

CLIFTON FIRE PROTECTION DISTRICT

Financial Statements and  
Report of Independent Auditor  
For the Year Ended December 31, 2018

CLIFTON FIRE PROTECTION DISTRICT

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December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Clifton Fire Protection District  
Clifton, CO

I have audited the accompanying financial statements of the governmental activities of the Clifton Fire Protection District, State of Colorado (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Clifton Fire Protection District, State of Colorado, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6, required pension schedules on pages 28-31, and budgetary comparison information on pages 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

*Paul D. Miller, CPA, LLC*

Grand Junction, Colorado  
February 15, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Clifton Fire Protection District, we offer readers of the Clifton Fire Protection District's financial statements this narrative overview and analysis of the financial activities of the Clifton Fire Protection District for the fiscal years ending December 31, 2018.

### Financial Highlights

At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,093,262. This represents approximately 38.2 % of the total general fund expenditures.

### Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the District's Net Position changed during the most recent fiscal year. All Changes in Net Position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, the revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements are combined with the fund financial statements and can be found in this report.

**Fund Financial Statements:** A fund is a group of related accounts used to maintain control over resources that have been set aside for specific activities or objectives. The District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows on expendable resources, as well as the balances of spend able resources available at the end of the fiscal year. Such information may be useful in evaluation 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 statement. 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 a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Notes to the Financial Statement.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statement. The notes to the financial statement can be found in this report.

**Government-Wide Financial Analysis.** Net Position may serve over time as a useful indicator of a government's financial position. In the case of the Clifton Fire Protection District, assets exceeded liabilities by \$3,007,408 at the close of the most recent year; this includes the GASB No. 68, Accounting, and Financial Reporting for Pensions, activity. Detailed information of the pension activity can be found on pages 16 through 23.

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

An additional portion of the District's Net Position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position may be used to meet the government's ongoing obligations to its citizens.

Net Position Activity:

	2018	2017
Assets:		
Cash and Cash Equivalents	\$ 934,880	\$ 530,561
Accounts Receivable	595,615	436,508
Property Taxes Receivable	1,848,902	1,524,160
Prepays	62,148	47,776
Capital Assets	1,301,798	1,120,637
Net Pension Assets	478,903	37,975
Deferred Outflow of Resources	281,569	432,454
Total Assets	5,503,815	4,130,071
Liabilities:		
Accounts Payable & Accrued Exp.	42,352	39,127
Net Pension Liability	-	68,749
Long-term Liabilities	470,885	444,304
Deferred Inflow of Resources	1,983,170	1,600,728
	2,496,407	2,084,159
Net Position:		
Invested in Capital Assets	1,113,039	887,472
Restricted for Tabor Emergency	112,755	103,852
Restricted for Net Pension Position	626,204	325,112
Unrestricted	1,155,410	660,727
Total Net Position	\$ 3,007,408	\$ 1,977,163

## Governmental Activities.

An increase in amount received from other governments, increase in charges for services, and increase in property taxes were the main sources of increases in general revenue.

### Governmental activities and totals

	<u>2018</u>	<u>2017</u>
Program Revenues:		
Charges for Services	\$ 791,602	\$ 749,563
General Revenues:		
Property Taxes	1,988,428	1,471,859
Specific Ownership Tax	273,486	226,487
Grant Revenue & from Other Governments	164,949	180,801
Other Income	146,403	15,506
Total Revenues	<u>3,364,868</u>	<u>2,644,216</u>
Expenses:		
Ambulance and Fire Operations	2,200,678	2,335,208
Depreciation	122,569	129,729
Lease Interest	11,376	14,230
Total Expenses	<u>2,334,623</u>	<u>2,479,167</u>
Change in Net Position	1,030,245	165,049
Net Position-beginning	<u>1,977,163</u>	<u>1,812,114</u>
Net Position-ending	<u>\$ 3,007,408</u>	<u>\$ 1,977,163</u>

Property Taxes increased by \$516,569 during the year. This is the result of new construction and election to raise mill levy.

### Financial Analysis of the Government Funds

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

**Governmental funds.** The focus of the Districts governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Clifton Fire Protection District's governmental funds reported ending fund balances of \$1,268,165 an increase of \$503,586, compared to the prior year. Approximately 86 percent or \$1,093,262 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is restricted by the State of Colorado, under the Taxpayers Bill of Rights (TABOR) and Non-spendable, which represents prepaid expenses. The restricted amount is \$112,755 and the non-spendable is \$62,148 at the end of 2018.

### General Fund Budgetary Highlights

There was not an amendment to the 2018 budget. The Statement of Revenue, Expenditures, and Change in Fund Balance-Budget and Actual is presented on page 32 and 33 of this report.

## **Capital Assets and Debt Administration**

Capital Assets. The Clifton Fire Protection District's investment in capital assets as of December 31, 2018 amounts to \$290,508 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, fire and medical apparatus and equipment. Additional information on the District's capital assets can be found on page 24.

