

**STRATMOOR HILLS FIRE  
PROTECTION DISTRICT**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

Year Ended December 31, 2018

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
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**DECEMBER 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Stratmoor Hills Fire Protection District

We have audited the accompanying financial statements of the governmental activities and each major fund of Stratmoor Hills Fire Protection 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 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 Stratmoor Hills 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.

### ***Other-Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stratmoor Hills Fire Protection District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information 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.

*Hoelting & Company PC.*

Colorado Springs, Colorado  
February 26, 2019

## **STRATMOOR HILLS FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Stratmoor Hills Fire Protection District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. The Management's Discussion and Analysis (MD&A) includes currently known information that management is aware of at the date of the auditor's report. Please read it in conjunction with the District's financial statements that follow this section.

### **FINANCIAL POSITION AND RESULTS FROM OPERATIONS**

- The District's overall financial position improved during the year ending December 31, 2018. Net Position increased by \$280,693 or 39.6%. Much of the increase was due to unspent insurance recoveries which will be spent in 2019.
- Capital assets net of depreciation at year-end were \$553,187, which is a 99.4% increase from 2017; capital outlays amounted to \$407,294, \$343,500 of which was for a new fire truck.
- The District's total outstanding long-term debt increased \$343,500 during the year as capital lease financing was used to purchase a new fire truck.
- At the end of current year, the general fund reported an ending fund balance of \$647,078. Approximately 87.9% of this amount (\$568,776) is available for spending at the District's discretion (*unassigned fund balance*).
- At the end of the current year, unrestricted fund balance (the total *nonspendable*, and *unassigned* components of *fund balance*) of the general fund was \$621,078, or approximately 51.4% of total general fund expenditures.

### **USING THIS ANNUAL REPORT**

This annual report includes a series of financial statements that consist of the MD&A, fund specific basic financial statements, notes to the financial statements and supplemental information. The basic financial statements consist of the Statement of Net Position, the Statement of Activities, the Balance Sheet, the Reconciliation of the Balance Sheet to the Statement of Net Position, the Statement of Revenues, Expenditures and Changes in Fund Balance, and the Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance to the Statement of Activities. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to units of local government and promulgated by the Governmental Accounting Standards Board (GASB).

**MD&A** - This statement provides an objective and easily readable analysis of the District's financial activities based on currently known facts, decisions, and conditions. The MD&A provides the District's financial managers with the opportunity to present both short and long-term analyses of the organization's activities.

**Statement of Net Position** - This statement reports all financial and capital resources (assets) and obligations (liabilities). The difference between assets and liabilities is net position. The statement also provides the basis for evaluating the capital structure and assessing liquidity and financial flexibility.

**Statement of Activities** - All revenue and expenses are accounted for in this statement. This statement measures the results from operations and can be used to determine whether the District's revenues are adequate to recover expenses.

**Balance Sheet** – Reports the assets, liabilities, and fund balance of the entity as of a specific date.

**Reconciliation of the Balance Sheet to the Statements of Net Position** – Reconciles the total fund balance from the Balance Sheet to the total net position from the Statement of Net Position. Differences occur primarily due to the way capital assets and long-term liabilities are reported on the respective statements.

**Statement of Revenues, Expenditures, and Change in Fund Balance** – Presents the revenues, expenditures, and the resulting increase or decrease in fund balance for a specific period of time.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities** – Reconciles the net change in fund balances from the Statement of Revenues, Expenditures and Changes in Fund Net Position to the change in net Position from the Statement of Activities. Differences occur primarily due to the way certain expenditures and expenses are reported on the respective statements.

The financial statements also include **Notes to the Financial Statements and Supplemental Information** that explains specific information found in the financial statements and other required information.

