

cPa DIXON, WALLER & CO., INC.

FALCON FIRE PROTECTION DISTRICT

EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2018

DIXON, WALLER & CO., INC.

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FALCON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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FINANCIAL SECTION

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Independent Auditor's Report

**Board of Directors
Falcon Fire Protection District
El Paso County, Colorado**

We have audited the accompanying financial statements of the governmental activities and each major fund of Falcon 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.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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 financial position of the governmental activities and each major fund of the Falcon Fire Protection District as of December 31, 2018, and the 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, budgetary comparison information and pension trend data on pages i through vi, and pages 34 through 37 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.

Deifon, Walker & Co., Inc.

June 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The "Management's Discussion and Analysis" (MD&A) is designed to provide an analysis of the District's financial condition and operating results. It also informs the reader on the District's financial issues and activities.

The MD&A should be read in conjunction with the District's basic financial statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) government-wide financial statements and fund financial statements, and 2) notes to the financial statements.

Combined Government-Wide and Fund Financial Statements

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

The *statement of net position* presents information on all the District's assets and liabilities, with the 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 government's net position changed during the past 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 the 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.

Both of the government-wide financial statements distinguish functions of the District that will be principally supported by taxes and intergovernmental revenues. The functions of the District include fire protection and emergency medical services.

The government-wide financial statements are combined with the fund financial statements and can be found on pages 3 & 4 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that are 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 finance-related legal requirements. The individual funds of the District are considered governmental 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, government 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its General Fund, Rural Water System Special Revenue Fund and the Capital Projects Special Revenue Fund. Budgetary comparison statements have been provided for the General Fund, Rural Water System Special Revenue Fund and the Capital Projects Special Revenue Fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 5 & 7 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to 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 9-31 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,655,021 at the close of the year. In comparison assets had exceeded liabilities by \$6,011,605 in the previous year.

At the end of 2018, the District was able to report positive balances in all three categories of net position.

A large portion of the District's net position, \$3,069,982 (46% at December 31, 2018), is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors. The State's Tabor laws require that \$108,450 (2% at December 31, 2018) of the District's net position be set aside and restricted for use in emergencies only. The remaining portion of the District's net position, \$3,476,589 (52% at December 31, 2018), reflects the District's current investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending although the District's investment in its capital assets is reported net of related debt.

This section will explain the differences between the current and prior year's assets, liabilities, and changes in net position.

The following is a condensed summary of the District's net position at December 31:

	<u>2018</u>	<u>2017</u>
Current and Other Assets	9,101,785	6,203,398
Capital Assets (Net)	<u>4,913,042</u>	<u>4,736,033</u>
<u>Total Assets</u>	<u>14,014,827</u>	<u>10,939,431</u>
Deferred Outflows	406,578	458,889
<u>Total Assets & Deferred Outflow</u>	<u>14,421,405</u>	<u>11,398,320</u>
Long-Term Liabilities Outstanding:		
Capital Lease Payable	1,273,203	1,436,944
Pension Liability	333,230	434,897
Other Liabilities	<u>353,300</u>	<u>388,581</u>
<u>Total Liabilities</u>	<u>1,959,733</u>	<u>2,260,422</u>
Deferred Inflows	<u>5,806,651</u>	<u>3,126,293</u>
<u>Total Liabilities & Deferred Inflow</u>	<u>7,766,384</u>	<u>5,386,715</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	3,476,589	3,141,052
Restricted for Capital Outlay	-	-
Restricted for Emergencies	108,450	101,900
Unrestricted	<u>3,069,982</u>	<u>2,768,652</u>
<u>Total Net position</u>	<u>6,655,021</u>	<u>6,011,605</u>

The government's net position increased by \$643,416 during 2018 to \$6,655,021.

Additional information on the Districts Pension Plans and their effect on net position can be found in note 8.

Governmental Activities

During 2018, key elements affecting the District's net position and ultimately contributing to overall increases in the District's net position are as follows:

Increases:

- Capital Outlay purchases of;
 - Purchase of a new 2018 Rosenbauer Pumper,
 - Acquired used 2004 E-450 Ambulance,
 - Acquired .211 acres of land (alley) at station 3,
 - 1 new MSA 6000 TIC and
 - 3 new dell computers

The following is a condensed summary of the District's revenue and expenses:

	<u>2018</u>	<u>2017</u>
Revenues:		
Program Revenues		
Charges for Services	23,884	15,941
Grants & Contributions	<u>11,340</u>	<u>58,813</u>
Total	<u>35,224</u>	<u>74,754</u>
General Revenues:		
Property and Specific Ownership Taxes	3,519,724	3,284,201
Gain on Sale of Property	-	-
Investment Earnings	69,619	34,083
Miscellaneous Revenues	5,565	2,120
Pension Revenue	<u>187,117</u>	<u>-</u>
Total	<u>3,782,025</u>	<u>3,320,404</u>
Total Revenues	<u>3,817,249</u>	<u>3,395,158</u>
Expenses		
Fire Protection – Operations	2,756,839	2,477,792
Depreciation	367,783	313,750
Pension Costs	-	140,964
Debt Service - Interest	<u>49,211</u>	<u>32,363</u>
Total Expenses	<u>3,173,833</u>	<u>2,964,869</u>
Change in Net Position	643,416	430,289
Net Position – Beginning of Year	<u>6,011,605</u>	<u>5,581,316</u>
Net Position – End of Year	<u>6,655,021</u>	<u>6,011,605</u>