**Long-term Debt** At the end of the current fiscal year, the Clifton Fire Protection District had no bonded debt outstanding. The District did have a total of \$188,759 in capital lease outstanding, however, the lease are not general obligations of the District and are paid solely from the District's revenues as appropriated in the annual budget.

## **Economic Factors and Next Year's Budgets**

As it has continued for the past several years, the demand on the Clifton Fire Protection District to respond to various emergency calls from medical services, transport to fire, and rescue response increases, so does the cost of operations. Land development has seen a slight increase while ambulance transport collection rates continue to fluctuate due to changes in Medicare/Medicaid. The District's assessed valuation for the prior year was \$ 163,724,250 and for the last current year was \$163,512,980, a difference of a \$211,270 decrease, or -.13%. The District successfully pass a ballot measure effectively de-Gallagherizing which essentially allows the district to maintain a Residential Assessment Rate (RAR) of no less than 7.2% moving forward. This will help reduce the financial strain on the District's financial future. The Fire District also began sending resources out of the District for State Deployments for wildland fires which resulted in additional funding for the Fire District. The Fire District Administration will continue to remain fiscally responsible to the tax payer while actively pursuing alternative means of providing professional services to the community. The Administration will utilize the District's Master Plan and Strategic Plan as guides for making future financial and operational decisions.

## **Request for Information**

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Clifton Fire Protection District, 3254 F Road/PO Box 386, Clifton, CO 81520.

*Charles K. Balke*  
Fire Chief

Clifton Fire Protection District  
Statement of Net Position and Governmental Fund Balance Sheet  
December 31, 2018

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash and cash equivalents	\$ 934,880	\$ -	\$ 934,880
Accounts receivable rescue	559,711	-	559,711
Property taxes receivable	1,848,902	-	1,848,902
Other receivable	35,904	-	35,904
Prepaid expenses	62,148	-	62,148
Capital Assets (net of accumulated depreciation):			
Land	-	90,011	90,011
Building and improvements	-	473,236	473,236
Fire trucks and equipment	-	333,606	333,606
Rescue vehicles and equipment	-	243,992	243,992
Office equipment	-	7,752	7,752
Construction in process	-	153,201	153,201
Net Pension Asset:			
Volunteer FPPA Plan	-	157,479	157,479
Statewide Defined Benefit Pension Plan (SWDB)	-	321,424	321,424
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Volunteer FPPA Plan	-	37,796	37,796
Statewide Defined Benefit Pension Plan	-	243,773	243,773
TOTAL ASSETS	<u>\$ 3,441,545</u>	<u>\$ 2,062,270</u>	<u>\$ 5,503,815</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 13,840	-	13,840
Accrued payroll	24,685	-	24,685
Accrued expenses	3,827	-	3,827
Long-term liabilities:			
Compensated absences	282,126	-	282,126
Due within one year	-	46,783	46,783
Due in more than one year	-	141,976	141,976
TOTAL LIABILITIES	<u>324,478</u>	<u>188,759</u>	<u>513,237</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes	1,848,902	-	1,848,902
Volunteer FPPA Plan	-	45,676	45,676
Statewide Defined Benefit Pension Plan	-	88,592	88,592
	<u>1,848,902</u>	<u>134,268</u>	<u>1,983,170</u>
<b>FUND BALANCES AND NET POSITION</b>			
Restricted-Emergency reserve - Tabor	112,755	(112,755)	-
Non-spendable	62,148	(62,148)	-
Unassigned	1,093,262	(1,093,262)	-
TOTAL FUND BALANCES	<u>1,268,165</u>	<u>(1,268,165)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,441,545</u>		
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ -	1,113,039	1,113,039
Restricted for:			
Tabor emergency	-	112,755	112,755
Net Pension Position Volunteer	-	149,599	149,599
Net Pension Position SWDB	-	476,605	476,605
Unrestricted	-	1,155,410	1,155,410
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 3,007,408</u>	<u>\$ 3,007,408</u>

The notes to the financial statement are an integral part of this statement.

Clifton Fire Protection District  
Statement of Net Position and Governmental Fund Balance Sheet  
December 31, 2018

Adjustments to reconcile the governmental fund balance sheet to the statement of Net Position are as follows:

Fund balance per general fund balance sheet	\$ 1,268,165
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,301,798
Long-term liabilities, including leases payable used to fund capital assets are not due and payable in the current period are therefore not reported in the fund	(188,759)
Pension activity not reported at fund level	626,204
Net Position for governmental activities	<u><u>\$ 3,007,408</u></u>

The notes to the financial statement are an integral part of this statement.

