

**DONALD WESCOTT FIRE
PROTECTION DISTRICT**

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended December 31, 2017

**DONALD WESCOTT FIRE PROTECTION DISTRICT
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Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Donald Wescott Fire Protection District

We have audited the accompanying financial statements of the governmental activities and each major fund of Donald Wescott Fire Protection District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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 account policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents 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.

Hoelting & Company Inc.

Colorado Springs, Colorado
June 18, 2018

**DONALD WESCOTT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2017**

As management of Donald Wescott Fire Protection District (the District) we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the district exceeded its liabilities and deferred inflows by \$3,916,878 (*net position*). Of this amount, \$2,005,067 (*unrestricted net position*) may be used to meet the District's ongoing obligations to its citizens and creditors.
- As of the close of the fiscal year, the General Fund reported an ending fund balance of \$1,656,234 an increase of \$620,802 in comparison with the prior year. \$86,118 is available for spending at the District's discretion (*unassigned*).
- At the end of the current fiscal year, unassigned fund balance was 4.2% of total expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves 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 required and other supplementary information in addition to the basic 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 as a whole, in a manner similar to a private-sector business and include two statements:

The *statement of net position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 reporting how the District'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 result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general and administrative activities and fire and emergency medical services. Currently, the District has no business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has one fund: the General fund, which is a governmental fund.

Governmental Funds: The District's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

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. Thus, readers may better understand the long-term impact of the District's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District. The District adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget. Required schedules for pensions are included in this section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, total assets exceeded liabilities by \$3,916,878 as of December 31, 2017.

38.5% of the District's assets are its investment in capital assets, net.

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 4,628,359	\$ 3,086,479
Capital assets, net depreciation	<u>2,897,625</u>	<u>3,153,264</u>
 Total assets	 <u>7,525,984</u>	 <u>6,239,743</u>
 Deferred outflows	 <u>470,129</u>	 <u>355,491</u>
Long-term liabilities	1,131,248	1,233,012
Other liabilities	<u>133,063</u>	<u>77,316</u>
 Total liabilities	 <u>1,264,311</u>	 <u>1,310,328</u>
Deferred inflows	<u>2,814,924</u>	<u>2,010,810</u>
Net position:		
Net investment in capital assets	1,831,811	1,987,005
Restricted	80,000	71,000
Unrestricted	<u>2,005,067</u>	<u>1,216,091</u>
 Total net position	 <u>\$ 3,916,878</u>	 <u>\$ 3,274,096</u>

Condensed Statement of Activities

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 295,782	\$ 140,985
Operating grants and contributions	69,540	41,216
General revenues:		
Property taxes	1,999,164	1,930,347
Specific Ownership tax	285,956	233,932
Interest income	535	596
Other income	<u>1,157</u>	<u>13,329</u>
Total revenues	<u>2,652,134</u>	<u>2,360,405</u>
Expenses:		
General and administrative	434,935	529,001
Fire and emergency medical services	1,776,941	1,915,820
Interest on long-term debt	<u>8,666</u>	<u>75,845</u>
Total expenses	<u>2,220,542</u>	<u>2,520,666</u>
Change in net position	<u>431,592</u>	<u>(160,261)</u>
Net position, beginning	3,274,096	3,433,029
Prior period adjustment	<u>211,190</u>	<u>1,328</u>
Net position, beginning, as restated	<u>3,485,286</u>	<u>3,434,357</u>
Net position, ending	<u>\$ 3,916,878</u>	<u>\$ 3,274,096</u>

ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general fund is the operating fund of the District. The fund balance for the general fund was \$1,656,234 at the end of the current fiscal year.

BUDGETARY HIGHLIGHTS

The District deployed firefighters to ten (10) fires total. We went to three (3) in California, one (1) in Kansas, one (1) Oklahoma, two (2) in Oregon, one (1) South Dakota, and two (2) in Wyoming. By participating in these national incident deployments, our firefighters gained valuable experience in fighting wild fires as well as interfacing with agencies from all over the country. The District generated \$196,339 in revenue from these wildland deployments in 2018. All District stations maintained staffing and operational during the deployments.

The District received donations from The High Forest Ranch Homeowners for the sum of \$1,200.

