



POUDRE CANYON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2017



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Independent Auditors' Report

Board of Directors
Poudre Canyon Fire Protection District
La Porte, Colorado

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Poudre Canyon Fire Protection District as of December 31, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's 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; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 evaluation 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Poudre Canyon Fire Protection District as of December 31, 2017, and the changes in its financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Matter

Accounting principles generally accepted in the United States require that management discussion and analysis and supplementary pension plan information 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, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

May 2, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the Poudre Canyon Fire Protection District (PCFPD) for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- * PCFPD's assets exceeded liabilities by \$1,340,068 at December 31, 2017.
- * The General Fund balance was \$390,166 as of December 31, 2017. Of this amount, \$6,569 is reserved for emergencies.
- * The December 31, 2017 General Fund balance is \$35,200 more than the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

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. PCFPD, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. PCFPD has one governmental fund, a General Fund.

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

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

The basic governmental fund financial statements can be found on pages 7 and 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 10 through 21 of this report.

Budgetary Comparisons. PCFPD adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund on page 9 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, assets exceeded liabilities by \$1,340,068.

The following table provides a summary of the District's net position:

December 31	2017	2016
Assets and Deferred Outflows:		
Current and other assets	\$ 585,036	\$ 538,918
Capital assets	1,765,807	1,835,974
Net pension asset	25,486	21,760
Deferred outflows - pension plan	12,696	9,828
Total Assets and Deferred Outflows	2,389,025	2,406,480
Liabilities and Deferred Inflows:		
Long-term liabilities	804,960	847,738
Deferred inflows - property taxes	194,870	183,952
Deferred inflows - pension plan	49,127	63,461
Total Liabilities and Deferred Inflows	1,048,957	1,095,151
Net Position:		
Net investment in capital assets	960,846	988,236
Restricted	6,569	6,853
Unrestricted	372,652	316,240
Total Net Position	\$ 1,340,068	\$ 1,311,329

A portion of PCFPD's net position represents unrestricted net assets of \$372,652 which may be used to meet the District's ongoing obligations to patrons.

A significant portion of the District's net position reflects its investment in capital assets. These assets include land, buildings, equipment, and vehicles. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$6,569 of the District's net position represents resources that are subject to external restriction on how they may be used. Included in this category is the TABOR emergency reserve of \$6,569.

The following table indicates the changes in net position:

	2017	2016
Revenues:		
Program revenues:		
Capital grants	\$ --	\$ --
General revenues:		
Property and S.O. taxes	199,860	197,626
Donations	9,301	15,918
Other revenue	9,212	14,233
Investment earnings	594	656
Total Revenues	218,967	228,433
Expenses:		
Program services	81,485	83,038
Depreciation	70,167	82,808
Interest	38,576	40,380
Total Expenses	190,228	206,226
Increase in Net Position	\$ 28,739	\$ 22,207

Governmental Activities. Governmental activities increased PCFPD's net position by \$28,739 in 2017. Key elements of this increase are as follows:

- * Total revenues were \$218,967 in 2017 as compared to \$228,433 in 2016. This is primarily because of a decrease in donations received.
- * Expenses totaled \$190,228 in 2017 and were \$206,226 in 2016, a 8% decrease due to less interest and depreciation expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes.

Year Ended December 31, 2017	Final Budget	Actual
Beginning Fund Balance	\$ 354,996	\$ 354,996
Revenue	208,852	218,967
Expenditures	(190,895)	(183,767)
Ending Fund Balance	\$ 372,953	\$ 390,196

CAPITAL ASSET ADMINISTRATION

Capital Assets. PCFPD's investment in capital assets for its governmental type activities as of December 31, 2017, totals \$1,765,807 (net of accumulated depreciation). This investment includes all land, buildings, equipment, and vehicles.

The primary capital activity for the 2017 year was depreciation expense.

The District elects the straight-line depreciation method for its capital assets, except for land which is not depreciated. Additional information on the District's capital assets can be found in Note 3 of this report.