Clifton Fire Protection District  
Statement of Revenue, Expenditures, and Change in Fund Balances-Governmental  
and Statement of Activities  
For the Year Ended December 31, 2018

	General Fund	Adjustments (See Page 6)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Fire protection-operation	\$ 2,468,815	\$ -	\$ 2,468,815
Capital outlay	336,686	(336,686)	-
Depreciation	-	122,569	122,569
Pension activity	-	(268,137)	(268,137)
Debt service			
Lease principal	44,405	(44,405)	-
Lease interest	11,376	-	11,376
Total expenditures/expenses	2,861,282	(526,659)	2,334,623
<b>PROGRAM REVENUES</b>			
Charges for services	791,602	-	791,602
Net program expenses	(2,069,680)	(526,659)	(1,543,021)
<b>GENERAL REVENUES</b>			
Property taxes	1,988,428	-	1,988,428
Specific ownership	273,486	-	273,486
Interest income	16,624	-	16,624
Grant income	164,949	-	164,949
Miscellaneous income	129,779	-	129,779
Total general revenues	2,573,266	-	2,573,266
Excess of (expenditures) over revenues	503,586	526,659	
Change in Net Position			1,030,245
<b>FUND BALANCE/NET POSITION</b>			
Beginning of the year	764,579	1,212,584	1,977,163
End of the year	\$ 1,268,165	\$ 1,739,243	\$ 3,007,408

The notes to the financial statement are an integral part of this statement.

Clifton Fire Protection District  
 Reconciliation of the Statement of Revenues Expenditures,  
 and Change in the Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2018

Amounts reported for the governmental activities in the statement of activities (page 9) are different because:

Excess of expenditures over revenues - general funds (page 9)	<u>\$ 503,586</u>
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activity the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	336,686
Depreciation	<u>(122,569)</u>
	<u>214,117</u>

The issuance of capital leases provides current financial resources to governmental funds, while the repayment of the principle of capital lease consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the Net Position:

Principal payment-capital lease	<u>44,405</u>
	<u>44,405</u>

Pension activity not reported at General fund level	<u>268,137</u>
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Change in Net Position of governmental activities (page 9)	<u><u>\$ 1,030,245</u></u>
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The notes to the financial statement are an integral part of this statement.

CLIFTON FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2018

The Clifton Fire Protection District is a special service district governed pursuant to provisions of the Colorado Special District Act. The District was established to provide fire protection and ambulance services within and surrounding the area of Clifton around 1943.

The District operates under the Board of Directors elected by the voters of the District. The District's financial statements include the accounts and operations of all the District's functions.

Based upon the National Council on Governmental Accounting (NCGA) in its Statement 1, the District's financial statements include the pension trust fund. The District exercises significant control through budget adoption, accountability for fiscal matters and board appointments.

Financial Reporting Entity

The Clifton Fire Protection District is a special district as defined by Colorado Statutes and is governed by an elected board of directors. The Board of Directors has oversight responsibility and control over all activities within its boundaries. The board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

*Governmental activities*, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and user charges for support. Likewise, the *primary government is reported separately from certain legally separate component units* for which the primary government is financially accountable. The District has no business-type activities or component units.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has only one governmental fund, the *General Fund*.

A. Risk of Loss

The District is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance coverage for vehicles, commercial property, commercial umbrella, commercial general liability, and management liability through the Volunteer Firemen Insurance Services.

CLIFTON FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2018

B. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental type fund.

All capital assets are valued at historical cost or estimated historical costs if actual historical cost is not available. The assets have a useful life of 5 to 40 years and are depreciated on the straight-line method. It is the District's policy to capitalize individual items costing \$1,500 or more.

The District has no restricted assets.

C. 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* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as 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. The District considers revenues to be available if they are collectible within 120 days except for property taxes which are considered available if they are collectible within 60 days after year-end. Property taxes, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. 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 when payment is due.

The government reports the following major governmental fund:

The *General Fund* is the District's operating fund. It accounts for all financial resources of the government. Additionally, the District reports the following fund type:

Fiduciary funds account for resources held for other parties outside the government. The District has one fiduciary fund the *Pension Trust Fund* which accounts for the activities of the assets held in the Fire and Police Member's Benefit Fund, an agent multi-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA).

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are certain charges between the District's Fiduciary Fund and various other functions of the government as these are considered external to the government.

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

CLIFTON FIRE PROTECTION DISTRICT  
 Summary of Significant Accounting Policies  
 December 31, 2018

D. Budgets and Budgetary Accounting

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The budget is prepared on the same basis as that of the fund financial statements.

The details of the budget calendar are outlined below:

- October 15 – Deadline for Budget Officer to submit proposed budget to the government board. Governing body must publish "Notice of Budget" upon receiving proposed budget.
- December 15 – Deadline for certification of mil levy to the Board of County Commissioners.
- December 22 – Deadline for Board of County Commissioners to levy taxes and to certify the levies To the Assessor.
- December 31– Statutory deadline for local governing body to adopt budget. A certified copy of the adopted budget must be sent to the Division of Local Government within 30 days of adoption.
- On or before  
December 31– The District shall enact an ordinance appropriating the budget for the ensuing year.

E. Compensated Absences

The District has adopted a policy addressing the compensated absences for full time employees only. A summary of that policy follows.