Governmental Funds Budgetary Highlights

The District approved 2018 budget had estimated total revenues at \$3,560,200. The District completed the year with revenues at \$3,627,132. An unexpected increase of total revenue income for the year of \$66,932. Unexpected 2018 revenue increases were due in part to the following:

- a. A rise in Special Ownership Taxes resulted in an increase of revenue equaling \$6,566
- b. A rise in Interest from fund investment totaling \$35,447.
- c. A rise in Charges for Services totaling \$10,884 and,
- d. State matching funds in the amount of \$11,340 were received on the Volunteer Pension Plan.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets in December 31, 2018 amounts to 4,913,042 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

The major capital assets purchased during the year were equipment in the form:

- 1 new 2018 Rosenbauer Pumper,
- 1 used 2004 E-450 Ambulance,
- Purchased .211 acres of land (alley) at station 3,
- 1 new MSA 6000 TIC and
- 3 new dell computers

Capital assets (net of Accumulated Depreciation) are as follows:

	<u>2018</u>	<u>2017</u>
Land & (New Construction in Progress)	598,970	588,757
New Construction in Progress	-	-
Buildings & Improvements	3,127,593	3,277,005
Equipment	119,879	176,301
Vehicles	<u>1,066,600</u>	<u>693,970</u>
	<u>4,913,042</u>	<u>4,736,033</u>

Additional information on the District's capital assets can be found in Note 2 on page 16 of this report.

Long Term Debt

At December 31, 2018, the District had a balance of \$1,436,453 for capital leases in the form of a lease on the purchase of land and the construction of Fire Station #4.

Additional information on the District's long-term debt can be found in Note 3 on pages 17 of this report.

Economic Factors and Next Year's Budget and Rates

The District budgeted for 2018 property tax revenue of \$5,689,856 (based on an assessed valuation for the District of \$382,228,680 and a mill levy of 14.886), 2019 Special ownership taxes in the amount of \$401,935 and charges for services of \$8,500 (which represents the fees charged for mandatory inspections on compliance with the International Fire Code as adopted and amended by the District).

Overall, the 2019 District Budget will result in an increase in the general fund balance of \$72,655 as adopted. Long term economic factors indicate a continued growth in the rate of assessed value realized from new residential and commercial construction resulting in an increase in property assessed value. The residential assessment increase will be offset to some degree in 2020 as determined by the State as it adjusts for the Gallagher Amendment. As such, the District estimated an overall increase in assessed values of 5 percent in 2019 and an increase of 10% for 2020.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Trent Harwig, District Fire Chief, Falcon Fire Protection District, 7030 Old Meridian Rd, Falcon, Colorado 80831.

BASIC FINANCIAL STATEMENTS

FALCON FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
December 31, 2018

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash	528,740	528,740
Investments	2,632,110	2,632,110
Receivables (Net of Allowance where Applicable)		
Property Tax	5,689,856	5,689,856
Fixed Assets	8,503,561	8,503,561
Accumulated Depreciation	(3,590,519)	(3,590,519)
Net Pension Asset	251,079	251,079
Prepaid Expense	-	-
<u>Total Assets</u>	<u>14,014,827</u>	<u>14,014,827</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
District Contribution Subsequent to Pension Measurement Date	154,872	154,872
Pension Plan Cost – Plan	242,134	242,134
Pension Plan Cost - Employer	9,572	9,572
<u>Total Deferred Outflows of Resources</u>	<u>406,578</u>	<u>406,578</u>
<u>LIABILITIES</u>		
Accounts Payable	71,289	71,289
Accrued Wages & Benefits	14,164	14,164
Accrued Interest Payable	26,493	26,493
Capital Lease Payable – Current	163,250	163,250
Non-Current Liabilities:		
Capital Lease Payable	1,273,203	1,273,203
Pension Liability	333,230	333,230
Compensated Absences	78,104	78,104
<u>Total Liabilities</u>	<u>1,959,733</u>	<u>1,959,733</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Property Tax	5,689,856	5,689,856
Pension Plan Cost - Plan	116,795	116,795
<u>Total Deferred Inflows of Resources</u>	<u>5,806,651</u>	<u>5,806,651</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	3,476,589	3,476,589
Restricted for:		
TABOR	108,450	108,450
Unrestricted	3,069,982	3,069,982
<u>Total Net Position</u>	<u>6,655,021</u>	<u>6,655,021</u>

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

**FALCON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018**

	Program Revenues				Net (Expense) Revenue and Changes In Net Position	
	Charges for	Operating	Capital	Governmental		Total
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Services</u>	<u>Grants & Contributions</u>	<u>Grants & Contributions</u>	<u>Activities</u>	
<u>Governmental Activities</u>						
Public Safety	2,995,584	23,884	-	-	(2,971,700)	(2,971,700)
Capital Outlay	87,698	-	-	-	(87,698)	(87,698)
Debt Service – Interest	49,211	-	-	-	(49,211)	(49,211)
Volunteer Pension Payment	30,000	-	-	-	(30,000)	(30,000)
State Match Volunteer	11,340	-	11,340	-	-	-
Pension Costs	-	-	-	-	-	-
Total Governmental Activities	3,173,833	23,884	11,340	-	(3,138,609)	(3,138,609)
Total Primary Government	3,173,833	23,884	11,340	-	(3,138,609)	(3,138,609)
 <u>General Revenues:</u>						
Property Taxes					3,125,146	3,125,146
Specific Ownership Taxes					394,578	394,578
Interest Revenue					69,619	69,619
Gain on Sale of Property					-	-
Pension Revenue					187,117	187,117
Other Revenue					5,565	5,565
Total General Revenues					3,782,025	3,782,025
Change in Net Position					643,416	643,416
Net Position – Beginning					6,011,605	6,011,605
Net Position – Ending					6,655,021	6,655,021

