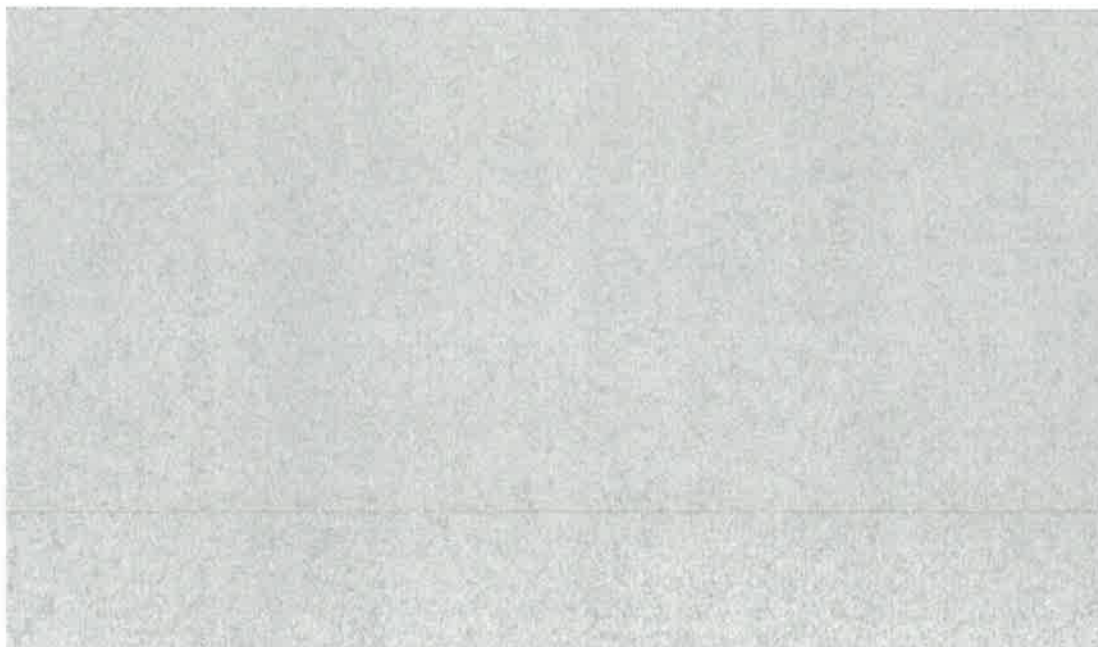


SOUTH FORK FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

December 31, 2018



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

SOUTH FORK FIRE PROTECTION DISTRICT
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December 31, 2018

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
South Fork Fire Protection District
South Fork, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Fork Fire Protection District (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.

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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Fork Fire Protection District, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Other Matters

Required Supplementary Information

The District has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the pension information on pages 20 through 22 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 03, 2019

SOUTH FORK FIRE PROTECTION DISTRICT

BASIC FINANCIAL STATEMENTS

SOUTH FORK FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
December 31, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 477,601
Property taxes receivable	248,032
Ambulance receivable (net of allowance for uncollectible accounts of \$270,121)	226,997
Due from other governments	3,966
Total Current Assets	<u>956,596</u>
Noncurrent Assets	
Net pension asset	34,089
Capital assets	
Land	71,520
Historical collection	35,000
Buildings	557,862
Machinery and equipment	271,320
Vehicles	895,256
Less: accumulated depreciation	<u>(538,284)</u>
Total Noncurrent Assets	<u>1,326,763</u>
TOTAL ASSETS	<u>2,283,359</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>45,092</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>45,092</u>
LIABILITIES	
Current Liabilities	
Accounts payable	7,563
Payroll liabilities	9,534
Total Current Liabilities	<u>17,097</u>
Total Long-Term Liabilities	<u>-</u>
TOTAL LIABILITIES	<u>17,097</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	248,032
Pensions	<u>27,659</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>275,691</u>
NET POSITION	
Net investment in capital assets	1,292,674
Restricted for labor reserve	28,321
Unrestricted	<u>714,668</u>
TOTAL NET POSITION	<u><u>\$ 2,035,663</u></u>

The accompanying notes are an integral part of this financial statement.