**Vacation:**

Years of Service

For Full-Time Administrative Employees (40 hours/week)

- Zero through 1 years of service
- 2 years through 4 of service
- 5 years through 10 years of service
- 11 years through 15 years of service
- Over 16 years of service

Bi-Weekly Accumulation

- 3.08 Hours (80 Hours/10 days/Year)
- 4.62 Hours (120 Hours/15 days/Year)
- 6.16 Hours (160 Hours/20 days/Year)
- 7.69 Hours (200 Hours/25 days/Year)
- 10.77 Hours (280 Hours/35 days/Year)

Years of Service

For Full-Time Emergency Response Personnel (56 hours/week)

- Zero through 1 years of service
- 2 years through 4 years of service
- 5 years through 10 years of service
- 11 years through 15 years of service
- Over 16 years of service

Bi-Weekly Accumulation

- 6.90 Hours (180 Hours/7.5 days/Year)
- 11.54 Hours (300Hours/12.5 days/Year)
- 16.15 Hours (420 Hours/17.5days/Year)
- 18.75 Hours (488 Hours/20.3days/Year)
- 20.77 Hours (540 Hours/22.5days/Year)

**Sick Leave:**

Employees (Full-time) leaving on a voluntary basis and have worked for the District for 5 years or more shall have their sick leave paid out as follows:

- 5-10 years: \$1.00/hour over 360 hours to a maximum of 720 hours.
- 10-15 years: \$2.00/hour over 360 hours to a maximum of 720 hours.
- 15 or more years: \$3.00/hour over 360 hours to a maximum of 720 hours.

For the year ended December 31, 2018, the vacation and sick time accrued was \$282,126.

CLIFTON FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2018

F. Property Taxes - Receivable

Annual property taxes are levied on December 22 of each year and attached as an enforceable lien as of January 1. They are payable in full April 30, or in two equal installments due February 28 and July 31. The county bills and collects property taxes for the district. Property taxes collected by the county are remitted to the district in the subsequent month. Property taxes are reported as receivable and deferred revenue when levied and as revenue when collected in the following year.

Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

H. Disaggregation of Receivables and Payables

Significant components of receivables and payables are disaggregated in the financial statements. All receivables are expected to be collected within one year. All material payables are expected to be paid within one year with the exception of the amounts for the accrual of compensated absences and capital leases.

I. Fund Equity

In the fund financial statements governmental funds report reservations of fund balance amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

J. Net Position

Net position represent the difference between assets and liabilities. Net Position invested in capital assets net of related debt consists of capital assets net of accumulated depreciation and related debt. Net Position are reported as restricted when there are constraints placed on their use either by law through constitutional provisions or enabling legislation or through restrictions externally imposed by creditors, grantors, laws, or regulations of other governments.

K. Use of Restricted Funds

It is the District's policy to use restricted funds first for their intended use before unrestricted funds are used.

L. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fire & Police Statewide Defined Benefit Plan and additions to/deductions from Fire & Police Statewide Defined Benefit Plan's fiduciary net position have been determined on the same basis as they are reported by the Fire & Police Pension Association of Colorado. 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.

The Entity also participates in the Volunteer Fire Department Pension Fund (VFDP), an agent multiple-employer Public Employee Retirement System (PERS), administered by FPPA, which represents the assets of numerous separate plans that have been pooled for investment purposes. The net pension liabilities or assets, 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 pensions 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.

CLIFTON FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2018

M. Fund Equity

In the fund financial statements governmental funds report reservations of fund balance amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The Non-Spendable amount represents funds already spent but will affect future expended amounts.

N. Subsequent Events

Management has reviewed subsequent events through the date of the audit report.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 1 – Defined Benefit Pension Plan – Volunteer Pension

**General Information about the Pension Plan**

Plan Description

The Entity contributes to the Volunteer Fire Department Pension Fund (VFDP), an agent multiple-employer Public Employee Retirement System (PERS) administered by the Fire & Police Pension Association (FPPA). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>. For the measurement period ending December 31, 2017, the Plan included membership of 27 retirees and beneficiaries, 5 inactive, non-retired members, and 5 active members for a total of 37 members.

Benefits Provided.

Normal Retirement

A member is eligible for a normal retirement pension once the member has completed twenty years of credited service and has attained the age of 50. The monthly regular retirement benefit is \$600. A supplemental monthly pension payment to a volunteer who has attained the age of 50 years and who has been in active service in excess of 20 years can receive an extended service amount up to 5% of the monthly pension amount per additional year of service. The amount cannot exceed a maximum of ten additional years.

Vested Retirement

A member with 10 or more but less than 20 years of service is eligible to receive a benefit of \$30 per month times the number of vesting years.

Disability Retirement Benefit

A member is eligible for short-term disability for injuries in the line of duty of \$300 payable for not more than a year and \$600 long-term disability for injuries in the line of duty. Long-term disability is a lifetime benefit.

Survivor Benefits

Survivor benefits are available at one-half of the amount of the normal retirement pension, or \$300 per month. This amount is available to a survivor following death after normal retirement, following death in the line of duty as a volunteer firefighter before retirement eligible, and \$300 following death after disability retirement. An additional amount of \$15 per month is available following death after normal retirement with extended service amount per year of service and following death after vested retirement with 10 to 20 years of service per year of service. Survivors may include spouse, child under 18 years of age, or dependent parent. This annuity shall cease if the surviving spouse or dependent parent remarries and dissolution of a subsequent marriage does not reinstate the annuity. Whenever the pension board increases the retirement pension payable to volunteer firefighters, that increase will also be applied to the pension benefits of survivors of firefighters killed in the line of duty.