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

**FALCON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018**

	<u>General</u>	<u>Rural Water System - Special Revenue Fund</u>	<u>Capital Projects Capital Project Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>				
Cash	528,740	-	-	528,740
Investments	1,954,522	18,340	659,248	2,632,110
Receivables (Net, of Allowance where Applicable):				
Property Tax	5,689,856	-	-	5,689,856
Due from Other Funds	<u>15,950</u>	<u>-</u>	<u>-</u>	<u>15,950</u>
<u>Total Assets</u>	<u>8,189,068</u>	<u>18,340</u>	<u>659,248</u>	<u>8,866,656</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>				
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>LIABILITIES:</u>				
Accounts Payable	71,289	-	-	71,289
Accrued Wages and Benefits	14,164	-	-	14,164
Due to Other Funds	<u>-</u>	<u>-</u>	<u>15,950</u>	<u>15,950</u>
<u>Total Liabilities</u>	<u>85,453</u>	<u>-</u>	<u>15,950</u>	<u>101,403</u>
<u>DEFERRED INFLOW OF RESOURCES</u>				
Property Tax	<u>5,689,856</u>	<u>-</u>	<u>-</u>	<u>5,689,856</u>
<u>FUND BALANCES:</u>				
Restricted for:				
TABOR	108,450	-	-	108,450
Assigned for:				
Code Requirements - Fire Flow (Water Supply)	-	18,340	-	18,340
Capital Outlay	-	-	643,298	643,298
Unassigned	<u>2,305,309</u>	<u>-</u>	<u>-</u>	<u>2,305,309</u>
<u>Total Fund Balances</u>	<u>2,413,759</u>	<u>18,340</u>	<u>643,298</u>	<u>3,075,397</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</u>	<u>8,189,068</u>	<u>18,340</u>	<u>659,248</u>	<u>8,866,656</u>

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

**FALCON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2018**

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

<u>Total Fund Balance – Governmental Funds</u>	3,075,397
Prepaid expenses are not reported as an asset in the Governmental Funds.	-
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$8,503,561 and the accumulated depreciation is \$3,590,519.	4,913,042
Net pension liability, deferred outflows, and deferred inflows related to pensions are not current financial resources and therefore are not reported as assets or liabilities in the governmental funds.	207,632
Long-term liability for lease purchase and accrued interest payable are not due and payable in the current period and therefore are not reported in the Governmental Funds.	
Lease Purchase Payable	(1,436,453)
Accrued Interest Payable	<u>(26,493)</u>
	(1,462,946)
Compensated absences are not reported as a liability in the Governmental Funds.	<u>(78,104)</u>
<u>Total Net Position – Governmental Activities</u>	<u>6,655,021</u>

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

FALCON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	<u>General</u>	<u>Rural Water System - Special Revenue Fund</u>	<u>Capital Projects Capital Project Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>				
Taxes	3,519,724	-	-	3,519,724
Intergovernmental Revenues	11,340	-	-	11,340
Charges for Services	23,884	-	-	23,884
Insurance Proceeds	-	-	-	-
Interest	50,091	381	19,147	69,619
Miscellaneous Revenues	2,565	-	-	2,565
<u>Total Revenues</u>	<u>3,607,604</u>	<u>381</u>	<u>19,147</u>	<u>3,627,132</u>
<u>EXPENDITURES:</u>				
Current:				
General Administrative	251,618	-	-	251,618
Fire	3,029	-	-	3,029
Operations	2,224,598	-	-	2,224,598
Volunteer Pension Payment	30,000	-	-	30,000
State Match- Volunteer Pension	11,340	-	-	11,340
Supplies and Maintenance	85,214	1,508	-	86,722
Training and Association Fee	29,303	-	-	29,303
Debt Service – Principal	-	-	158,528	158,528
Debt Service – Interest	-	-	52,125	52,125
Capital Outlay	80,166	-	552,324	632,490
<u>Total Expenditures</u>	<u>2,715,268</u>	<u>1,508</u>	<u>762,977</u>	<u>3,479,753</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>892,336</u>	<u>(1,127)</u>	<u>(743,830)</u>	<u>147,379</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In (Out)	(700,000)	-	700,000	-
Donated Property	-	-	3,000	3,000
<u>Total Other Financing Sources (Uses)</u>	<u>(700,000)</u>	<u>-</u>	<u>703,000</u>	<u>3,000</u>
<u>NET CHANGE IN FUND BALANCES</u>	192,336	(1,127)	(40,830)	150,379
<u>FUND BALANCES – Beginning</u>	<u>2,221,423</u>	<u>19,467</u>	<u>684,128</u>	<u>2,925,018</u>
<u>FUND BALANCES - Ending</u>	<u>2,413,759</u>	<u>18,340</u>	<u>643,298</u>	<u>3,075,397</u>