As a benefit to our firefighters, the District established a Health Reimbursement Account (HRA) in 2013 to help defray the health costs incurred by our members. This program allows the District flexibility with providing cost effective health insurance to its members. This year we chose a higher deductible with a lower monthly premium. The District spent \$70,652.96.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, buildings and improvements, vehicles and equipment. The District's investment in capital assets for its governmental activities at the end of the year was \$3,153,264.

	<u>2017</u>	<u>2016</u>
Land & Construction in Progress	\$ 213,361	\$ 213,361
Buildings and improvements	3,493,169	3,493,169
Vehicles	1,939,814	1,939,814
Equipment	808,743	808,743
Accumulated depreciation	<u>(3,557,462)</u>	<u>(3,301,823)</u>
Total capital assets, net	<u>\$ 2,897,625</u>	<u>\$ 3,153,264</u>

Long-term debt

At the end of current fiscal year, the District had \$1,065,814 capital lease payable.

	<u>2017</u>	<u>2016</u>
Capital lease payable	<u>\$ 1,065,814</u>	<u>\$ 1,166,259</u>

ECONOMIC FACTORS

The District as a result of the November election the District secured appropriate funding to ensure the sustainability of the District for the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide the District’s taxpayers and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chief Vinny Burns, Donald Wescott Fire Protection District, 15415 Gleneagle Drive, Colorado Springs, CO 80921.

BASIC FINANCIAL STATEMENTS

DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

Cash and cash equivalents	\$	1,497,445
Cash with county treasurer		22,745
Accounts receivable		86,253
Property tax receivable		2,799,881
Intergovernmental receivable		19,024
Prepaid Expenses		67,214
Capital assets not being depreciated		213,361
Capital assets, net of accumulated depreciation		2,684,264
Net pension asset		135,797
		7,525,984
Total Assets		7,525,984

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows		470,129
		470,129

LIABILITIES

Accounts payable		9,048
Accrued salaries		18,479
Unearned revenue		8,920
Accrued interest payable		21,649
Long-term liabilities:		
Due within one year		106,723
Due in more than one year		1,024,525
Net pension liability		74,967
		1,264,311
Total Liabilities		1,264,311

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows		15,043
Unavailable property tax revenue		2,799,881
		2,814,924
Total Deferred Inflows of Resources		2,814,924

NET POSITION

Net investment in capital assets		1,831,811
Restricted		80,000
Unrestricted		2,005,067
		3,916,878
Total Net Position	\$	3,916,878

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

**DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital and Grants Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
General and administrative	\$ 434,935	\$ -	\$ -	\$ -	\$ (434,935)
Fire and emergency medical services	1,776,941	295,782	69,540	-	(1,411,619)
Debt service	8,666	-	-	-	(8,666)
Total governmental activities	<u>\$ 2,220,542</u>	<u>\$ 295,782</u>	<u>\$ 69,540</u>	<u>\$ -</u>	<u>(1,855,220)</u>
General revenues:					
Property taxes					1,999,164
Specific ownership taxes					285,956
Investment earnings					535
Other income					1,157
Total general revenues					<u>2,286,812</u>
Change in net position					431,592
Net position - beginning, as restated					3,485,286
Net position - ending					<u>\$ 3,916,878</u>

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

**DONALD WESCOTT FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
DECEMBER 31, 2017**

ASSETS

Cash and cash equivalents	\$ 1,497,445
Cash with County Treasurer	22,745
Accounts receivable	86,253
Property tax receivable	2,799,881
Intergovernmental receivable	19,024
Prepaid Expenses	<u>67,214</u>
 Total Assets	 \$ <u><u>4,492,562</u></u>

LIABILITIES

Accounts payable	\$ 9,048
Accrued salaries	18,479
Unearned revenue	<u>8,920</u>
 Total Liabilities	 <u>36,447</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable property tax revenue	<u>2,799,881</u>
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FUND BALANCE