DEBT ADMINISTRATION

Long-term Debt. At December 31, 2017, the District had \$804,960 for a capital lease, funded from General Fund taxes. This lease was entered into on April 8, 2010 for the purpose of constructing two fire station/community center buildings.

Additional information on the District's debt can be found in Note 6.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of PCFPD's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, P.O. Box 364, La Porte, Colorado 80535.

POUDRE CANYON FIRE PROTECTION DISTRICT

COMBINED BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2017	General Fund	Adjustments	Statement of Net Position
<u>ASSETS</u>			
Cash	\$ 388,171	\$ -	\$ 388,171
Property Taxes Receivable	194,870	-	194,870
Prepaid items	1,995	-	1,995
Capital Assets:			
Land and improvements	-	54,566	54,566
Buildings and improvements	-	1,710,327	1,710,327
Equipment and vehicles	-	815,280	815,280
Accumulated depreciation	-	(814,366)	(814,366)
Net Pension Asset	-	25,486	25,486
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Plan	-	12,696	12,696
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 585,036</u>	1,803,989	2,389,025
<u>LIABILITIES</u>			
Capital Lease	-	804,960	804,960
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Property Taxes	194,870	-	194,870
Pension Plan	-	49,127	49,127
Total Deferred Inflows of Resources	194,870	49,127	243,997
<u>FUND BALANCE/NET POSITION</u>			
Fund Balances:			
Reserved for TABOR emergencies	6,569	(6,569)	-
Unassigned	383,597	(383,597)	-
Total Fund Balance	390,166	(390,166)	-
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 585,036</u>		
Net Position:			
Net Investment in capital assets		960,847	960,847
Restricted for emergencies		6,569	6,569
Unrestricted		372,652	372,652
		<u>\$ 1,340,068</u>	<u>\$ 1,340,068</u>

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

STATEMENT OF GENERAL FUND REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

Year Ended December 31, 2017	General Fund	Adjustments	Statement of Activities
Revenue:			
General property taxes	\$ 182,832	\$ -	\$ 182,832
Specific ownership taxes	17,028	-	17,028
Interest earnings	594	-	594
Grants and contributions	18,513	-	18,513
Total Revenue	218,967	-	218,967
Expenditures:			
Current Operating:			
Administration	68,975	(20,928)	48,047
Fire fighting and emergency response	33,438	-	33,438
Capital outlay	-	-	-
Debt service	81,354	(42,778)	38,576
Depreciation	-	70,167	70,167
Total Expenditures	183,767	6,461	190,228
Revenue Over (Under) Expenditures	35,200	(6,461)	28,739
Fund Balance/Net Position, Beginning of Year	\$ 354,966	\$ 956,363	1,311,329
Fund Balance/Net Position, End of Year	\$ 390,166	\$ 949,902	\$ 1,340,068

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON STATEMENT

Year Ended December 31, 2017	Actual	Original Budget	Final Budget	Variance From Final
Revenue:				
General property taxes	\$ 182,832	\$ 183,952	\$ 183,952	\$ (1,120)
Specific ownership taxes	17,028	10,000	10,000	7,028
Interest earnings	594	400	400	194
Grants, contributions, and fundraising	18,513	14,500	14,500	4,013
Total Revenue	218,967	\$ 208,852	\$ 208,852	\$ 10,115
Expenditures:				
Administrative:				
Elections	-	-	-	-
Professional services	9,596	8,500	9,700	104
Insurance	28,730	30,500	30,500	1,770
Pension contribution	5,123	5,123	5,123	-
Advertising	745	500	1,200	455
Dues and fees	5,950	6,500	6,500	550
Rewards and recognition	-	2,000	-	-
Utilities	17,451	18,000	18,000	549
Miscellaneous and other	1,380	500	1,300	(80)
Total Administrative	68,975	71,623	72,323	3,348
Fire Fighting:				
Operating supplies and equipment	15,384	12,000	18,000	2,616
Gas and oil	2,548	3,000	3,000	452
Repairs and maintenance	13,275	15,000	15,000	1,725
Training	2,231	5,000	2,500	269
Total Fire Fighting	33,438	35,000	38,500	5,062
Capital Outlay:				
Equipment	-	-	-	-
Total Capital Outlay	-	-	-	-
Debt Service	81,354	79,793	81,354	-
Total Expenditures	183,767	186,416	190,895	7,128
Revenue Over (Under) Expenditures	35,200	22,436	17,957	(17,243)
Fund Balance, January 1, 2017	354,996	354,996	354,996	-
Fund Balance, December 31, 2017	\$ 390,196	\$ 377,432	\$ 372,953	\$ 17,243