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

FALCON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

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

<u>Net Change in Fund Balances – Total Governmental Funds</u>		150,379
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlays more than \$2,500	544,792	
Depreciation Expense	<u>(367,783)</u>	177,009
<p>The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:</p>		
Repayment of Debt Principal	158,528	
Change in Accrued Interest	<u>2,914</u>	161,442
<p>Pension income/expense was reported in the governmental funds but is reported based on the changes in net pension assets/liabilities in the entity-wide statements.</p>		
		187,117
<p>In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences increased by this amount.</p>		
		(32,531)
<p>In the statement of activities prepaid expenses are not reported as expenditures until consumed, while these costs are recognized when paid in governmental funds.</p>		
		<u>—</u>
<u>Change in Net Position of Governmental Activities</u>		<u>643,416</u>

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

FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Falcon Fire Protection District conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

Governmental Accounting Standards board (GASB) Statement No. 14 (as amended by Statement No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organization for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units.

B. Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current position and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

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

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available to collect within 60 days after year-end.

Property taxes are reported as receivables and unearned revenue when levied and as revenues when due for collection in the following year and determined to be available.

FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds bases upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

• **Major Governmental Funds**

1. **General Fund** – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
2. **Special Revenue Funds** – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
 - **Rural Water System Fund** – This fund is provided to maintain a separate accounting for expenditures to meet minimum fire flow (water supply) requirements of applicable fire codes.
3. **Capital Projects Fund** – This fund accounts for the acquisition of capital assets.
 - **Capital Projects Fund** – This fund provides for the acquisition of sites, buildings, vehicles and other capital related expenditures.

FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-7
Buildings	20-30
Vehicles	5-10

F. Budgets and Budgetary Accounting

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
4. Budgets for the General Fund, Special Revenue and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies, is not used by the Falcon Fire Protection District.

FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventories are recorded as expenditures when they are used.

I. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefits Amounts

Accumulated unpaid vacation, sick pay, and other employee benefits amounts should be accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts would not be accrued in governmental funds (using the modified accrual basis of accounting). Accrued vacation and sick leave payable has been reflected in the statement of net position for all governmental activities.

J. Property Taxes

Property taxes represent ad valorem taxes levied by the District, which are payable to the County Treasurer, and are recognized as revenue by the District in the year for which they are levied.

Property taxes are levied in December for collection in the subsequent year.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

K. Use of Estimates

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

L. Deposits and Investments

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.

State statutes authorize the District to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize debt issued as other financing sources.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the District, either because of a District Policy in the District Policy Manual, or because of motions that passed at District meetings.

Assigned Fund Balance Policy:

The District's Assigned Fund Balance is fund balance reporting occurring by District Administration authority, under the direction of the Chief Business Officer.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. GASB Statement No. 54 (continued)

Order of Fund Balance Spending Policy (Continued)

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Special Revenue Rural Water System Fund</u>	<u>Capital Projects Capital Project Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>	-	-	-	-
<u>Restricted:</u>				
Emergencies	108,450	-	-	108,450
<u>Committed:</u>	-	-	-	-
<u>Assigned:</u>				
Code Requirements –				
Fire Flow (Water Supply)	-	18,340	-	18,340
Capital Outlay	-	-	643,298	643,298
<u>Unassigned</u>	<u>2,305,309</u>	<u>-</u>	<u>-</u>	<u>2,305,309</u>
<u>Total Fund Balances</u>	<u>2,413,759</u>	<u>18,340</u>	<u>643,298</u>	<u>3,075,397</u>

O. Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the statement of financial position and the balance sheet 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.

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

NOTE 2 CAPITAL ASSETS

Capital assets 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>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	588,757	10,213	-	598,970
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated:	<u>588,757</u>	<u>10,213</u>	<u>-</u>	<u>598,970</u>
Capital Assets Being Depreciated:				
Building and Improvements	4,117,505	-	-	4,117,505
Equipment	1,039,421	15,586	-	1,055,007
Vehicles	<u>2,213,086</u>	<u>518,993</u>	<u>-</u>	<u>2,732,079</u>
Total Capital Assets Being Depreciated	<u>7,370,012</u>	<u>534,579</u>	<u>-</u>	<u>7,904,591</u>
Less Accumulated Depreciation for:				
Buildings	840,500	149,412	-	989,912
Equipment	863,120	72,008	-	935,128
Vehicles	<u>1,519,116</u>	<u>146,363</u>	<u>-</u>	<u>1,665,479</u>
Total Accumulated Depreciation	<u>3,222,736</u>	<u>367,783</u>	<u>-</u>	<u>3,590,519</u>
Total Capital Assets Being Depreciated, Net	<u>4,147,276</u>	<u>166,796</u>	<u>-</u>	<u>4,314,072</u>
<u>Governmental Activities</u>				
Capital Assets, Net	<u>4,736,033</u>	<u>177,009</u>	<u>-</u>	<u>4,913,042</u>

Beginning in 2004, general infrastructure assets are recorded prospectively in these financial statements, at cost. Retroactive reporting of general infrastructure assets is not required by standards for the District (Phase 3 entity).

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

Governmental Activities:

Public Safety – Firefighting & Ambulance	<u>367,783</u>
<u>Total Depreciation Expense – Governmental Activities</u>	<u>367,783</u>

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

NOTE 3 CAPITAL LEASES

The following is a summary of changes in Capital Leases of the District for the year ended December 31, 2018.