Nonspendable	67,214
Restricted	80,000
Committed	1,122,902
Assigned	300,000
Unassigned	<u>86,118</u>
 Total Fund Balance	 <u>1,656,234</u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 4,492,562</u></u>
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The accompanying notes are an integral part of these financial statements.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total fund balance, governmental funds	\$ 1,656,234
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Capital assets not being depreciated	213,361
Capital assets net of accumulated depreciation	2,684,264
The net pension asset is not available in the current period and, therefore, is not reported as an asset in the funds.	
	135,797
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	
	470,129
Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.	
	(21,649)
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities at year end consist of:	
Capital lease payable	(1,065,814)
Accrued compensated absences	(65,434)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
	(74,967)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	
	(15,043)
Net Position of Governmental Activities in the Statement of Net Position	\$ 3,916,878

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

DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

REVENUES

Property taxes	\$ 1,999,164
Specific ownership tax	285,956
Response agreement	98,929
Wildland income	196,339
Intergovernmental	69,540
Investment earnings	535
Other income	1,671
	2,652,134
Total revenue	2,652,134

EXPENDITURES

General and administrative	385,220
Fire and emergency medical services	1,522,204
Debt service	123,908
	2,031,332
Total expenditures	2,031,332

Net change in fund balance	620,802
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Fund balance, beginning	1,035,432
	1,035,432
Fund balance, ending	\$ 1,656,234

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

**DONALD WESCOTT FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Total net change in fund balance - governmental funds	\$ 620,802
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current resources. In contrast, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	
Depreciation expense	(255,639)
<p>Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the Statement of Activities based on the amounts earned during the year.</p>	
	1,319
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
Lease payment (principal)	100,445
Change to accrued interest	14,797
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Pension expenses	<u>(50,132)</u>
Change in net position of governmental activities	<u><u>\$ 431,592</u></u>

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

NOTES TO FINANCIAL STATEMENTS

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Donald Wescott Fire Protection District (the District) was organized under the laws of the State of Colorado to operate and maintain a special district for the purpose of providing fire and emergency paramedical services to its residents.

The accounting policies of the District conform to generally accepted accounting policies (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

The District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental fund:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The 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 period or soon enough thereafter to pay liabilities of the current fiscal 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, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

*E. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND
NET POSITION/FUND BALANCE*

Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*E. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND
NET POSITION/FUND BALANCE (CONTINUED)*

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, vehicles, and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

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

Buildings and land improvements	7 to 40 years
Vehicles	5 to 10 years
Equipment	5 to 15 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

Pensions

Donald Wescott Fire Protection District participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*E. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND
NET POSITION/FUND BALANCE (CONTINUED)*

Deferred outflows/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 a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental fund reports property taxes levied for the succeeding year as unavailable property tax revenue. The unavailable property tax revenues are recognized in the succeeding year as revenue when the lien attaches and the taxes become available.

Long-term Liabilities

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund Balance Classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*E. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND
NET POSITION/FUND BALANCE (CONTINUED)*

Fund Balance Classification (continued)

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

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

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of January 1. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. The El Paso County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate for the year ended December 31, 2017 was 7.00 mills. The District's assessed valuation for 2017 was \$286,667,380.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

It is the District's policy to permit employees to accumulate earned by unused paid time off. All paid time off is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee resignations and retirements.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information

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

- 1) In the fall, a proposed operation budget is submitted to the Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the District to obtain taxpayer comments.
- 3) Prior to December 31, the budget is legally enacted through passage of a resolution. This authorizes a lump-sum expenditure budget by fund for the District. This aggregate expenditure budget, by fund, then becomes the level of control upon which expenditures cannot legally exceed appropriations. An appropriation ordinance is also adopted which allocates the total budget by fund.
- 4) Any revisions that alter the budget of any fund must be approved by the Board by passage of a resolution.
- 5) Formal budgetary integration is employed as a management control device during the year for the general and pension funds.
- 6) Budgets for the general and pension funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board.
- 7) All annual appropriations lapse at the end of the year.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk—deposits. Colorado State Statutes govern the entity's deposit of cash. The Public Deposit Protection Acts for banks and savings and loans require the state regulators to certify eligible depositories for public deposits. The acts require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the assets in the pool must be at least equal to 102% of the uninsured deposits.