SOUTH FORK FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position Primary Government
Primary Government:					
Governmental Activities:					
Administration	\$ 197,461	\$ -	\$ -	\$ -	\$ (197,461)
Emergency Services	597,946	562,435	144,560	246,629	355,678
Total Governmental Activities	\$ 795,407	\$ 562,435	\$ 144,560	\$ 246,629	158,217
General Revenues:					
Taxes					270,609
Interest					481
Gain on Sale of Capital Asset					9,099
Other					3,034
Total General Revenues					283,223
Change in Net Position					441,440
Net Position at Beginning of Year					1,594,223
Net Position, End of Year					\$ 2,035,663

The accompanying notes are an integral part of this financial statement.

SOUTH FORK FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2018

	GENERAL FUND
ASSETS	
Cash and cash equivalents	\$ 477,601
Property taxes receivable	248,032
Ambulance receivable (net of allowance for uncollectible accounts of \$270,121)	226,997
Due from other governments	3,966
TOTAL ASSETS	\$ 956,596
LIABILITIES	
Accounts payable	\$ 7,563
Payroll liabilities	9,534
TOTAL LIABILITIES	17,097
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	248,032
FUND BALANCES	
Restricted	
Tabor reserve	28,321
Unassigned	663,146
TOTAL FUND BALANCES	691,467
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 956,596

The accompanying notes are an integral part of this financial statement.

**SOUTH FORK FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
December 31, 2018**

Total Governmental Fund Balance	\$	691,467
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,292,674
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.		45,092
Net pension assets (liabilities) are not due and payable in the current period and are not reported in the funds		34,089
Certain amounts related to the net pension liability/asset are deferred and amortized over time. These are not reported in the funds.		<u>(27,659)</u>
Net position of governmental activities	\$	<u><u>2,035,663</u></u>

The accompanying notes are an integral part of this financial statement.

**SOUTH FORK FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2018**

	GENERAL FUND
REVENUES	
Taxes	\$ 270,609
Charges for Services	562,435
Intergovernmental Revenue - Ambulance Services	99,955
Intergovernmental Revenue - Grants	7,529
Donations	44,605
Interest	481
Other	3,034
	988,648
TOTAL REVENUES	988,648
 EXPENDITURES	
Administration	227,858
Emergency services	478,955
Capital outlay	57,666
	764,479
TOTAL EXPENDITURES	764,479
Excess (deficiency) of revenues over expenditures	224,169
 OTHER FINANCING SOURCES (USES)	
Sale of Capital Assets	9,099
	9,099
TOTAL OTHER FINANCING SOURCES (USES)	9,099
Net Change in Fund Balance	233,268
Fund Balance, Beginning of year	458,199
Fund Balance, End of year	\$ 691,467

The accompanying notes are an integral part of this financial statement.

**SOUTH FORK FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018**

Net change in fund balances - total governmental funds \$ 233,268

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense. This is the difference
between capital outlay and depreciation expense in the current period.

Capital asset additions	85,793	
Net contributed capital assets	239,100	
Capital asset deletions	(1,264)	
Depreciation expense	<u>(145,854)</u>	
		177,775

Certain items reported in the statement of activities do not require the use of current
financial resources and are not reported as expenditures in the governmental
funds. This item consists of the change in pension expense.

30,397

Change in net position of governmental activities \$ 441,440

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

South Fork Fire Protection District is a political subdivision of the State of Colorado duly organized and existing pursuant to the Constitution and laws of the State. Its purpose is to perform emergency services in Rio Grande County from a fire house located in South Fork, Colorado.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District

Based on the aforementioned criteria, the District has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the District, except for fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and
- 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 in program revenues are reported as general revenues.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental fund:

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit and liquid investments with maturity of three months or less.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. Property tax revenue is recognized when received by the County Treasurer. The 2018 property tax levy due January 1, 2019 has been recorded in the financial statements as a receivable and corresponding deferred inflows of resources.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$20,000 and has a life of more than one year. Capital assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Vehicles & Equipment	5-20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section of deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that period.

Compensated Absences

A liability for compensated absences has not been recorded in the accounts. Due to the voluntary nature of this organization, absences are not compensated.

Long-Term Obligations

Long-term debt and other long term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as debt service expenditures.