Funeral Benefits

A one-time funeral benefit is paid of \$1,200 in the event of a death of a member.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 1 – Defined Benefit Pension Plan – Volunteer Pension-continued

**General Information about the Pension Plan-continued**

Contributions.

The Entity contributes from proceeds of a property tax mill levy. The Plan is construed and enforced in accordance with Colorado Revised Statute Title 31, Article 30. Per CRS 31-30-1112, State contributions to any municipality or district must equal ninety percent of all amounts contributed by the municipality or district under section 31-30-1110 in the previous year, but, notwithstanding any other provision of this part 11, the state contribution shall not exceed one-half mill on the previous net valuation for assessment of the municipality or district assuming one hundred percent collection. For 2018, the Entity contributed \$16,000 and the state's matching contribution was \$14,400.

**Pension Liabilities/ (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2018, the Entity reported a net pension liability/ (asset) of \$(157,479). The net pension liability/ (asset) were measured as of December 31, 2017, and the total pension liability 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, 2018, the Entity recognized pension expense of \$xx,xxx. At December 31, 2018, the Entity 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	\$ -	\$ 45,676
Assumption Changes	20,933	-
Net difference between projected and actual earnings on pension plan investments	<span style="color: red;">(29,537)</span>	-
Total	<u>\$ (8,604)</u>	<u>\$ 45,676</u>

\$16,000 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: Net Inflows of Resources.	
2018	\$ 8,167
2019	\$ 6,688
2020	\$ 16,046
2021	\$ 23,379
Thereafter	<u>\$ -</u>
Total	<u>\$ 54,280</u>

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 1 – Defined Benefit Pension Plan – Volunteer Pension-continued

**General Information about the Pension Plan-continued**

**Pension Liabilities/ (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-continued**

Actuarial Assumptions.

Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2017 determines the contribution amounts for 2017 and 2018. The valuation used the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Amortization Period	20 Years*
Asset Valuation Method	5-Year Smoothed market
Inflation	3.0%
Investment Rate of Return	7.5%
Projected Salary Increases	N/A
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.*

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. At its July 2011 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the Fire & Police Pension Association's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future.

The assumption shown above pertains to the actuarial valuations beginning January 1, 2017 and the associated actuarially determined Contribution for the year ending December 31, 2016. The primary changes, which can be observed in the January 1, 2018 valuation, as compared to the assumptions shown are as follows:

Inflation	2.50%
Mortality	<b>Pre-retirement:</b> 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. <b>Post-retirement:</b> 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.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 1 – Defined Benefit Pension Plan – Volunteer Pension-continued

**General Information about the Pension Plan-continued**

**Pension Liabilities/ (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-continued**

Actuarial Assumptions-continued

Mortality                    **Disabled:**RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic nominal rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Global Public Equity	37.00%	8.33%
Equity Long/Short	9.00%	7.15%
Private Capital	24.00%	9.70%
Fixed Income	15.00%	3.00%
Absolute Return	9.00%	6.46%
Cash	<u>2.00%</u>	2.26%

Regarding the sensitivity of the net pension liability/ (asset) to changes in the Single Discount Rate, the following presents the plans 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 % lower or one % higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability/(asset)	\$4,384	\$(157,479)	\$(294,273)

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 2 – Fire & Police Statewide Defined Benefit Plan

***General Information about the Fire & Police Statewide Defined Benefit Plan***

Plan description.

The Plan is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.FPPA.org>.

Benefits provided.

A member is eligible for a normal retirement pension once the member has completed 25 years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2% 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% 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% 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% 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% of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5% 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 this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

Members of this Plan and their employers are contributing at the rate of 10.0% and 8%, respectively, of base salary for a total contribution rate of 18.0% in 2018. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

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

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 2 – Fire & Police Statewide Defined Benefit Plan-continued

***General Information about the Fire & Police Statewide Defined Benefit Plan-continued***

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

Basis of Presentation

The underlying financial information used to prepare the Schedule of Employer Contributions and Schedule of Collective Pension Amounts is based on FPPA's financial statements. FPPA follows the accounting principles and reporting guidelines as set forth by Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of FPPA. Employer contributions in FPPA's financial statements are recognized in the period in which the contributions are due

Employer contributions received and processed within the year ended December 31, 2017 are used as the basis for reporting within the Schedule of Employer Contributions. As reported in FPPA's Other Supplementary Schedule of Fiduciary Net Position by Participating Employer in the December 31, 2017 Comprehensive Annual Financial Report (CAFR), employer contributions to the SWDB plan were \$44,362,720 compared to total employer contribution of \$46,794,367 on the Schedule of Employer Contributions. Adjustments were made to the total employer contribution to annualize departments that joined the plan during the year, to reduce employer contributions to zero for departments that had no remaining members at year end, and for known significant adjustments of non-recurring amounts.

The Schedule of Collective Pension Amounts represents total pension amounts for the SWDB plan. This schedule excludes employer-specific deferral amounts that may need to be recognized to comply with Governmental Accounting /standards Board (GASB) Statement No. 68, Accounting, and Financial Reporting for Pensions. Specifically, this schedule excludes deferral amounts arising from changes in employer proportion, differences between contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date as defined in paragraph 54 through 57 of GASB Statement No. 68.

Contributions to the Plan from the Department were \$77,481 for the year ended December 31, 2018.

Actuarial Valuation Dates

The collective total pension liability as of December 31, 2017 is based upon the January 1, 2018 actuarial valuation. The actuarially determined contributions as of December 31, 2017 are based upon the January 2017 actuarial valuation.

Actuarial assumptions.

The actuarial valuation for the Statewide Defined Benefit Plan was 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 assumptions 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 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0 – 14.0 percent
Cost of Living Adjustment	0.0 percent
Inflation	2.5 percent

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 2 – Fire & Police Statewide Defined Benefit Plan-continued

***General Information about the Fire & Police Statewide Defined Benefit Plan-continued***

Actuarial Assumptions-continued

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employees 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Rate of Return</b>
Global Equity	37.0%	8.33%
Equity Long/Short	9.0%	7.15%
Illiquid Alternatives	24.0%	9.70%
Fixed Income	15.0%	3.00%
Absolute Return	9.0%	6.46%
Managed Futures	4.00%	6.85%
Cash	<u>2.00%</u>	2.26%
<b>Total</b>	<b><u>100%</u></b>	

The discount rate used to measure the total pension liability was 7.5%. 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 of the Board's funding policy, which establishes the contractually required rates under Colorado statute. 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.

At December 31, 2018, the Department reported a net asset of (\$321,424) for its proportionate share of the net pension liability/ (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability/ (asset) was determined by an actuarial valuation as of that date. **The Department's proportion of the net pension liability/ (asset) was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating Departments, actuarially determined.** At December 31, 2018, the Department's proportion was .176 percent, which was an increase/ (decrease) of (.13) percent from its proportion measured as of December 31, 2017.

**CLIFTON FIRE PROTECTION DISTRICT**

Notes to Financial Statements

December 31, 2018

**Note 2 – Fire & Police Statewide Defined Benefit Plan-continued**

**General Information about the Fire & Police Statewide Defined Benefit Plan-continued**

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%.

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, calculated using a Single Discount of 7.5%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	<b>1.00% Decrease</b>	<b>Current Discount Rate</b>	<b>1.00% Increase</b>
Department's proportionate share of the net pension liability/(asset)	\$275,073	\$(252,661)	\$(690,877)

For the year ended December 31, 2018, the Department recognized pension expense of \$107,039. At December 31, 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ 182,214	\$ 2,800
Changes in assumptions	38,069	-
Net difference between actual and projected earnings on pension plan investments	-	85,792
Changes in proportion and differences between Department contributions and proportionate share of contributions	-	-
Department contributions subsequent to the measurement date	77,481	-

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 2 – Fire & Police Statewide Defined Benefit Plan-continued

**General Information about the Fire & Police Statewide Defined Benefit Plan-continued**

Discount rate-continued

\$243,773 reported as deferred outflows of resources related to pensions resulting from Department 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	\$	29,941
2019		26,034
2020		(10,430)
2021		(23,953)
2022		26,846
Thereafter		83,255

Pension plan fiduciary net position

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

Note 3 - Change in Capital Asset

	Balance <u>12/31/2017</u>	Additions	Deletions	Balance <u>12/31/2018</u>
Buildings	\$ 797,322	\$ 178,809	\$ -	\$ 976,131
Fire vehicles & equipment	1,674,201	20,693	-	1,694,894
Medical vehicles & equipment	612,201	109,879	61,283	660,797
Office equipment	109,477	-	-	109,477
Fixed assets being depreciated	3,193,201	309,381	61,283	3,441,299
Less Accumulated depreciation	<u>(2,288,471)</u>	<u>(122,570)</u>	<u>28,328</u>	<u>(2,382,713)</u>
Net	904,730	186,811	32,955	1,058,586
Land	90,011	-	-	90,011
CIP New fire house	125,896	127,040	99,735	153,201
Net Fixed Assets	<u>\$1,120,637</u>	<u>\$ 313,851</u>	<u>\$ 132,690</u>	<u>\$1,301,798</u>

In 2018, the Districts depreciation was \$123,439. The depreciation was charged directly to the various functions as follows:

Administration	\$ 3,692
Fire vehicles & equipment	61,039
Grounds & building	25,355
Ambulance & equipment	<u>32,484</u>
Total	<u>\$ 122,570</u>

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 4 - Budget to Actual Comparison

	<u>General Fund</u>
Revenue and other financing resources	
GAAP Basis	\$ 3,364,868
Modification to GAAP Basis	
Carryover from prior year	<u>475,000</u>
Resources Budgetary Basis	3,839,868
18 Budgeted Resources	<u>(3,404,250)</u>
Variance Favorable (Unfavorable)	<u>\$ 435,618</u>
Expenditures-GAAP Basis	\$ 2,334,623
Modification to GAAP Basis	
Capital Outlays	336,686
Depreciation	<u>(122,569)</u>
Lease purchases	44,405
Pension Activity	<u>268,137</u>
Expenditures Budget Basis	2,861,282
18 Budgeted Expenditures	<u>(3,552,670)</u>
Variance favorable (Unfavorable)	<u>\$ 691,388</u>

Note 5 – Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 100% of the uninsured deposits. Collateral in the pool is considered equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2018, the District's cash deposits had a bank balance of \$350,307 of which \$314,828 was covered by federal depository insurance, and \$35,479 was collateralized.

At December 31, 2018, the deposits of the governmental activities consisted of the following:

Cash in demand accounts	\$ 350,307
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Investments

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

- Repurchase agreements;
- Obligations of the United States or obligations unconditionally guaranteed by the United States;
- Obligations of the State of Colorado and most general obligations of units of local governments;
- Federally insured mortgages and student loans;
- Participation with other local governments in pooled investment funds (trusts). These trusts are supervised by participating governments and must comply with the same restrictions on cash deposits and investments.

The District's investment policy follows Colorado statutes.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

Note 5 – Deposits and Investments-continued

Investments-continued

At year-end, the District had invested \$584,574 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. This pool is not required to and is not registered with the SEC. COLOTRUST funds are rated AAA by Standard and Poor's, an AAR/V1+ from Fitch's and an Aaa from Moody's rating services.

Summary of Investments Held by the District:

ColoTrust (Measured at Net Asset Value)	\$ 584,574
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Fair Value

The County categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

**Level 1:** Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3:** Unobservable inputs for an asset or liability.

Note 6 – Long-term Debt

Long-term liability activity for the year ended December 31, 2018 was as follows:

	January1, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2018</u>
Compensated Absences	\$ 211,139	70,987	\$ -	\$ 282,126
Capital Lease	<u>233,165</u>	-	<u>44,406</u>	<u>188,759</u>
	<u>\$ 444,304</u>	<u>\$ 70,987</u>	<u>\$ 44,405</u>	<u>\$ 470,885</u>

An election was held in 2000, and passed, that would allow the District to keep an additional \$250,000 each year, over the TABOR calculation, for the payment of the lease purchase on the fire truck. The District, through a ballot question in November, 2018 has de-Gallagerized.

CLIFTON FIRE PROTECTION DISTRICT  
Notes to Financial Statements  
December 31, 2018

Note 7 - Tax, Spending, and Debt Limitation

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, 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.

The District believes it is compliance with this amendment.

Note 8 - Capital Lease Commitment

The District leases a fire truck with lease terms through February 2022. Obligations under the capital lease have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at the interest rate of 5.25%. The capitalized cost of \$668,857 is included in the fixed assets - vehicles.

Fire Truck

<u>Payment Date</u>	<u>Payment Amount</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 55,782	\$ 46,783	\$ 8,999
2020	55,782	49,288	6,494
2021	55,782	51,927	3,855
2022	41,836	40,762	1,074
	<u>\$ 209,182</u>	<u>\$ 188,760</u>	<u>\$ 20,422</u>

In 2013, the District entered into a lease purchase agreement to purchase a new chassis and retrofit a box from an old ambulance to it. The cost of the retrofit, with the book value of the box is \$126,283. The lease was paid off in 2018.

For the year ended December 31, 2018, the District expended \$11,376 in interest expense as a direct function of firefighting and rescue activities.

CLIFTON FIRE PROTECTION DISTRICT  
Notes to Financial Statements  
December 31, 2018

Note 9 – Fund Balance Classification Policies and Procedures

The District has implemented GASB 54, Fund Balance Classification. With this new GASB, the fund balance is broken into five classifications. (1) Non-spendable – not in spendable form, (2) Restricted-fund constrained by external parties, (3) Committed – constraints on use of funds imposed by the highest level of decision making authority, in the Districts case that is the Board of Directors. The funds must be established, modified or rescinded by use of resolution of the Board. (4) Assigned – funds intended to be used for a specific purpose, where the intent is expressed by an official authorized by the governing board, in the Districts case that is the Fire Chief and (5) Unassigned – which are funds available for any purpose. The District does not have Committed or Assigned fund classification in 2018.

It is the District's policy to spend restricted fund first then unrestricted fund for the purpose for which both funds are available and committed and assigned funds are spent when expenditure is incurred for purposes for which amount in any of those unrestricted fund balance classification could be used.

The District does have fund classification as follows:

- Restricted which is dictated by Colorado State Law
- Non-spendable which is its prepaid expenses,
- Unassigned.