At December 31, 2017, the carrying amount of the District's deposits was \$1,497,445 and the bank balances were \$1,537,777. Of the total bank balance, \$500,000 was covered by FDIC insurance and \$1,037,777 falls under the provision of the Colorado Public Deposit Protection Act which is collateralized in single institution pools.

Investments

The District is authorized by Colorado State Statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government.
- Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- Bonds which are a direct obligation of the State of Colorado, or of any city, county, or school district therein.
- Notes or bonds issued pursuant to the "National Housing Act".
- Repurchase agreements.
- Local government investment pools.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk: State law limits investments as described above. The District does not have an investment policy that would further limit its investment choices.

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

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 213,361	\$ -	\$ -	\$ 213,361
Total capital assets, not being depreciated	<u>213,361</u>	<u>-</u>	<u>-</u>	<u>213,361</u>
Capital assets, being depreciated:				
Buildings	3,447,784	-	-	3,447,784
Land improvements	45,385	-	-	45,385
Vehicles	1,939,814	-	-	1,939,814
Equipment	<u>808,743</u>	<u>-</u>	<u>-</u>	<u>808,743</u>
Total capital assets, being depreciated	6,241,726	-	-	6,241,726
Less accumulated depreciation	<u>(3,301,823)</u>	<u>(255,639)</u>	<u>-</u>	<u>(3,557,462)</u>
Capital assets, being depreciated, net	<u>2,939,903</u>	<u>(255,639)</u>	<u>-</u>	<u>2,684,264</u>
Total capital assets, net	<u>\$ 3,153,264</u>	<u>\$ (255,639)</u>	<u>\$ -</u>	<u>\$ 2,897,625</u>

Depreciation expense was charged to functions/programs of as follows:

General and administrative	\$ 3,606
Fire and emergency medical services	<u>252,033</u>
Total	<u>\$ 255,639</u>

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

NOTE 5 – LONG-TERM LIABILITIES

Capital lease – fire station

The District entered into a lease purchase agreement on October 8, 2010 to construct a new fire station. The lease qualifies as a capital lease. The lease agreement provides for a fixed interest rate of 4.0625% and requires 15 annual payments of \$173,336 beginning July 1, 2011. Upon full satisfaction of the lease, the District will have the option to purchase the fire station for \$1.

The assets acquired through capital leases are as follows:

Asset:

Buildings	\$ 2,297,326
Less: Accumulated depreciation	<u>(459,465)</u>
Total	<u>\$ 1,837,861</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

<u>Year Ending December 31</u>	<u>Total</u>
2018	\$ 173,336
2019	173,337
2020	173,336
2021	173,337
2022	173,336
2023 – 2025	<u>520,008</u>
Total minimum lease payments	1,386,692
Less: amount representing interest	<u>320,878</u>
Present value of minimum lease payments	<u>\$ 1,065,814</u>

Changes in long-term liabilities for the year ended December 31, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ 1,166,259	\$ -	\$ 100,445	\$ 1,065,814	\$ 106,723
Compensated absences	<u>66,753</u>	<u>-</u>	<u>1,319</u>	<u>65,434</u>	<u>-</u>
	<u>\$ 1,233,012</u>	<u>\$ -</u>	<u>\$ 101,764</u>	<u>\$ 1,131,248</u>	<u>\$ 106,723</u>

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

NOTE 6 – NET POSITION

Net position is reported in three separate categories—net investment in capital assets; net position-restricted; and net position-unrestricted.

Net investment in capital assets consists of capital assets net of accumulated depreciation and capital-related deferred outflows of resources; reduced by borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017, net investment of capital assets was as follows:

Net investment in Capital Assets:	
Capital assets, net of depreciation	\$ 2,897,625
Less: capital lease obligations	<u>(1,065,814)</u>
 Total	 <u>\$ 1,831,811</u>

Net position-restricted is the difference between non-capital assets whose use is 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, and related liabilities and deferred inflows of resources (excluding capital-related borrowings). The District has established an Emergency Reserve in the amount of \$80,000 for the year ended December 31, 2017, as per Article X, Section 20 of the Colorado Constitution. This Emergency Reserve balance represents at least 3% of the governmental fiscal year spending as required.

Any portion of net position not already classified as either net investment in capital assets or net position-restricted, is automatically classified as net position-unrestricted.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Donald Wescott Fire Protection District are provided with pensions through the Statewide Defined Benefit Plan (SWDB) – a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). Plan benefits are specified in Title 31, Article 30 of the Colorado Revised Statutes (C.R.S.). FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.FPPAco.org>.

Benefits provided. The SWDB provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan which is also administered by FPPA.

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

Members of the SWDB plan and their employers are contributing at the rate of 9 percent and 8 percent, respectively, of base salary for a total contribution rate of 17 percent in 2016. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20.5 percent of base salary in 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4.5 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.5 percent in 2016. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Employer contributions are recognized by the SWDB in the period in which the compensation becomes payable to the member and the Donald Wescott Fire Protection District is statutorily committed to pay the contributions to the SWDB. Employer contributions recognized by the SWDB from Donald Wescott Fire Protection District were \$79,644 for the year ended December 31, 2017.

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions. The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2016. The valuations used the following actuarial assumption and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
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 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.

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	36%	9.25%
Equity Long/Short	10%	7.35%
Illiquid Alternatives	23%	10.75%
Fixed Income	15%	4.10%
Absolute Return	10%	6.55%
Managed Futures	4%	5.50%
Cash	2%	0.0%*
Total	100.0%	

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

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

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

1% Decrease 6.50%	Single Discount Rate Assumption 7.50%	1% Increase 8.50%
\$ 637,851	\$ 74,967	\$ (392,535)

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

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

At December 31, 2017, the Donald Wescott Fire Protection District reported an liability of \$74,967 for its proportionate share of the net pension liability (asset). 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 December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Donald Wescott Fire Protection District proportion of the net pension liability was based on Donald Wescott Fire Protection District contributions to the SWDB for the calendar year 2016 relative to the total contributions of participating employers to the SWDB.

At December 31, 2016, the Donald Wescott Fire Protection District’s proportion was .207470937 percent, which was an increase of .0086302280 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Donald Wescott Fire Protection District recognized pension expense of \$36,143. At December 31, 2017, the Donald Wescott Fire Protection District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 66,937	\$ 3,813
Changes of assumptions or other inputs	51,209	-
Net difference between projected and actual earnings on pension plan investments	202,353	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	5,601	8,248
Contributions subsequent to the measurement date	79,644	-
Total	\$ 405,743	\$ 12,061

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$79,644 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	77,318
2019	77,271
2020	69,881
2021	29,554
2022	13,580
Thereafter	46,435

NOTE 8 – DEFINED BENEFIT PENSION PLAN – VOLUNTEERS

Plan Description

Effective January 1, 2002, the District affiliated with the Fire and Police Pension Association of Colorado (FPPA) to administer its Volunteer Firefighter Pension Plan and to manage the plan’s assets and activities. The Volunteer Firefighter Pension Plan is included in an agent multiple employer Public Employee Retirement System (PERS) maintained in trust by FPPA. The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. It operates under rules consistent with the enabling legislation in Title 31, Article 30, Part 11 of the Colorado Revised Statutes. While the District’s plan is pooled with other plans by FPPA, it is a separate plan and is administered by a board of trustees composed of District board members and volunteer firefighters, selected in accordance with Colorado state statutes. FPPA issues a publicly available comprehensive annual financial report that can be obtained at FPPAco.org. That report also includes the District’s Volunteer Firefighter Pension Plan.

Benefits Provided

A volunteer firefighter electing to retire on or after the normal retirement date (the date on which he/she has attained fifty years of age and completed twenty years of active service) is eligible for a monthly pension approved by the board, in accordance with state statute. The monthly pension benefit for volunteer retirees is \$400. The plan also provides benefits for short and long term disability, survivors, and a one-time death benefit.

Membership as of January 1, 2017

Number of	
• Retirees and Beneficiaries	15
• Inactive, Nonretired Members	1
• Active Members	<u>5</u>
• Total	21

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN - VOLUNTEERS (CONTINUED)

Actuarial Assumptions and Methods

The actuarial valuation uses the assumptions and methods that were adopted by the Board of Directors of FPPA based upon the actuary’s analysis and recommendations resulting from the 2015 Experience Study and effective in the January 1, 2017 valuations.