## CONDENSED FINANCIAL STATEMENTS

### Condensed Statement of Net Position as of December 31, 2018 and 2017

	2018	2017	Variance	Percent Variance
Assets				
Current and Other Assets	\$ 1,453,988	\$ 1,046,478	\$ 407,510	38.9
Capital Assets, Net of Depreciation	553,187	277,435	275,752	99.4
Total Assets	2,007,175	1,323,913	683,262	51.6
Deferred Outflows of Resources				
Deferred Pension Outflows	94,496	116,428	(21,932)	-18.8
Liabilities				
Current and Other Liabilities	25,905	22,757	3,148	13.8
Long-term liabilities	343,500	18,188	325,312	1,788.6
Total Liabilities	369,405	40,945	328,460	802.2
Deferred Inflows of Resources				
Deferred Pension Inflows	24,468	2,324	22,144	952.8
Unavailable Property Tax Revenue	717,451	687,418	30,033	4.4
Total Deferred Inflows of Resources	741,919	689,742	52,177	7.6
Net Position				
Net Investment in Capital Assets	209,687	277,435	(67,748)	(24.4)
Restricted for TABOR	26,000	24,000	2,000	8.3
Unrestricted	754,660	408,219	346,441	84.9
Total Net Position	\$ 990,347	\$ 709,654	\$ 280,693	39.6

**Condensed Statement of Activities for the Year Ended December 31, 2018 and 2017**

	2018	2017	Variance	Percent Variance
Program Revenues:				
Charges for Services	\$ 90,271	\$ 70,221	\$ 20,050	28.6
Operation Grant and Contributions	25,300	800	24,500	3062.5
General Revenues:				
Taxes	758,561	724,494	34,067	4.7
Other Revenue	231,431	108,705	122,726	112.9
Total Revenues	1,105,563	904,220	201,343	22.3
Expenses:				
General and Administrative	(191,087)	(221,292)	30,205	(13.6)
Fire and Emergency Medical Services	(627,551)	(611,763)	(15,788)	2.6
Interest	(6,232)	-	(6,232)	#DIV/0!
Total Expenses	(824,870)	(833,055)	8,185	(1.0)
Change in Net Position	280,693	71,165	209,528	294.4
Net Position - Beginning	709,654	638,489	71,165	11.1
Net Position - End of Period	\$ 990,347	\$ 709,654	\$ 280,693	39.6

**FINANCIAL ANALYSIS OF THE GENERAL FUND**

The District is a political subdivision of the State of Colorado. It uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The District uses one governmental fund—the **general fund**—to account for its operations. At the end of the current fiscal year, unassigned fund balance of the general fund was \$568,776 while total fund balance reached \$647,078.

During the current fiscal year, the fund balance of the District’s general fund increased \$310,775. Key factors in this increase are as follows:

- Tax revenues increased about \$34,000 from the prior year.
- Unspent insurance recoveries of \$244,261.

## BUDGETARY HIGHLIGHTS

The District originally appropriated \$888,418 for expenditures in 2018. During the year, unanticipated revenues were received for insurance recoveries (\$244,261) and capital lease proceeds (\$343,500). The budget was amended to account for those receipts and to appropriate funds for the purchase of a new fire truck. Appropriations were increased \$343,500 from the original budget. Actual expenditures for 2018 were \$1,207,248.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets as of December 31, 2018, amounts to \$553,187 (net of accumulated depreciation). This investment in capital assets includes buildings, vehicles, and equipment. The total increase in capital assets for the current year was approximately 99.4%.

### Capital Assets

	2018	2017	Variance	Percent Variance
Buildings	\$ 333,366	\$ 400,541	\$ (67,175)	(16.8)
Vehicles	825,419	666,947	158,472	23.8
Equipment	873,503	831,207	42,296	5.1
Accumulated Provision for Depreciation	(1,479,101)	(1,621,260)	142,159	(8.8)
Total Net Capital Assets	\$ 553,187	\$ 277,435	\$ 275,752	99.4

Major capital asset events during the current year included the following:

- Purchase of a new fire truck at a cost of \$343,500.
- Replacement of station windows at a cost of \$9,651.

Long-term Debt. At the end of the current year, the District had total debt outstanding of \$343,500.

### Long-term Debt

	2018	2017	Variance	Percent Variance
Capital leases	\$ 343,500	\$ -	\$ 343,500	100.0

During the current year, the District signed a capital lease in the amount of \$343,500 for the purchase of a new fire truck.

## FINANCIAL HIGHLIGHTS AND OUTLOOK

- **Budgetary Highlights** –Staff continues to apply for Grants and will continue to search for more to help the cost of equipment. The department was given a donation of \$25,000.00 that helped purchased twenty (20) SCBA bottles to replace twenty (20) SCBA bottles that went out of service in January of 2019. In November 2016; the voters approved to DeBruce and that has allowed staff to keep much needed funds that would have otherwise been returned to the residents. Staff has used those funds to purchase updated Bunker Gear, Air Packs and Firefighter tools that are necessary to continue running calls.
- **Economic and Environmental Factors** – The planned development that brought in Sam's and Wal-Mart have increased the department's revenue and will continue in the coming years. With this addition, the demand for our services will increase. The department

continues to bring on more volunteers and that has an associated cost of bunker gear, training and equipment that we continue to work the budget for.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, creditors and other financial users with a general overview of the District's finances. If you have questions about this report or need additional financial information, please contact the Dottie Barrett at 719.576.1200 or 2160 B Street, Colorado Springs, CO 80906.

## **BASIC FINANCIAL STATEMENTS**

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**ASSETS**

Cash and cash equivalents	\$	554,790
Cash with County Treasurer		7,659
Property tax receivable		717,451
Deposits		52,000
Prepaid expenses		52,302
Capital assets being depreciated, net		553,187
Net pension asset		69,786
		2,007,175
Total Assets		2,007,175

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension outflows		94,496
		94,496

**LIABILITIES**

Accounts payable		12,889
Payroll taxes payable		6,784
Accrued interest payable		6,232
Long-term liabilities:		
Due within one year		34,564
Due in more than one year		308,936
		369,405
Total Liabilities		369,405

**DEFERRED INFLOWS OF RESOURCES**

Deferred pension inflows		24,468
Unavailable property tax revenue		717,451
		741,919
Total Deferred Inflows of Resources		741,919

**NET POSITION**

Net investment in capital assets		209,687
Restricted for TABOR		26,000
Unrestricted		754,660
		990,347
Total Net Position	\$	990,347

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General and administrative	\$ 191,087	\$ -	\$ -	\$ -	\$ (191,087)
Fire and emergency medical services	627,551	90,271	25,300	-	(511,980)
Interest	6,232	-	-	-	(6,232)
	<u>\$ 824,870</u>	<u>\$ 90,271</u>	<u>\$ 25,300</u>	<u>\$ -</u>	<u>(709,299)</u>
General revenues:					
Taxes					758,561
Investment earnings					9,725
Gain on asset disposal					175,301
Other revenues					46,405
Total general revenues					<u>989,992</u>
Change in net position					280,693
Net position - beginning					<u>709,654</u>
Net position - ending					<u>\$ 990,347</u>

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
BALANCE SHEET  
DECEMBER 31, 2018**

**ASSETS**

Cash and cash equivalents	\$ 554,790
Cash with County Treasurer	7,659
Property tax receivable	717,451
Deposits	52,000
Prepaid expenses	<u>52,302</u>
 Total Assets	 <u><u>\$ 1,384,202</u></u>

**LIABILITIES**

Accounts payable	\$ 12,889
Payroll taxes payable	<u>6,784</u>
 Total Liabilities	 <u>19,673</u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable property tax revenue	<u>717,451</u>
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**FUND BALANCE**

Nonspendable	52,302
Restricted for TABOR	26,000
Unassigned	<u>568,776</u>
 Total Fund Balance	 <u>647,078</u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 1,384,202</u></u>
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The accompanying notes are an integral part of these financial statements.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

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

Total fund balance - governmental funds	\$ 647,078
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.	
Capital assets	2,032,288
Accumulated depreciation	(1,479,101)
The net pension asset is not available in the current period and, therefore, is not reported as an asset in the funds.	
	69,786
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
	94,496
Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.	
	(6,232)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
	(343,500)
Other long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
	<u>(24,468)</u>
Total net position - governmental activities	<u><u>\$ 990,347</u></u>

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**REVENUES**

Taxes	\$ 758,561
Fees	90,271
Grants and donations	25,300
Interest income	9,725
Miscellaneous income	<u>46,405</u>
 Total revenues	 <u>930,262</u>

**EXPENDITURES**

General and administrative	201,036
Fire and emergency medical services	571,189
Capital outlays	<u>435,023</u>
 Total expenditures	 <u>1,207,248</u>

Excess (deficiency) of revenues over expenditures	<u>(276,986)</u>
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**OTHER FINANCING SOURCES**

Capital lease proceeds	343,500
Insurance recoveries	<u>244,261</u>
 Total other financing sources	 <u>587,761</u>

Net change in fund balance	310,775
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Fund balance - beginning	<u>336,303</u>
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Fund balance - ending	<u><u>\$ 647,078</u></u>
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The accompanying notes are an integral part of these financial statements.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Net change in fund balances - governmental funds	\$ 310,775
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.	(68,960)
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.	
Depreciation	(62,582)
Capital outlays	407,294
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change to interest reported in the statement of activities.	(6,232)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	(343,500)
Some pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>43,898</u>
Change in net position of governmental activities	<u><u>\$ 280,693</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Stratmoor Hills Fire Protection District (the District) was organized under the laws of the State of Colorado to operate and maintain a special district for the purpose of providing fire protection and emergency medical services for the residents of the Stratmoor Hills subdivision located adjacent to the City of Colorado Springs, Colorado.

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

*A. REPORTING ENTITY*

The District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The District has no component units for which either discrete or blended presentation is required.

*B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

*C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS*

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

The District reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)*

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

*Cash and cash equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*Receivables*

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

*Prepaid expenses*

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Capital Assets*

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

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

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

Buildings	5 to 40 years
Vehicles	10 to 15 years
Equipment	5 to 15 years

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

*Pensions*

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

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Deferred outflows/inflows of resources (continued)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental fund reports property taxes levied for the succeeding year as unavailable property tax revenue. The unavailable property tax revenues are recognized in the succeeding year as revenue when the lien attaches and the taxes become available.

*Long-term liabilities*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of the debt issued is reported as other financing sources.

*Net position flow assumption*

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

*Fund balance classification*

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

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

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

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

*F. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

Amounts reported as *program revenues* include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

*Property taxes*

Property taxes attach as an enforceable lien on real property and are levied as of January 1. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. El Paso County bills and collects property taxes for the District. The tax rate for the year ended December 31, 2018 was 12.582 mills. The District’s assessed valuation for 2018 was \$54,636,910.

*Compensated absences*

Employees earn vacation time in varying amounts based upon length of service. Employees are paid for unused vacation time upon termination. Accumulated vested unpaid vacation amounts are not material. Therefore, a liability for these benefits has not been reflected in these financial statements.

Employees also earn annual leave in varying amounts based upon length of service. Employees with ten or more years of service are paid 25% of their annual leave upon termination of service unless the termination is the result of dismissal for cause.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. ESTIMATES*

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

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budget information*

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

1. Prior to October 15, administrative personnel submit to the Board of Directors a proposed operating budget for the following fiscal year (calendar) beginning January 1. The operating budget includes proposed expenses and the means for financing them.
2. The proposed budget is advertised as available for inspection and comment by the electorate of the District.
3. Prior to December 15, the Board legally adopts the budget.
4. In December, the Board certifies the mill levy to El Paso County.
5. During the year, formal budgetary integration is employed as a management control device.
6. All appropriations lapse at year end.
7. Budgets are prepared on the same basis as that used for accounting purposes.

**NOTE 3 - CASH AND INVESTMENTS**

*Cash deposits with financial institutions*

*Custodial credit risk—deposits.* The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2018, the carrying amounts of the District's deposits were \$549,328 and the bank balances were \$571,921. Of the total bank balances, \$250,000 was covered by FDIC insurance and the remaining balance of \$321,921 falls under the provisions of the Colorado Public Deposit Protection Acts which are collateralized in single institution pools.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

*Investments*

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

- ◆ Obligations of the United States and certain U.S. government agencies' securities;
- ◆ Certain international agencies' securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers' acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market funds;
- ◆ Guaranteed investment contracts.

At December 31, 2018 the District's investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
COLOTRUST	Less than 60 days	\$ <u>5,312</u>

*Credit Risk:* State law and the District's investment policies limit investments as described above. As of December 31, 2018, the District's investments were rated AAAM by Standard & Poor's.

Colorado Surplus Asset Fund Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

*Reconciliation of cash deposits and investments to the statement of net position*

Cash and cash equivalents:

Cash on hand	\$ 150
Deposits	549,328
COLOTRUST	<u>5,312</u>
	<u>\$ 554,790</u>

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 400,541	\$ 9,651	\$ (76,826)	\$ 333,366
Vehicles	666,947	346,500	(188,028)	825,419
Equipment	<u>831,207</u>	<u>51,144</u>	<u>(8,848)</u>	<u>873,503</u>
Total capital assets, being depreciated	1,898,695	407,295	(273,702)	2,032,288
Less accumulated depreciation	<u>(1,621,260)</u>	<u>(62,582)</u>	<u>204,741</u>	<u>(1,479,101)</u>
Total capital assets, net	<u>\$ 277,435</u>	<u>\$ 344,713</u>	<u>\$ (68,961)</u>	<u>\$ 553,187</u>

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

General and administrative	\$ 360
Fire and emergency medical services	<u>62,222</u>
Total	<u>\$ 62,582</u>

**NOTE 5 – LONG-TERM LIABILITIES**

*Capital lease – fire truck*

The District entered into a lease-purchase agreement on August 1, 2018 to purchase a new fire truck. The lease qualifies as a capital lease. The lease agreement provides for a fixed interest rate of 4.26% and requires 10 annual payments of \$42,042 beginning February 1, 2019.

The assets acquired through capital leases are as follows:

Fire truck	\$ 343,500
Less: Accumulated depreciation	<u>(7,633)</u>
Total	<u>\$ 335,867</u>

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)**

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year ended December 31:	
2019	\$ 42,042
2020	42,042
2021	42,042
2022	42,042
2023	42,042
Thereafter	<u>210,214</u>
Total minimum lease payments	420,424
Less: amount representing interest	<u>76,924</u>
Present value of minimum lease payments	<u>\$ 343,500</u>

Changes in long-term liabilities for the year ended December 31, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ _____ -	\$ 343,500	\$ _____ -	\$ 343,500	\$ 34,564

**NOTE 6 – NET POSITION**

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

Net investment in capital assets consists of capital assets net of accumulated depreciation and capital-related deferred outflows of resources; reduced by borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018, net investment of capital assets was as follows:

Capital assets, net of depreciation	\$ 553,187
Less: capital lease obligations	<u>(343,500)</u>
Total	<u>\$ 209,687</u>

Net position-restriction is the difference between non-capital assets whose use is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation, and related liabilities and deferred inflows of resources (excluding capital-related borrowings). The District has established an Emergency Reserve in the amount of \$26,000 for the year ended December 31, 2018, as per Article X, Section 20 of the Colorado Constitution. This Emergency Reserve balance represents at least 3% of the governmental fiscal year spending as required.

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

*Plan description.* Eligible employees of the Stratmoor Hills Fire Protection District are provided with pensions through the Statewide Defined Benefit Plan (SWDB) – a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 5, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980. Plan benefits are specified in Title 31, Article 30 of the Colorado Revised Statutes (C.R.S.). 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 at <http://www.FPPAco.org>.

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

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

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

A member is eligible for an early retirement 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 the 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 at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 21.5 percent of base salary in 2017. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4.75 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.75 percent in 2017. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Employer contributions are recognized by the SWDB in the period in which the compensation becomes payable to the member and the Stratmoor Hills Fire Protection District is statutorily committed to pay the contributions to the SWDB. Employer contributions recognized by the SWDB from Stratmoor Hills Fire Protection District were \$21,055 for the year ended December 31, 2018.

*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*	7.5%
Projected Salary Increases*	4.0% - 14.0%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three-year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Long-term rate of return.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Global Equity	37%	8.33%
Equity Long/Short	9%	7.15%
Illiquid Alternatives	24%	9.70%
Fixed Income	15%	3.00%
Absolute Return	9%	6.46%
Managed Futures	4%	6.85%
Cash	2%	2.26%
<b>Total</b>	<b>100.0%</b>	

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%.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

<b>1% Decrease 6.50%</b>	<b>Single Discount Rate Assumption 7.50%</b>	<b>1% Increase 8.50%</b>
\$ 75,977	\$ (69,786)	\$ (190,824)

*Pension plan fiduciary net position.* Detailed information about the SWDB’s fiduciary net position is available in FPPA’s comprehensive annual financial report which can be obtained at [www.fppaco.org](http://www.fppaco.org).

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

At December 31, 2018, the Stratmoor Hills Fire Protection District reported an asset of \$69,786 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2018. The Stratmoor Hills Fire Protection District proportion of the net pension liability (asset) was based on Stratmoor Hills Fire Protection District contributions to the SWDB for the calendar year 2017 relative to the total contributions of participating employers to the SWDB.

At December 31, 2017, the Stratmoor Hills Fire Protection District’s proportion was 0.048507975 percent, which was a decrease of 0.0018283470 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Stratmoor Hills Fire Protection District recognized pension expense of \$(43,890). At December 31, 2018, the Stratmoor Hills Fire Protection District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 50,326	\$ 773
Changes of assumptions or other inputs	10,514	-
Net difference between projected and actual earnings on pension plan investments	-	23,695
Changes in proportion and differences between contributions recognized and proportionate share of contributions	12,601	-
Contributions subsequent to the measurement date	21,055	N/A
Total	\$ 94,496	\$ 24,468

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

\$21,055 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 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:

Year ended December 31:	
2019	\$ 14,949
2020	\$ 10,833
2021	\$ (2,537)
2022	\$ (6,272)
2023	\$ 7,759
Thereafter	\$ 24,241

*Subsequent Event.* 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% which will increase the cost of pension benefits. The change in the investment return assumption reflects the reduced real return expectations from recent capital market data.

**NOTE 8 – EMPLOYEE IRA**

In 2000, the District set up a simple IRA for full-time employees not covered by the defined pension plan of the Colorado Fire and Police Pension Association. Employees contribute at least 3½% of compensation and the District contributes 3% of compensation. The employer’s contribution was \$1,800 for 2018.

**NOTE 9 - RISK MANAGEMENT**

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

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

**NOTE 10 - AMENDMENT TO COLORADO CONSTITUTION**

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

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 10 - AMENDMENT TO COLORADO CONSTITUTION (CONTINUED)**

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

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

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

On November 2, 1993, the voters of Stratmoor Hills Fire Protection District approved that taxes be increased up to \$84,500 annually for the purpose of fire protection and emergency medical assistance by the imposition of an additional property tax not to exceed 4.000 mills commencing January 1, 1994 and thereafter.

On November 6, 2001, the voters of the District approved a mill levy increase of 1.5 mills commencing January 1, 2002 and thereafter. The voters also approved that Stratmoor Hills Fire Protection District shall be entitled to collect and spend the full revenues from such tax increases regardless of whether the annual revenues from such tax increases in any year after the first full year in which it is in effect exceed the estimated dollar amount stated above and without any other limitation or condition, and without limiting the collection or spending of any other revenues or funds by Stratmoor Hills Fire Protection District, under Article X, Section 20 of the Colorado Constitution or any other law.

On May 4, 2004, the voters of the District approved that taxes be increased by up to \$73,179 annually for the purposes of fire protection and emergency medical assistance by the imposition of an additional property tax not to exceed 2.00 mills commencing January 1, 2005 and thereafter.

On November 8, 2016, the voters of the District approved that the \$16,400 of 2015 revenues in excess of Tabor limits did not have to be refunded. The voters also approved the District's right to collect, retain and spend the full amount of all taxes, grants, and other revenue collected from all sources beginning in 2016 including each subsequent year thereafter through 2019.

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service) in 2018. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY (ASSET)  
DECEMBER 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.048507975%	0.050336322%	0.059796095%	0.069825407%	0.064869745%
District's proportionate share of the net pension liability (asset)	\$ (69,786)	\$ 18,188	\$ (1,054)	\$ (78,803)	\$ (58,006)
District's covered payroll	\$ 283,738	\$ 257,613	\$ 289,875	\$ 314,007	\$ 281,756
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-24.60%	7.06%	-0.36%	-25.10%	-20.59%
Plan fiduciary net position as a percentage of the total pension liability	106.3%	98.2%	100.1%	106.8%	105.8%

\* The pension plan has a December 31 year-end. The amounts presented above and contractually required contribution percentages were determined as of December 31.

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

See the accompanying independent auditors' report.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT  
SCHEDULE OF DISTRICT'S STATUTORY PAYROLL CONTRIBUTIONS  
DECEMBER 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 22,699	\$ 20,609	\$ 23,190	\$ 25,121	\$ 22,540
Contributions in relation to the statutorily required contribution	<u>(22,699)</u>	<u>(20,609)</u>	<u>(23,190)</u>	<u>(25,121)</u>	<u>(22,540)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 283,738	\$ 257,613	\$ 289,875	\$ 314,007	\$ 281,756
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%

\* The pension plan has a December 31 year-end. The amounts presented above and contractually required contribution percentages were determined as of December 31.

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

See the accompanying independent auditors' report.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 767,418	\$ 767,418	\$ 758,561	\$ (8,857)
Fees	76,500	76,500	90,271	13,771
Grants	2,500	2,500	25,300	22,800
Interest income	2,000	2,000	9,725	7,725
Miscellaneous income	40,000	40,000	46,405	6,405
<b>Total Revenues</b>	<u>888,418</u>	<u>888,418</u>	<u>930,262</u>	<u>41,844</u>
<b>EXPENDITURES</b>				
General and administrative	252,550	252,550	201,036	51,514
Fire and emergency medical services	568,680	568,680	571,189	(2,509)
Capital outlays	67,188	410,688	435,023	(24,335)
<b>Total Expenditures</b>	<u>888,418</u>	<u>1,231,918</u>	<u>1,207,248</u>	<u>24,670</u>
Excess of revenues over expenditures	<u>-</u>	<u>(343,500)</u>	<u>(276,986)</u>	<u>66,514</u>
<b>OTHER FINANCING SOURCES</b>				
Capital lease proceeds	-	343,500	343,500	-
Insurance recoveries	-	244,500	244,261	(239)
<b>Total other financing sources</b>	<u>-</u>	<u>588,000</u>	<u>587,761</u>	<u>(239)</u>
Net change in fund balance	-	244,500	310,775	66,275
Fund balance - beginning	<u>308,400</u>	<u>308,400</u>	<u>336,303</u>	<u>27,903</u>
Fund balance - ending	<u>\$ 308,400</u>	<u>\$ 552,900</u>	<u>\$ 647,078</u>	<u>\$ 94,178</u>

See the accompanying independent auditors' report.

## **SUPPLEMENTAL INFORMATION**

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Actual	Final Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes:			
General property tax	\$ 671,307	\$ 687,418	\$ (16,111)
Specific ownership tax	87,254	80,000	7,254
Total Taxes	<u>758,561</u>	<u>767,418</u>	<u>(8,857)</u>
Fees:			
Protection contract	60,242	65,000	(4,758)
Inspection fees	5,832	2,500	3,332
Medical billings	24,197	9,000	15,197
Total Fees	<u>90,271</u>	<u>76,500</u>	<u>13,771</u>
Grants	25,300	2,500	22,800
Interest income	9,725	2,000	7,725
Miscellaneous income	46,405	40,000	6,405
Insurance recoveries	244,261	244,500	(239)
Capital lease proceeds	343,500	343,500	-
Beginning fund balance	<u>336,303</u>	<u>308,400</u>	<u>27,903</u>
<b>TOTAL REVENUES</b>	<u>1,854,326</u>	<u>1,784,818</u>	<u>69,508</u>
<b>EXPENDITURES</b>			
General & Administrative:			
Audit	6,200	6,400	200
Dues and subscriptions	10,153	12,000	1,847
Election expense	-	3,000	3,000
Insurance	24,729	28,000	3,271
Legal	20,363	17,000	(3,363)
Meetings	5,850	6,300	450
Office supplies	2,300	2,000	(300)
Salaries	101,946	142,000	40,054
FPPA expense	3,294	6,200	2,906
Simple IRA	1,800	1,900	100
Recruiting exp - fire chief	2,087	7,150	5,063
Telephone	4,157	6,000	1,843
Tax collection expense	10,070	12,000	1,930
Miscellaneous	7,741	2,000	(5,741)
Payroll expenses	346	600	254
Capital outlay	<u>38,503</u>	<u>35,188</u>	<u>(3,315)</u>
Total General & Administrative	<u>\$ 239,539</u>	<u>\$ 287,738</u>	<u>\$ 48,199</u>

See the accompanying independent auditors' report.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Actual	Budget	Variance Favorable (Unfavorable)
<b>EXPENDITURES (continued)</b>			
Fire and emergency medical services			
Salaries	332,128	\$ 270,000	\$ (62,128)
FICA expense	14,520	13,000	(1,520)
FPPA expense	21,633	30,000	8,367
Employee health insurance	38,123	51,000	12,877
Accident and sick insurance	4,627	4,980	353
Workers' compensation insurance	15,728	20,000	4,272
Unemployment insurance	1,316	1,500	184
Open house	1,755	1,500	(255)
Gas and oil	6,915	8,000	1,085
Investigations	200	400	200
Station supplies	3,144	6,000	2,856
EMS supplies	3,897	4,100	203
Fire prevention	51	1,200	1,149
Code review	-	500	500
Volunteer activities	16,247	21,000	4,753
Radio and pager fees	8,992	14,000	5,008
Vehicle maintenance	52,110	40,000	(12,110)
Equipment maintenance	9,396	20,000	10,604
Station maintenance	7,368	14,000	6,632
Small equipment	10,561	9,000	(1,561)
Training	3,125	13,000	9,875
Uniforms	7,234	8,000	766
Utilities	9,036	11,000	1,964
Vaccinations & Physicals	1,058	4,000	2,942
Firefighting supplies	2,025	2,500	475
Capital outlay	396,520	375,500	(21,020)
Total fire and emergency medical	967,709	944,180	(23,529)
<b>TOTAL EXPENDITURES</b>	1,207,248	1,231,918	24,670
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	647,078	<u>\$ 552,900</u>	<u>\$ 94,178</u>
Less:			
Beginning fund balance	(336,303)		
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 310,775</u>		

See the accompanying independent auditors' report.