	<u>Balance</u> <u>Jan. 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental</u>					
<u>Fund</u>					
General Fund:					
Fire Station - Building #4	1,594,981	-	158,528	1,436,453	163,250
Total	<u>1,594,981</u>	<u>-</u>	<u>158,528</u>	<u>1,436,453</u>	<u>163,250</u>

Fire Station

In 2016, the District entered into a lease purchase agreement for the purpose of financing the construction of a new fire station. The agreement qualifies as a capital lease for accounting purposes. Lease payments are subject to annual appropriation of funds by the District. The lease obligation dated June 10, 2016 includes ten annual payments of \$210,652.54, including interest at 3.250% beginning June 10, 2017. The annual lease purchase payment schedule is as follows:

<u>Fiscal</u> <u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Annual</u> <u>Payment</u>
2019	47,403	163,250	210,653
2020	42,017	168,635	210,652
2021	36,454	174,198	210,652
2022	30,708	179,945	210,653
2023	24,772	185,881	210,653
2024	18,640	192,013	210,653
2025	12,305	198,347	210,652
2026	<u>5,762</u>	<u>174,184</u>	<u>179,946</u>
Total Minimum Payments	<u>218,061</u>	<u>1,436,453</u>	1,654,514
Less Amount Representing Interest			<u>(218,061)</u>
Net Present Value of Future Minimum Payments			<u>1,436,453</u>

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

NOTE 4 CASH AND INVESTMENTS

The District's deposits at year end were covered by Federal depository insurance or secured under the Public Deposit Protection Act of the State of Colorado, whereby the custodial bank pledges collateral for amounts on deposit in excess of the amount guaranteed by the FDIC for governmental entities.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured	250,000	250,000
Uninsured, Collateralized Under the Public Deposit Protection Act of the State of Colorado	<u>250,290</u>	<u>244,103</u>
<u>Sub-Total</u>	<u>500,290</u>	<u>494,103</u>
Cash with County Treasurer	-	<u>34,637</u>
<u>Total Cash and Deposits</u>	<u>500,290</u>	<u>528,740</u>

Cash of \$108,450 is restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado. (See Note 6)

As presented above, deposits with a bank balance of \$250,290 and a carrying balance of \$244,103 as of December 31, 2018 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities.
- Bankers' acceptances of certain banks
- 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 had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Investments Fair Value</u>	<u>Credit Risk Rating</u>
COLO Trust Plus	41 Day Average	2,632,110	AAA

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

NOTE 4 CASH AND INVESTMENTS (Continued)

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The ratings by Standard & Poor for each investment are disclosed above.

Concentration of Credit Risk – The District has no policy restricting the amount that can be invested in any issuer.

The District categorizes its fair value measurements 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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has no recurring fair value measurements as of December 31, 2018:

- **COLOTRUST** – Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

NOTE 5 COMPENSATED ABSENCES

Personal Leave Time: The District leave program operates on a concept of personal leave that combines vacation and sick time. Full-time employees accrue personal leave with each pay period and may accrue and carry a maximum of hours as approved in the current approved pay leave and allowance schedule. Any personal leave in excess of this limit will be lost if not used, except where the employee has scheduled leave in any month and has been denied the leave due to administrative or operations requirements in which case the scheduled leave may be carried over to the next month in excess of the hour limit. Personal leave may not be used in advance of accrual. All operations personnel leave time that can be projected must be applied for one month in advance to permit rescheduling of operations personnel to maintain coverage. Administrative personnel must schedule leave at least two weeks in advance. No employee is guaranteed the requested vacation time off. Accrued leave payable as of December 31, 2018 was \$78,104.

NOTE 6 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

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

NOTE 6 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS (Continued)

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

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

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

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocable pledging present cash reserves for all future payments.

In 1998 the voters of the District approved that the District be able to collect, retain and spend all tax revenue collected from a tax rate of 2.702 mills, and all other revenue received from any sources, commencing January 1, 1998 and continuing thereafter.

On November 7, 2000, the voters of the District approved that the mill levy may be increased from 2.702 mills to 5.712 beginning in 2001 and each year thereafter.

On November 7, 2010, the voters of the District approved that the mill levy may be increased from 5.712 mills to 8.612 mills beginning in 2011 and each year thereafter.

On November 6, 2018, the voters of the District approved that the mill levy may be increased from 8.612 mills to 14.886 mills beginning in 2019 and each year thereafter.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending Limits (and qualifications as an Enterprise) will require judicial interpretation.

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

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 PENSION PLANS

The District has two plans covering members. The plans are:

- Fire and Police Pension Plan – Statewide Defined Benefit Plan (FPPA SWDB)
- Falcon Fire Protection District Volunteer Fire Defined Benefit Plan

<u>Plan</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Pension Income</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
FPPA Statewide Plan	251,079	-	(183,378)	341,997	88,032
Falcon Fire Protection District Volunteer Fire	-	333,230	(3,739)	64,581	28,763
Totals	<u>251,079</u>	<u>333,230</u>	<u>(187,117)</u>	<u>406,578</u>	<u>116,795</u>

FPPA Statewide Defined Benefit Plan

The District participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension fund administered by the FPPA. The net pension 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. Eligible employees of the District are provided with pensions through SWDB. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://fppaco.org>.

FPPA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714. 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

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

NOTE 8 PENSION PLANS (Continued)

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

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

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

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

Employer contributions recognized by the SWDB from the district were \$113,532 for the year ended December 31, 2018.

At December 31, 2018, the District reported an asset of \$251,079 for its proportionate share of the net pension asset of SWDB. 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, 2017. The collective total pension asset as of December 31, 2018 is based upon the January 1, 2017 actuarial valuation.

At December 31, 2018, the District's proportion was 0.1745231 percent, which was a decrease of 0.0146881 percent from its proportion measured as of December 31, 2017.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the SWDB from the following sources:

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

NOTE 8 PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	181,064	(2782)
Changes of assumptions or other inputs	37,829	-
Net difference between projected and actual earnings on pension plan investments	-	(85,250)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	9,572	-
Contributions subsequent to the measurement date	113,532	N/A
Total	341,997	(88,032)

The deferred outflows and deferred inflows related to pensions are included with total deferred outflows and total deferred inflows on the statement of net position. Deferred outflows of resources of \$113,532 related to FPPA pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase in the net pension asset in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending December 31,	Amounts recognized in Pension Expense
2019	\$ 30,924
2020	\$ 27,042
2021	\$ (9,192)
2022	\$ (22,630)
2023	\$ 27,848
Thereafter	\$ 86,441

The components of the calculation of the net pension liability of the SWDB plan as of December 31, 2017 are shown in the following table:

	December 31, 2017
Total Pension Liability (A)	\$3,960,646
Plan Fiduciary Net Position (B)	\$4,211,725
Employer's Net Pension Liability (Asset) (A-B)	\$(251,079)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	106.3%

The actuarial valuations for the SWDP were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2017. The valuation used the following actuarial assumption and other inputs:

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

NOTE 8 PENSION PLANS (Continued)

	Total Pension Liability	Actuarially Determined Contributions
Actuarial Valuation Date	January 1, 2018	January 1, 2017
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Payroll, Open	Level % of Payroll, Open
Amortization Period	30 Years	30 years
Long-term investment Rate of Return *	7.5%	7.5%
Projected Salary Increases	4.0% - 14.0%	4.0% - 14.0%
Cost of Living Adjustments	0.0%	0.0%
* Includes Inflation at	2.5%	3.0%

For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every five years the Fire & Police Pension Association's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the Fire & Police Pension Association's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2016, and were used in the rollforward calculation of total pension liability as of December 31, 2016. Actuarial assumptions effective for actuarial valuation prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2017. The actuarial assumptions impact actuarial factors for the benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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

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

NOTE 8 PENSION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37%	8.33%
Equity Long/Short	9%	7.15%
Illiquid Alternatives	24%	9.70%
Fixed Income	15%	3%
Absolute Return	9%	6.46%
Managed Futures	4%	6.85%
Cash	2%	2.26% *
Total	100%	

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

Discount rate. 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.

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 investment (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%.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.5%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension (asset) liability	(273,350)	(251,079)	(686,550)

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.coFPPA.org/investments/FPPA-financial-reports.

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

NOTE 8 PENSION PLANS (Continued)

Volunteer Firefighters

The FPPA administers an agent multiple-employer PERS. The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at:

[http://www.fppaco.org/pdfs/annual audit actuarial reports/annual%20reports/2014%20cafr.pdf](http://www.fppaco.org/pdfs/annual%20audit%20actuarial%20reports/annual%20reports/2014%20cafr.pdf)

The plan provides normal retirement benefits, disability retirement and survivor benefits. Firefighters who have attained both 50 years of age and completed 20 years of active service in any fire department in the State of Colorado are eligible for a monthly pension. Upon death, the surviving spouse receives a monthly pension equal to 50% of the benefit previously received, payable until death or remarriage. The District has twenty-six retirees and one inactive, nonretired member in this plan as of December 31, 2017 (measurement date) and December 31, 2018 (reporting date).

At December 31, 2018, the District reported a net pension liability of \$333,230. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

At December 31, 2018 the total pension liability was \$900,009 and the plan fiduciary net position was \$566,779. For the year ended December 31, 2018, the district recognized pension income of \$3,739.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the Volunteer pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	-
Net difference between expected and actual earnings on pension plan investments	23,241	(28,763)
The employer's contributions to the plan subsequent to the measurement date of the collective net pension liability	41,340	-
Total	64,581	(28,763)

The deferred outflows and deferred inflows related to pensions are included with total deferred outflows and total deferred inflows on the statement of net position. Deferred outflows of resources of \$41,340 related to the Volunteer pension, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability or 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:

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

NOTE 8 PENSION PLANS (Continued)

For the years ending December 31,	
2019	\$ 3,607
2020	\$ 2,514
2021	\$ (4,453)
2022	\$ (7,190)
2023	-
Thereafter	-

Employer contributions are recognized by FPPA in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to FPPA. Employer contributions recognized by the FPPA from the District were \$41,340 for the year ended December 31, 2018.

Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contributions rates have a one-year lag, so the actuarial valuation as of January 1, 2017, determines the contribution amounts for 2018 and 2019.

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

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

The assumptions shown above pertain to the actuarial valuation as of January 1, 2015 and the associated Actuarially Determined Contribution for the year ending December 31, 2017. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for first use in the January 1, 2017 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 1, 2017 Volunteer valuations.

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

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

NOTE 8 PENSION PLANS (Continued)

Inflation 2.50%

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

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

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Global Equity	37%	8.33%
Equity Long/Short	9%	7.15%
Private Capital	24%	9.70%
Fixed Income	15%	3.00%
Absolute Return	9%	6.46%
Managed Futures	4%	6.85%
Cash	2%	2.26%
Total	100%	

The figures in the above table were supplied by Fire and Police Pension Association Staff. Gabriel, Roeder, Smith and Company does not provide investment advice.

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 7.5%; 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 7.5%.

Sensitivity of the District's proportionate share of the net pension liability to changes in the

FALCON FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (asset)	404,311	333,230	271,570

FPPA Statewide Money Purchase Plan (Defined Contribution Plan)

Plan Description: The plan was established January 1, 2004 as a cost-sharing multiple-employer pension plan covering full-time firefighters and police officers from departments that elect coverage. The Plan may also cover clerical staff or other fire district personnel whose services are auxiliary to fire protection. Employees in the Money Purchase Plan have the option of choosing among various mutual funds offered by an outside investment manager.

Employers may not withdraw from the Plan one affiliated. The Plan assets associated with the Money Purchase component are included in the Fire & Police Member's Self-Directed Investment Fund.

Contributions: The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. The members of this Plan and their employers are currently each contributing at the rate determined by the individual employer, however, the rate for both employer and member must be at least 8 percent of the member's base salary. Excess contributions fund the Money Purchase Component of the Plan. The District's contributions to the Money Purchase Plan for the year ending December 31, 2018 was \$8,144, equal to its required contributions for the year.

Within the Money Purchase component, members are always fully vested in their own contributions as well as the earning on those contributions. Vesting in the employer's contributions within the Money Purchase Component, and earnings on those contributions occurs according to the vesting schedule set by the Plan document at 20 percent per year after the first year of service to be 100 vested after 5 years of service. Employer and member contributions are invested in funds at the discretion of members.

A member may elect to make voluntary after-tax contributions to the Money Purchase component of the Plan.

Benefits: The Plan document states that any member may retire from further service and become eligible for a normal retirement pension at any time after age 55, if the member has at least 25 years of service. A member is eligible for early retirement at age 50 or after 30 years of service.

FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 **PENSION PLANS (Continued)**

Alternatively, a member with at least 5 years of accredited service may leave contributions with the Defined Benefit Component of the Plan and remain eligible for a retirement pension at age 55 equal to 1.5 percent of the average of the member's highest 3 years' base salary for each year of credited service. In addition, upon termination, the vested account balance within the Money Purchase Component becomes available to the member.

FPPA Deferred Compensation Retirement Plan

The District offers its employees a deferred compensation plan administered by FPPA created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in the Deferred Compensation Plan Trusts for the exclusive benefit of participants and their beneficiaries. FPPA is trustee of the trusts. The District has no ownership interest in the Plan nor is the District liable for losses under the Deferred Compensation Plan.

The employee's contributions to the Deferred Compensation Plan for the year ending December 31, 2018, was \$46,321.

NOTE 9 **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental funds balance sheet includes reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities. The items which were eliminated are as follows:

Governmental Funds – Interfund Transfers	\$ 700,000
Governmental Funds – Interfund Receivables/Payables	\$ 15,950

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

NOTE 10 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

<u>District:</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:				
General	15,950	-	-	700,000
Rural Water System-Special Revenue Fund	-	15,950	-	-
Capital Projects Fund	-	-	<u>700,000</u>	-
Total	<u>15,950</u>	<u>15,950</u>	<u>700,000</u>	<u>700,000</u>

Due to and due from accounts are to be repaid within three months after year end. Transfers were for operational purposes.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparisons

Pension Trend Data

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund accounts for all transactions of the District not accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the District's overall operations.

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Rural Water System Fund – This fund is provided to maintain a separate accounting for participation agreement fees received for the purpose of meeting minimum fire flow (water supply) requirements of applicable fire codes.

**FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original & Final</u>	<u>Actual</u>	
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	3,122,816	3,125,146	2,330
Specific Ownership Tax	388,012	394,578	6,566
Interest	27,476	50,091	22,615
Intergovernmental Revenue	-	11,340	11,340
Charges for Services	13,000	23,884	10,884
Miscellaneous Revenues	<u>2,200</u>	<u>2,565</u>	<u>365</u>
<u>Total Revenues</u>	<u>3,553,504</u>	<u>3,607,604</u>	<u>54,100</u>
 <u>EXPENDITURES</u>			
<u>Current</u>			
General and Administrative	164,885	251,618	(86,733)
Fire	6,455	3,029	3,426
Operations	2,584,351	2,224,598	359,753
Volunteer Pension Payment	30,000	30,000	0
State Match Volunteer Pension	0	11,340	(11,340)
Supplies and Maintenance	109,130	85,214	23,916
Training and Association Fees	29,722	29,303	419
Capital Outlay	<u>103,961</u>	<u>80,166</u>	<u>23,795</u>
<u>Total Expenditures</u>	<u>3,028,504</u>	<u>2,715,268</u>	<u>313,236</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>525,000</u>	<u>892,336</u>	
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfers (Out)	<u>(650,000)</u>	<u>(700,000)</u>	<u>(50,000)</u>
<u>Total Other Financing Sources (Uses)</u>	<u>(650,000)</u>	<u>(700,000)</u>	<u>(50,000)</u>
 <u>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>			
	(125,000)	192,336	
<u>FUND BALANCE, Beginning of Year</u>	<u>2,276,077</u>	<u>2,221,423</u>	
<u>FUND BALANCE, End of Year</u>	<u>2,151,077</u>	<u>2,413,759</u>	