Methods and assumptions used to determine contribution rates for the Fiscal Year Ending December 31, 2016:

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

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

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

- Inflation 2.50%

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN - VOLUNTEERS (CONTINUED)

Single Discount Rate

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

Long Term Rate of Return

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	36%	6.75%
Equity Long/Short	10%	4.85%
Illiquid Alternatives	23%	8.25%
Fixed Income	15%	0.50%
Absolute Return	10%	4.05%
Managed Futures	4%	3.00%
Cash	2%	0.0%*
Total	100.0%	

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN - VOLUNTEERS (CONTINUED)

Sensitivity of the Donald Wescott Fire Protection District proportionate share of the net pension liability (asset) to changes in the discount rate.

Regarding the sensitivity of the net pension liability(asset) to changes in the Single Discount Rate, the following presents the plan’s net pension liability(asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan’s net pension liability(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

1% Decrease 6.50%	Single Discount Rate Assumption 7.50%	1% Increase 8.50%
\$ (55,892)	\$ (135,797)	\$ (202,891)

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

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

At December 31, 2017, the Donald Wescott Fire Protection District reported an asset of \$135,797 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2017.

For the year ended December 31, 2017, the Donald Wescott Fire Protection District recognized pension expense of \$13,989. At December 31, 2017, the Donald Wescott Fire Protection District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,321	\$ 2,982
Changes of assumptions or other inputs	13,414	-
Net difference between projected and actual earnings on pension plan investments	49,651	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Total	\$ 64,386	\$ 2,982

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN – VOLUNTEERS (CONTINUED)

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

Year ended December 31:	
2018	20,111
2019	21,839
2020	15,593
2021	3,861
2022	-
Thereafter	-
Total	61,404

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during any of the last three fiscal years.

NOTE 10 - CONTINGENCIES

Reduction of Assessed Valuation for Property Taxes

The tax boundaries of the District include certain areas that have been annexed into the City of Colorado Springs (the City) over time. In past years, the District and the City entered into a plan to transfer this property from the District but had not set a specific date as to when this transfer would occur.

In 2016, the District was notified that the City will be annexing the remaining dual jurisdiction areas within the District. As a result, the total assessed valuation of the District will decrease by about 66% beginning in 2018. The related reduction in revenue will take place over two years beginning in 2018.

Management of the District sought voter approval to increase the mill levy to replace revenue lost as a result of the annexation. In 2017, voters approved a 14.900 mill increase beginning in 2018 (See Note 11).

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 11 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The entity's activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases, with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

On November 4, 1997, District voters approved an increase in the mill levy and authorized the District to collect, retain and spend for fire protection purposes all revenue from such tax levy and all other District revenue as a voter approved revenue change and an exception to the limits which otherwise apply, effective January 1, 1998 and continuing thereafter. This vote effectively removed the District from some provisions of TABOR.

On November 5, 2002, District voters approved a mill levy increase to 7 mills, effective January 1, 2003, in order to provide for District operations after the exclusion of various properties from the District.

On November 7, 2017, northern subdistrict voters approved a 14.900 mill levy increase, beginning in levy year 2017 (for collection in calendar year 2018) to be used for the continuing provision of services, programs and facilities within the subdistrict.

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service) in 2017. Emergency reserves as of December 31, 2017 totaling \$80,000 have been presented as a reservation of fund balance. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations in the amendment's language in order to determine its compliance.

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

NOTE 12 – PRIOR PERIOD ADJUSTMENT

During the year, it was determined that pension expenses in the amount of \$211,190 for the Volunteer Pension Fund should be disclosed as a Defined Benefit Pension Plan. In 2016 the Volunteer Pension Plan was disclosed in the notes as Other Post Employment Benefit Obligations. A prior period adjustment is required to include the Volunteer Pension Fund activities in Governmental Activities.

	Governmental <u>Activities</u>
Net Position, December 31, 2016, as Originally Stated	\$ 3,274,096
Restatement for Volunteer Pension activities	<u>211,190</u>
Net Position, December 31, 2016, as Restated	<u>\$ 3,485,286</u>

REQUIRED SUPPLEMENTARY INFORMATION

DONALD WESCOTT FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY (ASSET)
DECEMBER 31, 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (asset)	0.208355183%	0.208182199%	0.198840709%	0.207470937%
District's proportionate share of the net pension liability (asset)	\$ (186,308)	\$ (234,949)	\$ (3,505)	\$ 74,967
District's covered payroll	\$ 904,972	\$ 936,200	\$ 963,925	\$ 1,061,800
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-20.59%	-25.10%	-0.36%	7.06%
Plan fiduciary net position as a percentage of the total pension liability	105.8%	106.8%	100.1%	98.2%

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

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS
DECEMBER 31, 2017**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 72,398	\$ 74,896	\$ 77,114	\$ 84,944
Contributions in relation to the statutorily required contribution	<u>(72,398)</u>	<u>(74,896)</u>	<u>(77,114)</u>	<u>(84,944)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 904,972	\$ 936,200	\$ 963,925	\$ 1,061,800
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%

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

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS CURRENT PERIOD
VOLUNTEER PENSION FUND
DECEMBER 31, 2017**

	<u>2015</u>	<u>2016</u>
Total pension liability (TPL)		
Service Cost	\$ 4,729	\$ 4,729
Interest on the TPL	54,957	54,417
Benefit changes	-	-
Difference between expected and actual experience of the TPL	-	1,930
Changes of assumptions	-	19,605
Benefit payments	<u>(69,360)</u>	<u>(64,320)</u>
Net change in TPL	(9,674)	16,361
TPL - beginning	764,495	754,821
TPL - ending	<u><u>\$ 754,821</u></u>	<u><u>\$ 771,182</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 5,800	\$ -
Net investment income	17,667	47,660
Benefit payments	(69,360)	(64,320)
Pension Plan Admin expenses	(3,701)	(1,701)
State of CO supplemental discretionary payment	<u>-</u>	<u>-</u>
 Net change in plan fiduciary net position	\$ (49,594)	\$ (18,361)
Plan fiduciary net position - beginning	974,934	925,340
Plan fiduciary net position - ending	<u><u>\$ 925,340</u></u>	<u><u>\$ 906,979</u></u>
 Net pension liability/(asset)	<u><u>\$ (170,519)</u></u>	<u><u>\$ (135,797)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	122.59%	117.61%
 Covered-employee payroll	N/A	N/A
 Net pension liability/(asset) as a percentage of covered employee payroll	N/A	N/A

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

* Complete 10-year information to be presented in future years

See the accompanying independent auditors' report.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
SCHEDULE OF CONTRIBUTIONS
VOLUNTEER PENSION FUND
DECEMBER 31, 2017**

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ -	\$ -
Actual Contribution	<u>5,800</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (5,800)</u>	<u>\$ -</u>
District's covered payroll	N/A	N/A
Actual Contribution as a % of Covered Payroll	N/A	N/A

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

* Complete 10-year information to be presented in future years

See the accompanying independent auditors' report.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property taxes	\$ 2,006,672	\$ 2,006,672	\$ 1,999,164	\$ (7,508)
Specific ownership tax	175,000	175,000	285,956	110,956
Investment earnings	600	600	535	(65)
Other income	99,929	99,929	366,479	266,550
	<u>2,282,201</u>	<u>2,282,201</u>	<u>2,652,134</u>	<u>369,933</u>
EXPENDITURES				
General and administrative	370,200	370,200	385,220	(15,020)
Fire and emergency medical services	1,455,100	1,455,100	1,522,204	(67,104)
Debt service	145,000	145,000	123,908	21,092
Contingency	709,500	709,500	-	709,500
	<u>2,679,800</u>	<u>2,679,800</u>	<u>2,031,332</u>	<u>648,468</u>
Net change in fund balance	<u>(397,599)</u>	<u>(397,599)</u>	<u>620,802</u>	<u>1,018,401</u>
Fund balance, beginning	<u>1,056,081</u>	<u>1,056,081</u>	<u>1,035,432</u>	<u>(20,649)</u>
Fund balance, ending	<u>\$ 658,482</u>	<u>\$ 658,482</u>	<u>\$ 1,656,234</u>	<u>\$ 997,752</u>

See the accompanying independent auditors' report.