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Poudre Canyon Fire Protection District (or PCFPD) conform to generally accepted accounting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity:

The financial report of the District includes all of the integral parts of the District's operations. The District has determined that it has no financial accountability for any other agency which would require it to be in the reporting entity.

Government-wide and Fund Financial Statements:

The District reports as a special purpose government engaged in a single governmental program. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued:

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

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 District.

Capital Assets:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Acquisitions of capital assets are recorded as capital outlay expenditures within the governmental funds. Depreciation has been provided on capital assets, using straight line methods over the useful lives of the assets (buildings 50 years, trucks 20 years, and equipment 10 years). The District's capitalization level is \$5,000.

Property Taxes:

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the same year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. The District uses the Larimer County Treasurer to bill and collect its property taxes. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible. Taxes levied in December 2017 are recorded as taxes receivable and deferred in flows as of December 31, 2017.

The original January 1, 2017 levy for the General Fund of the District was 21.142 mills or approximately \$183,952.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Budget:

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with the Local Government Budget Law. The budget is prepared on a basis consistent with generally accepted accounting principles for all funds. The fund level of classification is the level at which expenditures may not legally exceed appropriations. All annual appropriations lapse at year end.

The Board is authorized to transfer budgeted amounts within departments of each fund. Any revisions that alter the total appropriation for each department must be approved by the Board through a supplemental appropriation resolution. The District amended the 2017 budget during the year.

Fund Equity:

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally restricted by law or outside parties for use for specific purpose.

Restrictions for the District are recorded up to the maximum equity available in the fund balance and consist of:

Restricted for Emergencies:

These restrictions are established to comply with TABOR. Recorded TABOR emergency reserves at December 31, 2017 are \$6,569.

Assigned fund balances, if any, are amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official to which the Board delegates authority. Restricted funds are considered to be spent first, followed by assigned and unassigned, for an expenditure for which any could be used.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition and construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial 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 future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position 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 that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Investment Risks:

The pension board shall have complete control and authority to invest the funds of the Plan. Funds of the Plan shall be managed and invested by the pension board of the District in accordance with the prudent investor rule and the other standards and provisions for trustees set forth in the "Colorado Uniform Prudent Investor Act." The District affiliated with the Fire and Police Pension Association (FPPA) of Colorado to administer the Plan in 2011.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Plan does not have a policy to address interest rate risk. FPPA has established and monitors guidelines regarding the securities in the fixed income investment portfolio.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a policy to limit credit risk. FPPA has established and monitors guidelines regarding the types and quality of securities in the fixed income portfolio.

The Plan's investment policy seeks to maximize diversification opportunities to reduce overall portfolio risk while generating growth of asset value. The Plan places no limit on the amount that may be invested with one issuer. FPPA does not have any investments representing five percent or more with any one issuer.

Custodial credit risk is the risk that in the event of financial institutional failure, the Plan's investments may not be returned to it. The Plan does not have a policy for custodial credit risk.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Although the Plan does not have a specific policy relating to foreign currency risk, FPPA has established and monitors specific guidelines regarding the types, exposures, and quality of securities within each investment portfolio.

Pensions:

PCFPD participates in an agent 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 have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of GASB Statement No. 68 and GASB Statement No. 71:

As of January 1, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The additional disclosures required by these standards are included in Note 4.

NOTE 2 - Cash and Investments:

The District's bank accounts at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Cash and Investments-Continued:

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

NOTE 3 - Capital Assets:

	Balance, 1/1/17	Additions	Deletions/ Transfers	Balance, 12/31/17
Land and Improvements	\$ 54,566	\$ --	\$ --	\$ 54,566
Buildings and Improvements	1,710,327	--	--	1,710,327
Equipment and Vehicles	815,280	--	--	815,280
Total Capital Assets	2,580,173	--	--	2,580,173
Less Accumulated Depreciation:				
Building and Improvements	193,183	34,206	--	227,389
Equipment and Vehicles	551,016	35,961	--	586,971
Total Accumulated Depreciation	744,199	70,167	--	814,366
Capital Assets, net	\$ 1,835,974	\$ (70,167)	\$ --	\$ 1,765,807

NOTE 4 – Volunteer Pension Plan:

The District's defined benefit pension plan for volunteers provides retirement and disability benefits and death benefits to plan members and beneficiaries. The plan is affiliated with the Fire and Police Member's Benefit Fund, an agent multiple-employer pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. Title 31, Article 30 of the Colorado Revised Statutes assigns the authority to establish and amend the benefit provisions of the plans that participate in FPPA to the respective member entities. FPPA issues a publicly available financial report that includes financial statements and required supplementary information for the Fire and Police Member's Benefit Fund. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Englewood, Colorado 80111, or by calling 1-800-332-FPPA.

At December 31, 2017, pension plan membership consisted only of 42 active members.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

Contribution requirements of the District are established under Title 31, Article 30 of the Colorado Revised Statutes. The plan is noncontributory regarding participants. Contributions to the plan for the year ended December 31, 2017 included \$4,359 from State of Colorado matching and \$5,123 of property taxes levied by the District. During 2017 the normal benefit was \$100 per month, although there were no beneficiaries.

At December 31, 2017, PCFPD reported an asset of \$25,486 for its net pension asset. The net pension asset 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.

For the year ended December 31, 2017, PCFPD recognized pension income of \$15,805. At December 31, 2017, PCFPD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 43,412
Net difference between projected and actual earnings on pension plan investments	5,182	--
Changes in actuarial assumptions	2,391	5,715
Contributions subsequent to the measurement date	5,123	--
Total	\$ 12,696	\$ 49,127

Deferred outflows of resources related to pensions of \$5,123, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2018	\$ 18,652
2019	18,650
2020	3,586
2021	198
2022	468
	\$ 41,554

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

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

Price inflation	2.5 percent
Retirement age	50% per year of eligibility until 100% at age 65
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.5 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with blue collar adjustment.

At least every five years the Fire & Police Pension Association's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. Following a regularly scheduled experience study in 2015, the Board of Directors adopted a new assumption set for first use in the January 1, 2016 valuations.

Due to the biennial valuation process, the assumption changes first applied to the actuarial valuations beginning January 1, 2017. The actuarial assumptions impacted included inflation and mortality rates.

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

As of the most recent analysis of the long-term expected rate of return, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	36%	6.75%
Equity Long/Short	10%	4.85%
Illiquid Alternatives	23%	8.25%
Fixed Income	15%	.5%
Absolute Return	10%	4.05%
Managed Futures	4%	3.0%
Cash	2%	--%
Total	100%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.5 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at the actuarially recommended rates.

Sensitivity of the PCFPD net pension asset to changes in the discount rate: The following presents the net pension asset calculated using the discount rate of 7.5 percent, as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

December 31, 2017	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension asset	\$ 13,946	\$ 25,486	\$ 35,051

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Contingencies:

In 1992 the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Included in the accompanying financial statements are emergency reserves of at least 3% of fiscal year spending.

In 2008, the electors of the District voted to supersede TABOR and to collect, retain, and expend the full proceeds of all taxes, fees, and other revenue without increasing or adding taxes of any kind, and to increase the existing mill levy by 15.65 mills for two district fire station/community center buildings and the related operations.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The District purchases commercial insurance for risks of loss in excess of deductible amounts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 6 – Long Term Liabilities:

December 31	2017
\$1,129,296 lease and purchase option agreement-2010, due in varying installments through August 2, 2029, interest at 4.3875%, net of Build America Bonds subsidy	\$ 804,960
	\$ 804,960

The annual requirements to repay this lease as of December 31, 2017, are as follows:

Years Ending December 31	Principal	Interest	Total
2018	\$ 45,665	\$ 54,335	\$ 100,000
2019	48,748	51,252	100,000
2020	52,038	47,962	100,000
2021	55,551	44,449	100,000
2022	59,300	40,700	100,000
2023-2027	362,228	137,772	500,000
2028-2029	181,430	18,570	200,000
	\$ 804,960	\$ 395,040	\$ 1,200,000

Changes in long-term liabilities during the year were as follows:

	Balance 01/01/17	Additions	Deletions	Balance 12/31/17	Due Within One Year
Lease and Purchase Option Agreement – 2010	\$ 847,738	\$ -	\$ 42,778	\$ 804,960	\$ 45,665

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Reconciliation Between General Fund Balance Sheet and the Statement of Net Position:

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

<u>December 31, 2017</u>	
Fund balance of General Fund	\$ 390,166
Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund	1,765,807
Net pension asset	25,486
Deferred outflows and inflows for pensions	(36,431)
Long-term liabilities, including leases payable, are not due and payable in the current period and therefore are not reported in the General Fund	(804,960)
<u>Total Net Position</u>	<u>\$ 1,340,068</u>

NOTE 8 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Fund to the Statement of Activities:

<u>Year Ended December 31</u>	<u>2017</u>
Net change in fund balance – General Fund	\$ 35,200
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
The General Fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year	(70,167)
Repayment of lease principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position	42,778
The General Fund reports District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, is reported as pension expense	20,928
<u>Change in Net Position of Governmental Activities</u>	<u>\$ 28,739</u>

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Leases:

The District leases land from the Lower Poudre Canyon Association for the lower canyon fire station for \$1 per year through 2050. The District also leases land from the Old Poudre City Corporation for the upper canyon fire station for \$1 per year through 2109.

This land was subleased to Wells Fargo Securities, LLC in conjunction with the 2010 Lease and Purchase Option Agreement.

POUDRE CANYON FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions

Years Ended December 31	Actuarially Determined Contributions	Contributions Made	Contribution Deficiency
2017	\$ 5,123	\$ 5,123	--
2016	5,123	5,123	--
2015	10,842	10,842	--

Methods and Assumptions Used:

Actuarial cost method: Entry age
 Amortization method: Level dollar-open
 Remaining amortization period: 20 years
 Asset valuation method: 5 year smoothed fair value
 Inflation: 2.5%
 Benefit increase: None
 Investment return: 7.5%

Schedule of Changes in Net Pension Asset

Year Ended December 31	2017	2016	2015
Total Pension Liability:			
Annual Service Cost	\$ 7,601	\$ 7,601	\$ 6,812
Interest on Total Pension Liability	5,878	4,937	9,167
Difference in Expected Experience and Actual	(6,461)	--	(89,391)
Changes in Assumptions	2,893	--	(13,416)
Total Pension Liability – Beginning	74,637	62,099	148,927
Total Pension Liability – Ending	\$ 84,548	\$ 74,637	\$ 62,099
Plan Fiduciary Net Position:			
Contributions – District	\$ 5,123	\$ 5,123	\$ 7,242
Contributions – State Match	3,535	3,535	3,600
Net Investment Income	5,415	3,651	4,833
Administrative Expense	(436)	(1,361)	(1,001)
Net Change	13,637	10,948	14,674
Plan Fiduciary Net Position – Beginning	96,397	85,449	70,775
Plan Fiduciary Net Position – Ending	\$ 110,034	\$ 96,397	\$ 85,449
District Net Pension Asset	\$ 25,486	\$ 21,760	\$ 23,350
Percentage of Net Pension Asset	130%	129%	138%