Pensions

The District participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension fund administered by the Fire and Police Pension Association of Colorado (“FPPA”). The net pension asset, deferred outflows of resources, deferred inflows of resources related to pension, pension expense, information about the fiduciary net position and additions to/deletions 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.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted components of net position.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance*- amounts that cannot be spent because they are not in spendable form- such as inventory and prepaid expenditures.
- *Restricted Fund Balance*- amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*- amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of Directors, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance*- amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Directors or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*- amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

Encumbrances

The District does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

South Fork Fire Protection District follows the procedures set forth in the Colorado Local Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 15 of each year.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution no later than December 31.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP) with the exception of the General Fund. All budget amounts presented reflect the original budget and the final amended budget, if applicable. The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The District did adopt supplemental appropriations during fiscal year 2018.

NOTE 3 CASH AND DEPOSITS

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds 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 the aggregate uninsured deposits. All deposits in 2018 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2018, \$222,130 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2018, the District had an estimated property tax receivable as follows:

<i>Governmental Activities:</i>	
General Fund	<u>\$ 248,032</u>

NOTE 5 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants and amounts held in trust with the County Treasurer. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. Taxes collected by the County Treasurer are received the following month.

As of December 31, 2018, the District had \$3,966 due from local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Balance</u> 12/31/2017	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2018
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Land	\$ 71,520	\$ -	\$ -	\$ 71,520
Historical Collection	-	35,000	-	35,000
Total capital assets not being depreciated	<u>71,520</u>	<u>35,000</u>	<u>-</u>	<u>106,520</u>
Capital assets being depreciated				
Buildings and Building Improvements	524,480	33,382	-	557,862
Equipment	230,343	42,873	1,896	271,320
Vehicles	575,256	320,000	-	895,256
Total capital assets being depreciated	<u>1,330,079</u>	<u>396,255</u>	<u>1,896</u>	<u>1,724,438</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	52,448	14,781	-	67,229
Equipment	65,507	27,882	632	92,757
Vehicles	168,745	209,553	-	378,298
Total accumulated depreciation	<u>286,700</u>	<u>252,216</u>	<u>632</u>	<u>538,284</u>
Total Capital Assets being depreciated, net	<u>1,043,379</u>	<u>144,039</u>	<u>1,264</u>	<u>1,186,154</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 1,114,899</u>	<u>\$ 179,039</u>	<u>\$ 1,264</u>	<u>\$ 1,292,674</u>

Net additional capital assets of \$239,100 (fair market value \$345,462 and accumulated depreciation \$106,362) were identified as contributed to the District.

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

Governmental Activities:	
Emergency Services	<u>\$ 145,854</u>
Total depreciation expense - governmental activities	<u><u>\$ 145,854</u></u>

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 FIREMEN'S PENSION PLAN

General Information about the Fire and Police Statewide Defined Benefit Plan

Plan description. The Statewide Defined Benefit Plan (SWDB) 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.FPPAco.org>.

Benefits provided. 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.

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 of the Consumer Price Index.

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited 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. 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 a rate of 9.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 17.5 percent in 2017. In 2014, the members elected to increase the member contribution rate to the 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 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions to the Plan from the District were \$15,373 for the year ended December 31, 2018.

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

At December 31, 2018, the District reported an asset of \$34,089 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined as of December 31, 2017, based upon the January 1, 2017 actuarial valuation. At December 31, 2017, the District's proportion was 0.024 percent, which was an increase of 0.0071 from its proportion measured as of December 31, 2016.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

For the year ended December 31, 2018, the District reduced pension expense by \$30,397. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 24,583	\$ 378
Net difference between projected and actual earnings on pension plan investments	-	11,574
Changes in assumptions and other inputs	5,136	-
Changes in proportionate share	-	15,707
Contributions subsequent to the measurement date	15,373	-
Total	\$ 45,092	\$ 27,659

\$15,373 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension liability (asset) 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	
2019	\$ 1,872
2020	1,345
2021	(3,575)
2022	(5,399)
2023	1,454
Thereafter	6,363
	\$ 2,060

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, 2017. 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*	7.50%
Projected Salary Increases*	4.0%-14.0%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.50%

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

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

and 2% mortality probability for females is included to reflect substantial impairment for this populations. 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:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	37.00%	8.33%
Equity Long/Short	9.00%	7.15%
Illiquid Alternatives	24.00%	9.70%
Fixed Income	15.00%	3.00%
Absolute Return	9.00%	6.46%
Managed Futures	4.00%	6.85%
Cash	2.00%	2.26%
Total	100%	

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 3.31% (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%.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

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 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%)
\$ 37,113	\$ (34,089)	\$ (93,214)

NOTE 8 DEFERRED COMPENSATION PLAN

The District also offers its employees an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code 457(b), administered by the Fire & Police Pension Association of Colorado (FPPA).

The Plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies. The District has no other liability other than to make the required monthly contributions.

NOTE 9 TABOR EMERGENCY RESERVE

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 amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

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.

On November 5, 2013, voters approved a ballot question which stated that the District be authorized to collect, retain, and spend all money collected from property taxes and all other revenue sources, beginning in levy year 2013 and every year thereafter as a voter-approved exception to the revenue and spending limits of Article X, Section 20 of the Colorado Constitution, the 5.5% property tax limitation of section 29-1-301, Colorado Revised Statutes, and any other law; provided that the District's property tax rate shall not be increased without the voter's approval.

The amendment also requires Emergency Reserves that must be at least three percent of fiscal year spending. This Emergency Reserve has been presented as a restricted fund balance in the General Fund Balance Sheet and a restricted net position in the government-wide Statement of Net Position. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 11 COMMITMENTS AND CONTINGENCIES

The District participates in a number of grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

SOUTH FORK FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
GENERAL FUND
For the Year Ended December 31, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 261,457	\$ 261,457	\$ 270,609	\$ 9,152
Charges for Services	229,000	229,000	562,435	333,435
Intergovernmental Revenue - Ambulance Services	90,000	90,000	99,955	9,955
Intergovernmental Revenue - Grants	23,800	23,800	7,529	(16,271)
Interest	500	500	481	(19)
Donations	-	-	44,605	44,605
Other	-	-	3,034	3,034
TOTAL REVENUES	<u>604,757</u>	<u>604,757</u>	<u>988,648</u>	<u>383,891</u>
EXPENDITURES				
Administration	85,584	85,584	102,239	(16,655)
Emergency Services	516,878	516,878	478,955	37,923
Capital Outlay	-	45,750	57,666	(11,916)
TOTAL EXPENDITURES	<u>602,462</u>	<u>648,212</u>	<u>638,860</u>	<u>9,352</u>
Excess (deficiency) of revenues over expenditures	2,295	(43,455)	349,788	393,243
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Fixed Asset	-	-	9,099	9,099
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>9,099</u>	<u>9,099</u>
Net Change in Fund Balance - Budget Basis	2,295	(43,455)	358,887	402,342
Less: Bad Debt Expense			<u>(125,619)</u>	
Net Change in Fund Balance			233,268	
Fund Balance, Beginning of year	<u>312,943</u>	<u>312,943</u>	<u>458,199</u>	<u>145,256</u>
Fund Balance, End of year	<u>\$ 315,238</u>	<u>\$ 269,488</u>	<u>\$ 691,467</u>	<u>\$ 547,598</u>

**SOUTH FORK FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION (ASSET) LIABILITY
FPPA SWDB PENSION PLAN
For the Year Ended December 31,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0236951597%	0.0165890776%	0.0175339993%	0.0173260989%
District's proportionate share of the net pension liability (asset)	\$ (34,089)	\$ 5,994	\$ (309)	\$ (19,554)
District's covered payroll	\$ 192,336	\$ 146,745	\$ 91,682	\$ 93,108
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-17.72%	4.08%	-0.34%	-21.00%
Plan fiduciary net position as a percentage of the total pension liability	106.3%	98.2%	100.1%	106.8%

*The amounts presented were determined as of the calendar year-end.

**This schedule is presented to illustrate the requirement to show information for 10 years. The District joined FPPA in 2014, therefore, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 7 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs.

**SOUTH FORK FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FPPA SWDB PENSION PLAN
For the Year Ended December 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractual required contribution	\$ 15,373	\$ 11,740	\$ 6,893	\$ 7,367
Contributions in relation to the contractually required contribution	<u>(15,373)</u>	<u>(11,740)</u>	<u>(6,893)</u>	<u>(7,367)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	192,336	146,745	91,682	93,108
Contributions as a percentage of covered payroll	8%	8%	8%	8%

**This schedule is presented to illustrate the requirement to show information for 10 years. The District joined FPPA in 2015, therefore, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Note to Required Supplementary Information:

See Note 7 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs.