

STRASBURG FIRE PROTECTION DISTRICT NO. 8

STRASBURG, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2018



Crady, Puca & Associates

Certified Public Accountants & Consultants

**STRASBURG FIRE PROTECTION DISTRICT NO. 8
STRASBURG, COLORADO**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Strasburg Fire Protection District No. 8
Strasburg, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Strasburg Fire Protection District No. 8 (the "District"), as of and for the year ended December 31, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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 Strasburg Fire Protection District No. 8, as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through vii and the pension schedules on pages 27-32 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Changes in Net Position – Budget and Actual – Pension Fund on page 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Crady, Puca & Associates

Aurora, Colorado
July 18, 2019

STRASBURG FIRE PROTECTION DISTRICT NO. 8

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As management of the Strasburg Fire Protection District, (the "District"), we offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2018.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018

- Total government-wide revenue increased by \$188,181 or 27% from \$701,431 to \$889,592 in the current year.
- Government-wide operating expenses decreased by \$242,757 or 29% from \$828,393 to \$585,636 in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary 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 statements of a private-sector business.

The statement of net position presents information on all the District's assets, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the 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 are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through use fees and charges (business-type activities). The governmental activities of the District include fire, medical, and inspection. There are no business-type activities at the District.

The District's government-wide statements can be found on pages 1 to 2 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. All 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 government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains one governmental fund, the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for all major funds.

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

The basic governmental fund financial statements can be found on pages 3 to 6 of this report.

FIDUCIARY FUNDS

The District maintains one fiduciary fund, the pension fund, to account for resources held in trust for retirees and beneficiaries covered under the District's volunteer pension plan. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is an accrual basis.

The basic fiduciary fund financial statements can be found on pages 7 to 8 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 9 to 26 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's Pension Fund. Required supplementary information can be found on pages 27 to 32. This report also presents certain supplementary information which includes a budgetary comparison schedule for the Pension Fund on page 33.

FINANCIAL ANALYSIS OF OVERALL GOVERNMENT-WIDE STATEMENTS

As noted earlier, net position over time, may serve as a useful indicator of the District's financial position.

Strasburg Fire Protection District's Net Position

	<u>Governmental Activities</u>		Dollar
	<u>2018</u>	<u>2017</u>	Increase <u>(Decrease)</u>
<u>Assets:</u>			
Cash and other	\$ 1,911,074	\$ 1,500,741	\$ 410,333
Capital assets	751,513	827,180	(75,667)
Total assets	2,662,587	2,327,921	334,666
<u>Deferred outflow of resources:</u>			
Deferred outflows related to the pension	69,342	66,727	2,615
<u>Liabilities:</u>			
Other liabilities	74,046	45,233	28,813
Long-term liabilities	568,317	646,866	(78,549)
Total liabilities	642,363	692,099	(49,736)
<u>Deferred inflow of resources:</u>			
Unavailable revenue - property taxes	555,439	512,147	43,292
Deferred inflows related to the pension	40,129	360	39,769
Total deferred inflows of resources	595,568	512,507	83,061
<u>Net position:</u>			
Net investment in capital assets	751,513	827,180	(75,667)
Restricted	175,982	45,789	130,193
Unrestricted	566,503	317,073	249,430
Total net position	\$ 1,493,998	\$ 1,190,042	\$ 303,956

As of December 31, 2018, approximately 50% of the District’s net position reflects its investment in capital assets, which includes land, fire stations, vehicles and equipment. The District uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. A portion of the District’s net position, 11%, represents resources that are subject to restrictions including Colorado Constitutional restrictions and capital expenditures. The remaining unrestricted net position, \$566,503 or 39% may be used to meet the District’s ongoing obligations.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position. This same situation held true in the prior year. Overall, the District’s net position decreased \$303,956 from the prior year. The increase resulted from revenue in excess of current year expenditures primarily due to insurance proceeds in the amount of \$97,635 and reduction in pension expense.

Strasburg Fire Protection District’s Change in Net Position

	<u>2018</u>	<u>2017</u>	Dollar Increase (Decrease)
<u>Revenues:</u>			
Program revenues:			
Emergency medical services	\$ 149,443	\$ 136,471	\$ 12,972
Capital grants and contributions	25,000	25,000	-
General revenues:			
Property taxes	511,146	457,032	54,114
Specific ownership taxes	41,914	42,419	(505)
Impact fees	49,931	28,878	21,053
Investment earnings	1,522	1,507	15
Miscellaneous	110,636	10,124	100,512
Total revenues	889,592	701,431	188,161
<u>Expenditures/expenses:</u>			
Operating expenses:			
Firefighting and inspection	535,775	772,255	236,480
Emergency medical services	49,861	56,138	6,277
Total expenditures and expenses	585,636	828,393	242,757
Change in net position	303,956	(126,962)	430,918
Net position – beginning	1,190,042	1,317,004	(126,962)
Net position – ending	\$ 1,493,998	\$ 1,190,042	\$ 303,956

Total revenues increased by \$188,161 in 2018 as compared to 2017. Increase due to an increase in impact fees and property taxes due to growth in the area as well as insurance proceeds. Expenditures decreased by approximately \$242,757 primarily due to the significant reduction in pension expense related to the two defined benefit pension plans funded by the District. The net of this activity resulted in a positive change in current year net position.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. At the end of 2018, unassigned fund balance was \$1,012,630. In the current year, the increase in unassigned fund balance was approximately \$167,000 compared to the prior year primarily due to an increase in revenue related to an increase in property tax and impact fee revenue as well as insurance proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2018 budget reflects an expectation of actual receipts and expenditures. In total the District budgeted revenue in the amount of \$753,197 but instead earned revenue of \$886,288. The increase of \$133,091 was primarily the result of unbudgeted insurance proceeds received in the current year. In total, the District budgeted to spend \$658,700, but instead managed to spend only \$580,445. This variance is related to the fact that capital expenditures were not incurred as expected.

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of December 31, 2018 amounted to \$751,513, net of accumulated depreciation. This investment in capital assets includes land, fire stations, vehicles and equipment. The total decrease in capital assets for the current fiscal year was approximately \$76,000, the decrease was due to current year depreciation costs in excess of current year capital additions.

Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements starting on page 17.

NEXT YEAR'S BUDGET

The District's fund balance at the end of the 2018 fiscal year totaled \$1,209,505. The District's 2019 budget anticipates an ending balance of approximately \$1,000,013.

REQUEST FOR INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Strasburg Fire Protection District at P.O. Box 911, Strasburg, Colorado 80136.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Statement of Net Position
December 31, 2018

	Total Governmental Activities
Assets:	
Cash and investments	\$ 1,088,665
Receivables:	
Due from county treasurer	3,526
Accounts receivable, net	63,959
Property tax receivable	555,439
Prepaid expense	20,893
Restricted cash and investments	148,982
Net pension asset	29,610
Capital assets, not being depreciated	47,921
Capital assets, net of accumulated depreciation	703,592
Total assets	2,662,587
Deferred outflows of resources:	
Deferred outflows related to pensions	69,342
Total deferred outflows of resources	69,342
Liabilities:	
Accounts payable	27,194
Accrued liabilities	13,822
Due to the pension fund	31,963
Compensated absences	
Due within one year	1,067
Net pension liability	568,317
Total liabilities	642,363
Deferred inflows of resources:	
Deferred inflows related to pensions	40,129
Unavailable revenue - property taxes	555,439
Total deferred inflows of resources	595,568
Net position:	
Net investment in capital assets	751,513
Restricted for emergencies	27,000
Restricted for capital improvements	148,982
Unrestricted	566,503
Total net position	\$ 1,493,998

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues			Net (expense) revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Functions/Programs:					
Primary government:					
Governmental activities:					
Firefighting and inspection	\$ 535,775	\$ -	\$ 25,000	\$ -	\$ (510,775)
Emergency medical services	49,861	149,443	-	-	99,582
Total Primary Government	\$ 585,636	\$ 149,443	\$ 25,000	\$ -	(411,193)
General revenues:					
Property taxes					511,146
Specific ownership taxes					41,914
Impact fees					49,931
Investment earnings					1,522
Insurance proceeds					97,635
Miscellaneous					13,001
Total general revenues					715,149
Change in net position					303,956
Net position - beginning of year					1,190,042
Net position - end of year					\$ 1,493,998

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

FUND FINANCIAL STATEMENTS

STRASBURG FIRE PROTECTION DISTRICT No. 8**Balance Sheet****Governmental Funds****December 31, 2018**

	Total Governmental Funds
Assets:	
Cash and investments	\$ 1,088,665
Due from county treasurer	3,526
Accounts receivable, net of allowance	63,959
Property tax receivable	555,439
Prepaid expense	20,893
Restricted cash and investments	148,982
Total assets	\$ 1,881,464
Liabilities:	
Accounts payable	\$ 27,194
Accrued payroll liabilities	13,822
Due to the pension fund	31,963
Total liabilities	72,979
Deferred inflows of resources:	
Unavailable revenue - ambulance	43,541
Unavailable revenue - property taxes	555,439
Total deferred inflows of resources	598,980
Fund balance:	
Nonspendable, prepaids	20,893
Restricted for enabling legislation	27,000
Restricted for capital improvements	148,982
Unassigned	1,012,630
Total fund balance	1,209,505
Total liabilities, deferred inflows of resources and fund balance	\$ 1,881,464
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance - governmental funds	\$ 1,209,505
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	751,513
Net pension assets are not financial resources and therefore are not reported in the funds.	29,610
Deferred outflows related to pensions are not financial resources and therefore are not reported in the funds.	69,342
Deferred inflows related to pensions are not financial resources and therefore are not reported in the funds.	(40,129)
Revenues in the statement of activities that do not provide current financial resources are unavailable for the funds.	43,541
Long-term liabilities, including earned benefits payable and net pension liabilities, are not due and payable in the current period and therefore are not reported in the funds.	(569,384)
Net position of governmental activities	\$ 1,493,998

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	Total Governmental Funds
	<u> </u>
Revenues:	
Property tax	\$ 511,146
Specific ownership tax	41,914
Investment income	1,522
Impact fees	49,931
Grant income	25,000
Medical services, net of uncollectible	146,139
Insurance proceeds	97,635
Miscellaneous revenue	13,001
Total revenues	<u>886,288</u>
Expenditures:	
Current:	
Salaries and payroll taxes	157,405
Benefits	26,454
Professional fees	51,686
Office supplies	3,022
Treasurer's fees	7,667
Firefighting	88,340
EMS services and fees	36,861
Insurance	35,610
Buildings	19,617
Equipment and repairs	52,162
Volunteers	10,592
Volunteer Pension contribution	59,134
Miscellaneous	11,739
Capital Outlay:	<u>20,156</u>
Total expenditures	<u>580,445</u>
Net change in fund balance	305,843
Fund balance - beginning of year	<u>903,662</u>
Fund balance - end of year	<u><u>\$ 1,209,505</u></u>

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balance of the governmental funds \$ 305,843

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 as depreciation expense. This is the amount
by which depreciation expense exceeded capital outlay in the current year. (75,667)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. 3,304

Governmental funds report pension contributions as expenditures,
however, pension expense is reported in the statement of activities. This
is the amount by which pension contributions exceed pension expense. 71,005

Some expenses reported in the statement of activities do not require the
use of current financial resources and therefore, are not recorded as
expenditures in governmental funds. (529)

Change in net position of governmental activities \$ 303,956

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget
and Actual - General Fund
For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property tax	\$ 512,147	\$ 511,146	\$ (1,001)
Specific ownership tax	40,000	41,914	1,914
Investment income	1,000	1,522	522
Developer fees	30,000	49,931	19,931
Grants	50,000	25,000	(25,000)
Medical services, net of uncollectible	110,050	146,139	36,089
Contributions	5,000	5,562	562
Insurance proceeds	-	97,635	97,635
Miscellaneous revenue	5,000	7,439	2,439
Total revenues	753,197	886,288	133,091
Expenditures:			
Current:			
Salaries, payroll taxes and benefits	167,400	183,859	(16,459)
Professional fees	46,800	51,686	(4,886)
Office supplies	2,500	3,022	(522)
Treasurer's fees	7,500	7,667	(167)
Firefighting	72,000	88,340	(16,340)
EMS services and fees	44,500	36,861	7,639
Insurance	46,800	35,610	11,190
Buildings	22,600	19,617	2,983
Equipment and repairs	43,500	52,162	(8,662)
Volunteers	16,000	10,592	5,408
Volunteer pension contribution	55,000	59,134	(4,134)
Miscellaneous	9,100	11,739	(2,639)
Capital Outlay:	125,000	20,156	104,844
Total expenditures	658,700	580,445	78,255
Net change in fund balance	\$ 94,497	\$ 305,843	\$ 211,346

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Statement of Net Position
Fiduciary Fund
December 31, 2018

	Pension Fund
Assets:	
Cash and investments	\$ 534,652
Due from the general fund	31,963
Total assets	<u>566,615</u>
Liabilities:	
Accrued liabilities	<u>130</u>
Total liabilities	<u>130</u>
Net position:	
Net position held in trust for pension benefits	<u><u>\$ 566,485</u></u>

The accompanying notes are an integral part of this statement.

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended December 31, 2018

	Pension Fund
Additions:	
Contributions:	
District contribution	\$ 59,134
State contribution	31,963
Total contributions	<u>91,097</u>
Investment activity:	
Interest and dividends	1,373
Net investment earnings	<u>1,373</u>
Total additions	<u>92,470</u>
Deductions:	
Pension benefits	60,750
Actuarial study	4,500
Administration	50
Total deductions	<u>65,300</u>
Change in net position	27,170
Net position - beginning of year	<u>539,315</u>
Net position - end of year	<u><u>\$ 566,485</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of the Strasburg Fire Protection District No. 8 (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies consistently applied in the preparation of the financial statements.

Reporting Entity

The District is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to provide fire protection and medical support for parts of Adams and Arapahoe counties within Strasburg, Colorado. The District operates under an elected five-person board of directors.

The District complies with GASB, Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*". These statements establish standards for defining and reporting on the financial reporting entity. It defines component units as legally separate entities for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District has no component units as defined by the GASB.

Basis of Presentation

The accompanying financial statements are presented in accordance with GASB Statement No. 34.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements since the resources of the fiduciary fund are not available to the District.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the governmental activities of the District which are financed primarily by property taxes, ownership taxes, and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general and program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include 1) fees or charges to citizens and other governmental entities that receive or directly benefit from services provided by a given function or program, and 2) grants, contributions and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or program, if any, are reported separately as general revenues.

1. **Summary of Significant Accounting Policies (continued)**

Basis of Presentation

Government-Wide Financial Statements (continued)

The effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for governmental and fiduciary funds are presented.

The District reports the following governmental fund:

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

The District reports the following fiduciary fund:

Pension Fund - accounts for transactions relating to assets held by the District in the capacity of trustee for its pension plan for vested volunteer firefighters.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *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 available if they are collected within 60 days of the end of the current fiscal period with the exception of grant revenues. A six month availability period is used for grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exceptions to this general rule are that principal and interest on general long-term debt and expenditures related to compensated absences are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

The pension fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

Investments are reported at fair value.

Grants and Other Receivables

Revenue from government grants is deemed to be earned when the District incurs costs or other expenditures which satisfy the terms imposed by the respective grant contracts. Accounts receivable consist of ambulance revenues earned, reduced by the estimated portion that is expected to be uncollectible. Allowances for uncollectible accounts receivable are based upon historical trends and aging. The District has no grants receivable as of December 31, 2018.

Fair Value

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. The District categorizes its fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. At December 31, 2018, the District did not hold any investments required to be reported under fair value.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property as of January 1. At the option of the taxpayer, property taxes may be paid in full or in two equal installments. The first of such installment is to be paid as of February 28 and the second installment to be paid no later than June 15. If elected to be paid in full, amount is to be paid no later than April 30. If payments are not made timely, delinquent interest accrues. If the taxes are not paid within subsequent statutory periods, the property tax lien will be sold at public auction. The Counties bill and collect the property taxes and remit collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Property taxes are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. These amounts are recorded as revenue in the subsequent year when they are available or collected.

Interfund Receivables/Payables

Activity between funds that represent outstanding balances between funds are reported as "due to/from other funds". The outstanding balances between the funds result mainly from the time lag between the dates that (1) the interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

1. **Summary of Significant Accounting Policies (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include buildings and improvements, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed.

Normal maintenance and repairs that do not add value to assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the fixed assets. Depreciation is reported as a current charge in the statement of activities.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-30
Vehicles and equipment	5-15

Compensated Absences

The District permits employees to accumulate earned but unused vacation time, subject to certain limits in amount. Accumulated, unpaid time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category, *deferred outflows of resources related to pensions*. See Notes 5 and 6 for additional information.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as inflow of resources (revenue) until that time frame. The District has three items that qualify for reporting in this category, *unavailable revenue-property taxes*, *unavailable ambulance revenue*, and *deferred inflows of resources related to pensions*. See Note 5 for additional information on pensions. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Pension Asset and Net Pension Liability

The District's governmental activities report a net pension asset or liability related to pension plans that are administered as trusts as required under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB No. 68). GASB 68 requires local governments to recognize, as an asset or liability, their long-term obligation/benefit for pension benefits. See Notes 5 and 6 for additional information.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisitions, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted – net position, a flow assumption must be made about the order in which resources are considered to be applied. Although not included in a formal policy, the District considers restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Policies

In the fund financial statements, governmental funds report aggregate amounts for five classes of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not spendable in form which includes items such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally 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. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's highest level of decision making authority. As of December 31, 2018, the District had not adopted a policy for committed fund balance.

Assigned fund balance. This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. As of December 31, 2018, the District had not adopted a policy designating District personnel to determine amounts that may be assigned.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Although not included in a formal policy, the District considers decreases in fund balance to first reduce committed, then assigned, and then unassigned balances, in that order.

Impact Fees

The District collects impact fees on new development which is restricted for capital expenditures. For the year ended December 31, 2018, the District received \$49,931 in impact fees. The District properly restricts the unspent impact fees. The amount restricted as of December 31, 2018 amounted to \$148,982.

New GASB Pronouncements

GASB released Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, that is effective for the District for fiscal year ending December 31, 2018. This statement details the reporting requirements for employers regarding other post-employment benefit (OPEB) plans.

FPPA administers the Statewide Death & Disability Plan as discussed in Note 5, which qualifies as a cost sharing multiple employer defined benefit OPEB plan under the standard. This plan covers all active full-time (and some part-time) employees of fire and police departments in Colorado. As it pertains to the requirements in Statement No. 75 regarding the FPPA Statewide Death & Disability Plan and the District, FPPA concluded that because all contributions to the plan are considered member and not employer contributions, the employer's proportionate share of any Net OPEB liability (asset) is \$0. As such, Statement No. 75 had no impact on the District for the year ended December 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with US GAAP. State law requires the District to adopt annual appropriated budgets for all funds.

2. Stewardship, Compliance, and Accountability (continued)

Budgets and Budgetary Accounting (continued)

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

On or before October 15 of each year, the District's accountant submits to the Board of Directors a recommended budget which details the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20 commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. Spending and revenue limits are determined 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 also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service and federal grants). The District has restricted a portion of its December 31, 2018 year-end fund balance in the General Fund for emergencies as required under TABOR of \$27,000, which is the approximate required reserve at December 31, 2018.

The District's management believes it is in compliance with the provisions of TABOR, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

The District incurred expenditures in excess of appropriations in the pension fund for the year ended December 31, 2018, which may be in violation of Local Government Budget Law. The District did exceed their budgeted revenue by an amount in excess of their over expenditure.

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Notes to Financial Statements
December 31, 2018

3. Detailed Notes on the Funds

Deposits and Investments

As of December 31, 2018, cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	\$ 1,088,665
Restricted -Cash and investments	<u>148,982</u>
	<u>\$ 1,237,647</u>

The following is a summary of deposits and investments held by the District as of December 31, 2018:

<u>Type</u>	<u>Carrying Value</u>
Deposits with financial institutions	\$ 1,032,457
Certificates of deposit	205,190
<u>Total</u>	<u>\$ 1,237,647</u>

Custodial Credit Risk: The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 a minimum of 102% of the aggregate uninsured deposits.

As of December 31, 2018, all of the District's deposits and investments were held in eligible public depositories as required by PDPA.

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, State law prohibits the District from holding investments with excessive maturities. The District limits its investments to savings accounts and certificates of deposit thus the District avoids interest rate risk.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District follows the general provisions of the Colorado Revised Statutes (CRS). CRS specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments may include but are not limited to certain money market funds and certain certificates of deposit.

Accounts Receivable

As of December 31, 2018, accounts receivable, consisted of the following:

Ambulance receivable	\$ 133,153
Less: allowance for uncollectible accounts	<u>(69,194)</u>
Accounts receivable, net	<u>\$ 63,959</u>

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Notes to Financial Statements
December 31, 2018

3. Detailed Notes on the Funds (continued)

Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Construction-in-progress	2,921	-	-	2,921
Total capital assets not being depreciated	<u>47,921</u>	<u>-</u>	<u>-</u>	<u>47,921</u>
Capital assets being depreciated:				
Buildings and improvements	310,870	7,313	-	318,183
Vehicles and equipment	1,921,749	15,543	-	1,937,292
Total capital assets being depreciated	<u>2,232,619</u>	<u>22,856</u>	<u>-</u>	<u>2,255,475</u>
Less accumulated depreciation for:				
Buildings and improvements	(138,290)	(17,155)	-	(155,445)
Vehicles and equipment	(1,315,070)	(81,368)	-	(1,396,438)
Total accumulated depreciation	<u>(1,453,360)</u>	<u>(98,523)</u>	<u>-</u>	<u>(1,551,883)</u>
Total capital assets being depreciated, net	<u>779,259</u>	<u>(75,667)</u>	<u>-</u>	<u>703,592</u>
Capital assets, net	\$ <u>827,180</u>	\$ <u>(75,667)</u>	\$ <u>-</u>	\$ <u>751,513</u>

Depreciation expense was charged to the functions of the District as follows:

Governmental activities:	
Firefighting and inspection	\$ 85,523
Emergency medical services	13,000
Total depreciation expense – governmental activities	<u>\$ 98,523</u>

4. Other Information

Related Parties

For the year ended December 31, 2018, one member of the board of directors was paid \$15,405 for vehicle maintenance services and was also paid \$15 for items purchased from his business. As of December 31, 2018, \$15 was due under these agreements and is included in accounts payable.

For the year ended December 31, 2018, the District has two board members who are related. One member is the son-in-law of another board member.

Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District has acquired commercial coverage for these risks and claims, if any, and are not expected to exceed the commercial insurance coverage.

5. State Fire and Police Pension Plan (FPPA)

The District provides post-retirement pension benefits for all full-time fire prevention personnel hired after January 1, 1978, through the Statewide Defined Benefit Plan (SWDB Plan) cost-sharing multiple-employer defined benefit plan administered by Colorado Fire and Police Pension Association (FPPA). The SWDB Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for certain members through the Statewide Death and Disability Plan (D&D Plan), which is also administered by FPPA. The D&D Plan is a noncontributory plan. All full-time, paid firefighters of the District are members of the SWDB Plan and the D&D Plan. Local revenue sources are responsible for funding of the D&D Plan benefits for firefighters hired on or after January 1, 1997.

Colorado statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the SWDB and D&D plans. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Description of Benefits: A member is eligible for 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% of 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 compared to the SWDB 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 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% as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the SWDB 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 thereafter.

Contributions: The SWDB Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of membership. Members of the SWDB Plan and their employers contributed at the rate of 10% and 8%, respectively, of base salary for a total contribution rate of 18% in 2018. In 2017, members of the SWDB Plan and their employers contributed at the rate of 9.5% and 8%, respectively, of base salary for a total contribution rate of 17.5%. The members elected to increase their member contribution rate to the SWDB Plan beginning in 2015. Member contribution rates will increase .5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined rate of 20% in 2022. Contributions to the pension plan from the District were \$10,839 for the year ended December 31, 2018.

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Notes to Financial Statements
December 31, 2018

5. State Fire and Police Pension Plan (FPPA) (continued)

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At December 31, 2018, the District reported an asset of \$29,610 for its proportionate share of the SWDB net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2018. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2017, the District's proportion was .020582%, which was a decrease of .000978% from its proportion measured at December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense of \$(12,627). At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Change in proportionate share	\$ 8,496	\$ -
Difference between expected and actual experience	21,353	328
Net difference between projected and actual earnings on plan investments	-	10,054
Changes of assumptions or other inputs	4,460	-
Contributions subsequent to the measurement date	10,839	-
Total	\$ <u>45,148</u>	\$ <u>10,382</u>

Contributions of \$10,839 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as an increase in the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2019	\$ 4,677
2020	4,219
2021	(54)
2022	(1,638)
2023	4,315
Thereafter	12,408
Total	\$ <u>23,927</u>

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Notes to Financial Statements
December 31, 2018

5. State Fire and Police Pension Plan (FPPA) (continued)

Actuarial Assumptions: The actuarial valuations for the SWDB Plan were used to determine the total pension and actuarially determined contributions for the 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*	7.5%
Projected salary increases	4.0%-14.0%
Cost of living adjustment (COLA)	0.0%
* Includes inflation at	2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73-year-old healthy retiree. The total disabled post-retirement mortality assumption uses the RP-2014 generational mortality table for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and a 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.

Long-term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed 2.5%). 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 as follows:

Asset class	Target allocation	Long-term Expected Rate of Return
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	4.0%	6.85%
Cash	2.0%	2.26%
Total	100.0%	

5. State Fire and Police Pension Plan (FPPA) (continued)

Discount Rate: 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 based on the FPPA 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.

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

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1 % Increase (8.5%)
\$ 32,236	\$ (29,610)	\$ (80,965)

Changes between the measurement date of the net pension asset and December 31, 2018:

The FPPA Board completed an actuarial experience study and approved changes to the actuarial assumptions effective January 1, 2019. The inflation assumption will remain at 2.5%. The investment return assumption will be reduced from 7.5% to 7.0% to reflect the real return expected from the recent capital market date. The reduction in the investment return assumption will increase the total pension liability.

Pension Plan Fiduciary Net Position: Detailed information about the SWDB Plan's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at <http://www.fppaco.org>.

6. Volunteer Firefighters' Pension Plan

The Volunteer Firefighter's Pension Plan (the "Volunteer Plan") is a single-employer defined benefit pension plan administered by the District that provides retirement income for volunteer firefighters in recognition of their service to the District. The plan is managed with oversight by a five member Board of Trustees, consisting of three elected District officials and two volunteer firefighters. The Volunteer Plan does not issue separate stand-alone statements. Volunteer Plan information from the latest actuarial report may be obtained by contacting the Strasburg Fire Protection District, 56281 E. Colfax Avenue, Strasburg, CO 80136.

Plan Membership: For the year ended December 31, 2018, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	19
Active plan members	<u>30</u>
	<u>49</u>

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Notes to Financial Statements
December 31, 2018

6. Volunteer Firefighters' Pension Plan (continued)

Description of Benefits: Effective July 1, 2017, the Volunteer Plan, as established and amended by the plan's Board of Trustees, increased its monthly pension for volunteers from \$250 to \$300 for those who have satisfied the normal age and service requirements. It further provides death benefits and a partial pension (50% of the amount the volunteer has earned) for surviving spouses. The normal age and service requirement is the latest date a volunteer reaches 50 years of age or completes 20 years of service.

Contributions. The Volunteer Plan is funded by the District's general fund and the State of Colorado. The District is required to contribute at a rate to maintain the actuarial soundness of the plan as set by statute. The contribution requirements of the District are established under Title 31, Article 30 of CRS, as amended. The District and the State of Colorado contributed \$59,134 and \$31,963, respectively, for the year ended December 31, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: The net pension liability was measured at December 31, 2018 with an actuarial valuation as of January 1, 2019. The components of the net pension liability of Volunteer Plan at December 31, 2018 is as follows:

Total pension liability:		
Service cost	\$	23,281
Interest		31,913
Change in benefit terms		-
Difference between expected and actual experience		(25,445)
Assumptions changes		(13,295)
Benefit payments, including lump sums		(60,750)
Net change in total pension liability		<u>(44,296)</u>
Total pension liability - beginning		<u>1,179,098</u>
Total pension liability - ending	\$	<u><u>1,134,802</u></u>
Plan fiduciary net position:		
Contributions – employer	\$	59,134
Contributions - member		-
Net investment income		1,373
Benefit payments		(60,750)
Pension plan administrative expense		(4,550)
State of Colorado supplemental discretionary payment		31,963
Net change in plan fiduciary net position		<u>27,170</u>
Plan fiduciary net position – beginning (market value)		<u>539,315</u>
Plan fiduciary net position – ending (market value)	\$	<u><u>566,485</u></u>
Net pension liability	\$	<u><u>568,317</u></u>
Plan fiduciary net position as a percentage of total pension liability		<u><u>49.92%</u></u>

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Notes to Financial Statements
December 31, 2018

6. Volunteer Firefighters' Pension Plan (continued)

For the year ended December 31, 2018, the District recognized pension expense for the Volunteer Plan of \$11,595. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the Volunteer Plan from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ -	\$ 19,539
Changes of assumptions or other inputs	-	10,208
Difference between projected and actual earnings on plan investments	24,194	-
Total	<u>\$ 24,194</u>	<u>\$ 29,747</u>

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

<u>Year ended December 31,</u>	
2019	\$ (1,000)
2020	(1,000)
2021	(3,545)
2022	(8)
Total	<u>\$ (5,553)</u>

Investments: The Volunteer Plan's policy allows the Volunteer Plan to invest in interest-bearing obligations of the United States, interest-bearing bonds of Colorado, general obligations bonds of municipalities, in any depository enumerated in §24-75-603, C.R.S., and secured as provided in §11-10.5-101, et seq., C.R.S., and §11-47-101, et seq., or in such other investments authorized by C.R.S. It is the policy of the Volunteer Board to pursue an investment strategy that allows for preservation of the Volunteer Plan. As of December 31, 2018, the Volunteer Plan investments consist of money market funds and certificates of deposit insured under FDIC.

For the year ended December 31, 2018, the annual money-weighted rate of return, net of investment expense was .24%.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2019 with a measurement date of December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial method	Entry age, normal
Amortization method	Level dollar, open
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation rate	Implicit
Investment rate of return	2.75%
Projected salary increases	n/a
Cost of living adjustment (COLA)	None

STRASBURG FIRE PROTECTION DISTRICT NO. 8

Notes to Financial Statements

December 31, 2018

6. Volunteer Firefighters' Pension Plan (continued)

Mortality assumptions have been updated since the prior valuation. Pre-retirement mortality valuations were determined using the RP-2014 for employees; post-retirement mortality valuations were determined using the RP-2014 for annuitants; and disabled retiree valuations were determined using the RP-2014 for disabled lives. All tables were adjusted back to 2006 with Scale MP-2014 and projected forward using the ultimate rates from Scale MP-2017. Additional adjustments were made for males and females.

The long-term investment rate of return on pension plan assets uses a lower investment assumption of 2.75% as all of the assets are invested in cash and cash equivalents.

The actuarial valuation uses the assumptions and methods applicable for volunteer fire plans that were adopted as a result of the 2018 Experience Study as used by FPPA.

Discount Rate: A Single Discount Rate of 2.75% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 2.75%. The projection of cash flows used to determine the Single Discount Rate assumed that employer contributions will be made at current rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2118.

For purposes of this valuation, the expected rate of return on pension plan investments is 2.75%; the municipal bond rate is 3.71% (based on the daily rate closes to but not later than the measurement date of the Fidelity Index's 20-year Municipal GO AA Index); and the resulting Single Discount Rate is 2.75%.

Sensitivity of Pension Liability: The following presents the District's net pension liability calculated using the Single Discount Rate of 2.75%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

1% Decrease (1.75%)	Current Discount Rate (2.75%)	1 % Increase (3.75%)
\$ 733,924	\$ 568,317	\$ 435,988

Basis of Accounting: The Volunteer Plan implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*, in 2015. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25 and No. 50 as they related to pension plans that are administered through trusts or equivalent arrangements. GASB Statement No. 67 establishes standards of financial reporting for plans that issue separate financial statements and also those plans whose financial information is included solely in the financial report of another government as a pension trust fund. GASB Statement No. 67 specifies the required approach for measuring the pension liability of employers and non-employer contributing entities for benefits provided through pension plans.

The Volunteer Plan's financial statements, shown as a pension trust fund in the District's statements, are prepared using the accrual basis of accounting. Employer contributions, benefit payments, and refunds are recognized when due. Volunteer Plan investments are reported at fair market value. Administrative costs are paid out of the fund's net position.

7. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds balance sheet includes reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. Explanation of the reconciling items is as follows:

Capital assets of \$2,303,396 less accumulated depreciation of \$1,551,883 or a net book value of \$751,513 are not financial resources and therefore are not reported in the funds.

Long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds. Net pension asset for the SWDB plan amounted to \$29,610.

Deferred inflows related to pensions are not financial resources and therefore are not reported in the governmental funds.

Deferred outflows – SWDB Plan	\$ 45,148
Deferred outflows – Volunteer Plan	24,194
Net adjustment	<u>\$ 69,342</u>

Deferred outflows related to pensions are not financial resources and therefore are not reported in the governmental funds.

Deferred inflows – SWDB Plan	\$ (10,382)
Deferred inflows – Volunteer Plan	(29,747)
Net adjustment	<u>\$ (40,129)</u>

Revenues in the statement of activities that do not provide current financial resources are unavailable in the funds. Unavailable ambulance revenue amounted to \$43,541.

Long-term liabilities (compensated absences and net pension liability) are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$ (1,067)
Net pension liability – Volunteer Plan	(568,317)
Net adjustment	<u>\$ (569,384)</u>

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Notes to Financial Statements
December 31, 2018

7. Reconciliation of Government-Wide and Fund Financial Statements (continued)

Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Explanation of the reconciling items is as follows:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The details of this difference are as follows:

Depreciation expense –firefighting and prevention	\$ (85,523)
Depreciation expense –emergency medical services	(13,000)
Capital outlay	22,856
Net adjustment	\$ <u>(75,667)</u>

Some revenues reported in the statement of activities do not provide current financial resources and therefore, are not recorded as revenues in governmental funds. The change in ambulance revenue amounted to \$3,304.

Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities. This is the amount by which pension contributions exceed pension expense.

Contributions to the volunteer plan	\$ 59,134
Contributions to the SWDB plan	10,839
Pension expense volunteer plan	(11,595)
Pension benefit SWDB plan	12,627
Net adjustment	\$ <u>71,005</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not recorded as expenditures in governmental funds. The details of this difference are as follows:

Compensated absences- change	\$ <u>(529)</u>
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REQUIRED SUPPLEMENTARY INFORMATION

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Schedule of Contributions and Related Ratios - SWDB Plan
Last Six Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 10,839	\$ 9,545	\$ 7,948	\$ 9,191	\$ 8,589	\$ 10,635
Contributions in relation to the statutorily required contribution	10,839	9,545	7,948	9,191	8,589	10,635
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 135,488	\$ 119,313	\$ 99,350	\$ 114,888	\$ 107,363	\$ 132,716
Contribution as a percentage of covered payroll	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

* The amounts presented for each fiscal year were determined as of December 31. Information earlier than 2013 was not available.

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Schedule of the District Proportionate Share of the Net Pension Liability (Asset)- SWDB Plan
Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportionate (percentage) of the net pension liability (asset)	0.020582%	0.019603%	0.023699%	0.022852%	0.029865%
District's proportionate share of the net pension liability (asset)	(29,610)	7,083	(418)	(25,790)	(26,705)
Districts' covered payroll	135,488	119,313	99,350	114,888	107,363
District's proportionate share of the net pension liability (asset) as a percentage of the covered payroll	21.85%	-5.94%	0.42%	22.45%	24.87%
Plan fiduciary net pension as a percentage of the total pension liability	106.3%	98.2%	100.1%	106.8%	105.8%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the SWDB Plan. Covered payroll is presented based on the fiscal year. Information earlier than 2014 was not available.

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios -
Volunteer Pension Plan
Last 10 Fiscal Years*

Fiscal year ending December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability:			
Service cost	\$ 23,281	\$ 23,601	\$ 19,670
Interest	31,913	32,007	26,733
Changes in benefit terms	-	196,584	-
Difference between expected and actual experience	(25,445)	-	-
Assumption changes	(13,295)	-	-
Benefit payments, including lump sums	(60,750)	(57,200)	(49,125)
Net change in total pension liability	(44,296)	194,992	(2,722)
Total pension liability - beginning	1,179,098	984,106	986,828
Total pension liability - ending	\$ 1,134,802	\$ 1,179,098	\$ 984,106
Plan fiduciary net position:			
Contributions - employer	\$ 59,134	\$ 47,072	\$ 53,145
Contributions - member	-	-	-
Net investment income	1,373	1,184	1,225
Benefit payments	(60,750)	(57,200)	(49,125)
Pension plan administrative expense	(4,550)	(9,900)	-
State of Colorado supplemental discretionary payment	31,963	33,550	28,607
Net change in plan fiduciary net position	27,170	14,706	33,852
Plan fiduciary net position - beginning (market value)	539,315	524,609	490,757
Plan fiduciary net position - ending (market value)	\$ 566,485	\$ 539,315	\$ 524,609
Net pension liability (asset)	\$ 568,317	\$ 639,783	\$ 459,497
Plan fiduciary net position as a percentage of the total pension liability	49.92%	45.74%	53.31%
Covered payroll	N/A	N/A	N/A
Plan's net pension liability as a percentage of covered payroll	N/A	N/A	N/A

* Information earlier than 2016 was not available.

Notes to Schedule:

Retiree and beneficiary benefits were increased effective January 1, 2017.

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Schedule of Plan Contributions - Volunteer Pension Plan
Last 10 Fiscal Years*

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution**	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2016	50,528	81,752	(31,224)	n/a	n/a
12/31/2017	49,442	80,622	(31,180)	n/a	n/a
12/31/2018	49,442	91,097	(41,655)	n/a	n/a

* Information earlier than 2016 was not available.

** Includes both employer and State of Colorado Supplemental Discretionary Payment.

Notes to Schedule of Contributions:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 of odd numbered years and used for two fiscal years.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	Implicit
Salary increases	N/A
Investment rate of return	2.75%
Retirement age	50% rate assumed until age 65 at which 100% retirement is assumed.
Mortality	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 previous tables. All tables are generationally projected with Scale BB.
COLA	None

Other information: Effective July 1, 2017, retiree benefits were increased to \$300 and beneficiary benefits were increased to \$150.

The above information was used to calculate contributions prior to January 1, 2019. Commencing January 1, 2019 the mortality table was updated to the RP-2014 for annuitants, adjusted back to 2006 with Scale MP-2014 and projected forward to 2018 with Scale MP-2017, fully generational using the ultimate rates from Scale MP-2017. An explicit assumption for administrative expense was also added to the actuarially determined contribution.

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Schedule of the Net Pension Liability - Volunteer Pension Plan
Last 10 Fiscal Years*

Fiscal Year Ending	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
12/31/2016	984,106	524,609	459,497	53.31%	n/a	n/a
12/31/2017	1,179,098	539,315	639,783	45.74%	n/a	n/a
12/31/2018	1,134,802	566,485	568,317	49.92%	n/a	n/a

* Information earlier than 2016 was not available.

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

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Schedule of Investment Returns - Volunteer Pension Plan
Last 10 Fiscal Years*

	<u>Annual Return</u>
Annual money-weighted rate of return, net of investment expense:	
Fiscal year ending December 31, 2016	0.12%
Fiscal year ending December 31, 2017	0.22%
Fiscal year ending December 31, 2018	0.24%

* Information earlier than 2016 was not available.

OTHER SUPPLEMENTARY INFORMATION

STRASBURG FIRE PROTECTION DISTRICT NO. 8
Schedule of Changes in Net Position - Budget and Actual - Pension Fund
For the Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Additions:			
District contribution	\$ 50,000	\$ 59,134	\$ 9,134
State contribution	34,000	31,963	(2,037)
Investment income	1,200	1,373	173
Total revenues	<u>85,200</u>	<u>92,470</u>	<u>7,270</u>
Deductions:			
Administration	100	50	50
Actuarial study	5,200	4,500	700
Pension payments	58,000	60,750	(2,750)
Total expenditures	<u>63,300</u>	<u>65,300</u>	<u>(2,000)</u>
Change in net position	<u>\$ 21,900</u>	<u>\$ 27,170</u>	<u>\$ 5,270</u>

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