REQUIRED SUPPLEMENTAL INFORMATION

CLIFTON FIRE PROTECTION DISTRICT  
 Required Supplementary Information Pensions  
 December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability/ (Asset)  
 Fire & Police Statewide Defined Benefit Plan  
 As of December 31,

	<b>2018</b>	<b>2016</b>
Department's proportion of the net pension liability/(asset)	.190%	.195%
Department's proportionate share of the net pension liability/(asset)	\$ 68,749	\$ (3,437)
Department's covered-employee payroll	\$ 1,027,332	\$ 919,575
Department's proportionate share of the net pension liability/(asset) as a percentage of is covered-employee payroll	6.7%	.374%
Plan fiduciary net position as a percentage of the total pension liability	98.21%	100.1%

Schedule of Department Contributions  
 Fire & Police Statewide Defined Benefit Plan  
 As of December 31,

	<b>2018</b>	<b>2016</b>
Contractually required contribution	\$ 82,187	\$ 73,566
Contributions in relation to the contractually required contribution	\$ 82,187	\$ 73,566
Contribution deficiency (excess)	\$ -	\$ -
Department's covered-employee payroll	\$ 1,027,332	\$ 919,575
Contributions as a percentage of covered-employee payroll	8.0%	8.0%

CLIFTON FIRE PROTECTION DISTRICT  
Required Supplementary Information Pensions  
December 31, 2018

**Notes to Required Supplementary Information  
for the Year Ended December 31, 2018**

*Changes in plan provisions.* The plan provisions have not changed since the prior valuation. The member contribution rate will increase in 2018 as a result of the member election.

*Benefit Adjustments.* Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0 % to 3 %. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

*Changes of assumptions.* Beginning in the January 1, 2104 actuarial valuation, the married assumption for active members was increased from 80 % to 85 % to reflect the passage of the Colorado Civil Union Act.

CLIFTON FIRE PROTECTION DISTRICT  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Budget and Actual  
For the Year Ended December 31, 2018

	General Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
General property taxes	\$ 2,065,950	\$ 1,988,428	\$ (77,522)
Specific ownership tax	185,000	273,486	88,486
Ambulance	700,000	791,602	91,602
Interest income	2,500	16,624	14,124
Grant income	440,000	164,949	(275,051)
Fees and permits	5,000	5,130	130
Miscellaneous	5,800	124,649	118,849
Total Revenues	<u>3,404,250</u>	<u>3,364,868</u>	<u>(39,382)</u>
Expenditures:			
<b>Administrative:</b>			
Salaries	540,000	501,750	38,250
Payroll taxes and benefits	413,700	331,242	82,458
Office expense	62,500	53,608	8,892
Accounting and legal	14,500	41,106	(26,606)
Dues and fees	5,250	4,486	764
Treasurers fees	34,500	37,866	(3,366)
Director's fees	4,500	4,425	75
Contingency and all other	50,000	41,971	8,029
<b>Operations:</b>			
Salaries	969,000	920,969	48,031
Personal protective equipment	32,500	19,204	13,296
Fire operating supplies	65,000	31,034	33,966
Insurance	100,000	45,867	54,133
EMS operating supplies	79,000	87,571	(8,571)
Uniforms	18,000	9,918	8,082
Training	33,000	32,304	696
Station utilities	28,500	23,449	5,051
Station maintenance	15,000	9,626	5,374
Public education	5,500	4,883	617
Recruitment & retention	28,000	9,123	18,877
<b>Fuel/Oil/ Repair &amp; Maint.</b>			
Small tools & equipment	4,900	11,514	(6,614)
Apparatus	52,500	30,091	22,409
Station/grounds repairs	28,000	14,748	13,252
Fuel	20,500	18,275	2,225
<b>Communications</b>			
Dispatch fees	101,870	96,853	5,017
Radio & equipment maintenance	2,500	1,167	1,333
Capital outlays	30,000	20,692	9,308
<b>Ambulance Fees</b>			
Billing fees	51,450	65,905	(14,455)
Transport fees	22,500	19,860	2,640
Balance Carried Forward	<u>2,812,670</u>	<u>2,489,507</u>	<u>323,163</u>

The notes to the financial statement are an integral part of this statement.

CLIFTON FIRE PROTECTION DISTRICT  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Budget and Actual  
For the Year Ended December 31, 2018

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Balance Brought Forward	\$ 2,812,670	\$ 2,489,507	\$ 323,163
Total Current Expenditures	<u>2,812,670</u>	<u>2,489,507</u>	<u>323,163</u>
<b>Capital Outlay Major</b>	740,000	315,994	424,006
Total Expenditures	<u>3,552,670</u>	<u>2,805,501</u>	<u>747,169</u>
Revenue Over (Under) Expenditures	(148,420)	559,367	(707,787)
Other Financing Sources (Uses)			
Lease principal	(44,405)	(44,405)	-
Lease interest	(10,595)	(11,376)	781
TABOR reserve	(93,292)	-	(93,292)
Total Other Financing Sources (Uses)	<u>(148,292)</u>	<u>(55,781)</u>	<u>(92,511)</u>
Revenue and Other Financing Sources Over (Under) Expenditures	(296,712)	503,586	800,298
Fund Balance-Beginning of Year	475,000	764,579	289,579
Fund Balance-End of Year	<u>\$ 178,288</u>	<u>\$ 1,268,165</u>	<u>\$ 1,089,877</u>

The notes to the financial statement are an integral part of this statement.