	\$ 50,000	\$ 10,000
State participation contribution	13,550	13,550	-
Investment income	25,000	95,048	70,048
Total additions	<u>78,550</u>	<u>158,598</u>	<u>80,048</u>
DEDUCTIONS			
Benefit payments	87,500	82,128	5,372
Insurance	250	200	50
Investment expense	25,000	9,826	15,174
Directors' fees	600	150	450
Payroll taxes	50	12	38
Administrative	100	-	100
Actuary study	-	4,500	(4,500)
Contingency	5,000	-	5,000
Total deductions	<u>118,500</u>	<u>96,816</u>	<u>21,684</u>
NET INCREASE (DECREASE) IN NET POSITION	(39,950)	61,782	101,732
NET POSITION - BEGINNING	<u>881,728</u>	<u>899,708</u>	<u>17,980</u>
NET POSITION - ENDING	<u><u>\$ 841,778</u></u>	<u><u>\$ 961,490</u></u>	<u><u>\$ 119,712</u></u>

HUDSON FIRE PROTECTION DISTRICT
GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
EXPENDITURES				
Administration				
Salaries and wages:				
District Administrator	\$ 72,079	\$ 72,079	\$ 77,845	\$ (5,766)
Fire Chief salary	94,000	94,000	94,000	-
Firefighter/Training Officer	66,000	66,000	63,667	2,333
Firefighters	936,000	936,000	913,566	22,434
Backfill time	100,000	100,000	69,181	30,819
Directors' fees	8,000	8,000	4,575	3,425
Stipends	20,000	20,000	5,846	14,154
Benefits :				
Payroll taxes	22,392	22,392	23,018	(626)
Unemployment taxes	3,648	3,648	3,638	10
FPPA match	91,520	91,520	83,449	8,071
Workers compensation insurance	45,000	45,000	33,056	11,944
Employee health insurance	151,800	151,800	131,520	20,280
Group life insurance	3,000	3,000	-	3,000
FPPA - death and disability	30,888	30,888	28,164	2,724
Payroll expense - direct deposit	2,000	2,000	1,160	840
Employee benefits	5,766	5,766	-	5,766
Property insurance	40,000	40,000	31,988	8,012
Office supplies:				
General	7,200	7,200	4,599	2,601
Postage	1,000	1,000	627	373
Printing and publishing	500	500	285	215
Bank fees	100	100	55	45
Professional services	50,000	50,000	19,756	30,244
District travel (mileage)	1,000	1,000	1,703	(703)
Public relations	2,000	2,000	135	1,865
County Treasurer's fees	41,878	41,878	41,873	5
Membership expenses	15,000	15,000	14,069	931
Firefighter benefits	8,000	8,000	7,839	161
Dispatch fees	5,400	5,400	5,356	44
Subscriptions/dues	15,000	15,000	8,033	6,967
Public education	4,000	4,000	3,255	745
Provisions District	7,700	7,700	3,123	4,577
Computer maintenance and supplies	20,000	20,000	15,994	4,006
Total administration	<u>1,870,871</u>	<u>1,870,871</u>	<u>1,691,375</u>	<u>179,496</u>
Training				
Training aids	6,500	6,500	8,493	(1,993)
Education	50,000	50,000	34,674	15,326
Travel - education	8,000	8,000	5,683	2,317
Provisions - education	5,000	5,000	1,388	3,612
Total training	<u>69,500</u>	<u>69,500</u>	<u>50,238</u>	<u>19,262</u>
(continued)				

HUDSON FIRE PROTECTION DISTRICT
GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended December 31, 2017
(continued)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Equipment repair and maintenance				
Medical equipment maintenance:				
Repair	500	500	-	500
Annual testing	1,100	1,100	-	1,100
Fire equipment maintenance:				
Equipment repair	4,000	4,000	769	3,231
PPE repair or replacement	1,000	1,000	2,027	(1,027)
Annual fire equipment testing	10,000	10,000	2,513	7,487
Radio repair and testing	1,000	1,000	-	1,000
Total equipment repair and maintenance	<u>17,600</u>	<u>17,600</u>	<u>5,309</u>	<u>12,291</u>
Vehicles				
Fuel and oil	24,000	24,000	18,711	5,289
Vehicle repairs	60,000	60,000	39,779	20,221
Vehicle licensing	100	100	33	67
Total vehicles	<u>84,100</u>	<u>84,100</u>	<u>58,523</u>	<u>25,577</u>
New equipment				
Firefighting supplies:				
Firefighting equipment	10,000	10,000	13,800	(3,800)
PPE	40,000	40,000	18,944	21,056
Firefighting supplies - disposable	4,000	4,000	1,351	2,649
Medical supplies:				
Medical equipment	10,000	10,000	3,670	6,330
Medical supplies - disposable	-	-	756	(756)
Radios	40,000	40,000	22,768	17,232
Uniforms	18,000	18,000	7,936	10,064
Total new equipment	<u>122,000</u>	<u>122,000</u>	<u>69,225</u>	<u>52,775</u>
Station maintenance				
Station maintenance	20,000	20,000	13,913	6,087
Satellite/internet	5,000	5,000	3,751	1,249
Heating/electric	35,000	35,000	20,977	14,023
Telephone	18,000	18,000	11,429	6,571
Trash service	2,000	2,000	1,243	757
Water and sewer	5,000	5,000	3,988	1,012
Security	3,500	3,500	-	3,500
Total station maintenance	<u>88,500</u>	<u>88,500</u>	<u>55,301</u>	<u>33,199</u>
Capital outlay				
Buildings improvements	60,000	117,253	117,253	-
Major equipment	440,000	667,221	667,221	-
Furniture and fixtures	5,000	-	-	-
Total capital outlay	<u>505,000</u>	<u>784,474</u>	<u>784,474</u>	<u>-</u>
Capital leases				
Principal - Station 1	55,541	380,646	380,646	-
Interest - Station 1	20,174	24,487	24,487	-
Principal - Scott airparks	-	55,252	55,252	-
Total capital lease	<u>75,715</u>	<u>460,385</u>	<u>460,385</u>	<u>-</u>
Contribution to Volunteers' Pension Plan	60,000	60,000	50,000	10,000
TOTAL EXPENDITURES	<u>\$ 2,893,286</u>	<u>\$ 3,557,430</u>	<u>\$ 3,224,830</u>	<u>\$ 332,600</u>

OTHER INFORMATION

**HUDSON FIRE PROTECTION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2017**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected Currently</u>	
2006	\$ 184,342,050	3.550	\$ 654,414	\$ 652,581	99.72%
2007	\$ 182,114,570	3.536	\$ 644,139	\$ 643,919	99.97%
2008	\$ 177,315,360	3.536	\$ 626,987	\$ 601,836	95.99%
2009	\$ 169,744,180	3.697	\$ 627,544	\$ 626,298	99.80%
2010	\$ 206,371,540	3.537	\$ 729,936	\$ 726,324	99.51%
2011	\$ 212,536,950	3.552	\$ 754,931	\$ 752,553	99.68%
2012	\$ 220,369,670	3.555	\$ 783,414	\$ 783,544	100.02%
2013	\$ 263,453,960	3.536	\$ 931,573	\$ 931,564	100.00%
2014	\$ 346,029,967	3.536	\$ 1,223,561	\$ 1,212,180	99.07%
2015	\$ 776,803,020	3.550	\$ 2,757,650	\$ 2,754,862	99.90%
2016	\$ 864,328,680	3.547	\$ 3,065,773	\$ 3,062,682	99.90%
2017	\$ 461,921,990	6.044	\$ 2,791,856	\$ 2,790,396	99.95%
Estimated for the year ending December 31, 2018	\$ 554,301,820	6.039	\$ 3,347,429		

NOTE:

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