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

FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
RURAL WATER SYSTEM – SPECIAL REVENUE FUND
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original & Final</u>		
<u>REVENUES</u>			
Interest Revenue	156	381	225
<u>Total Revenues</u>	<u>156</u>	<u>381</u>	<u>225</u>
<u>EXPENDITURES</u>			
System Maintenance	1,000	1,508	(508)
System Improvements	15,000	-	15,000
Administrative Expenditures	100	-	100
Contingency	2,500	-	2,500
<u>Total Expenditures</u>	<u>18,600</u>	<u>1,508</u>	<u>17,092</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(18,444)	(1,127)	
<u>FUND BALANCE, Beginning</u>	<u>18,537</u>	<u>19,467</u>	
<u>FUND BALANCE, Ending</u>	<u>93</u>	<u>18,340</u>	

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

PENSION TREND DATA

**FALCON FIRE PROTECTION DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY OF THE STATEWIDE DEFINED BENEFIT PLAN –
 A COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
 ADMINISTERED BY THE FIRE & POLICE PENSION ASSOCIATION
 AS OF DECEMBER 31, 2018***

	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	.1745231%	.1892112%
District's proportionate share of the net pension asset	\$251,079	\$68,369
District's covered payroll	\$1,419,150	\$1,020,889
District's proportionate share of the net pension asset as a percentage of its covered payroll	17.7%	6.70%
Plan fiduciary net position as a percentage of the total pension liability	106.3%	98.21%

* The amounts presented for the year shown above were determined as of and for the calendar year ended December 31, 2017 (the Plan's measurement period) occurring within the District's fiscal years ended December 31, 2018 and 2017 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**FALCON FIRE PROTECTION DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE STATEWIDE DEFINED BENEFIT PLAN –
 A COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
 ADMINISTERED BY THE FIRE & POLICE PENSION ASSOCIATION
 AS OF DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$113,532	\$81,671
Contributions in relation to the contractually required contribution	<u>\$113,532</u>	<u>\$81,671</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$1,419,150	\$1,020,889
Contributions as a percentage of covered payroll	8%	8%

FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS MULTI-YEAR
 Last 10 Fiscal Years (As Available)

Measurement period ending December 31,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability	-	-	-	-	-	-	-	-	-	-
Service Cost	66,185	60,027	62,377	55,748	-	-	-	-	-	-
Interest on the Total Pension Liability	-	73,990	-	122,774	-	-	-	-	-	-
Benefit Changes	-	2,928	-	(434)	-	-	-	-	-	-
Difference Between Expected and Actual Experience	-	41,661	-	-	-	-	-	-	-	-
Assumption Changes	(95,550)	(97,425)	(90,122)	(89,286)	-	-	-	-	-	-
Benefit Payments	(29,365)	81,181	(27,745)	88,802	-	-	-	-	-	-
Net Change in Total Pension Liability	929,374	848,193	875,938	787,136	-	-	-	-	-	-
Total Pension Liability – Beginning	900,009	929,374	848,193	875,938	-	-	-	-	-	-
Total Pension Liability – Ending	11,340	11,340	11,340	11,340	-	-	-	-	-	-
Plan Fiduciary Net Position	20,000	20,000	20,000	20,000	-	-	-	-	-	-
Employer Contributions	75,531	28,929	11,729	42,479	-	-	-	-	-	-
Pension Plan Net Investment Income	(95,550)	(97,425)	(90,122)	(89,286)	-	-	-	-	-	-
Benefit Payments	(7,388)	(1,155)	(3,221)	(1,359)	-	-	-	-	-	-
Pension Plan Administrative Expense	11,340	11,340	11,340	11,340	-	-	-	-	-	-
State of Colorado Supplemental Discretionary Payment	3,933	(38,311)	(50,274)	(16,826)	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	562,846	601,157	651,431	668,257	-	-	-	-	-	-
Plan Fiduciary Net Position – Beginning	566,779	562,846	601,157	651,431	-	-	-	-	-	-
Plan Fiduciary Net Position – Ending	333,230	366,528	247,036	224,507	-	-	-	-	-	-
Net Pension Liability/(Asset) – Ending	62.97%	60.56%	70.88%	74.37%	-	-	-	-	-	-
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	N/A	N/A	N/A	N/A	-	-	-	-	-	-
Covered Payroll	N/A	N/A	N/A	N/A	-	-	-	-	-	-
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	-	-	-	-	-	-

**FALCON FIRE PROTECTION DISTRICT
VOLUNTEER SCHEDULE OF CONTRIBUTIONS MULTI-YEAR
LAST 10 YEARS
For the Year Ended DECEMBER 31, 2018**

<u>FY Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2017	20,985	31,340	(10,355)	N/A	N/A
2016	20,985	31,340	(10,355)	N/A	N/A
2015	13,358	31,340	(17,982)	N/A	N/A
2014	13,358	31,340	(17,982)	N/A	N/A
2013	-	-	-	-	-
2012	-	-	-	-	-
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	-	-	-	-	-
2008	-	-	-	-	-

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

OTHER SCHEDULES

NON MAJOR GOVERNMENTAL FUNDS

Capital Project Funds

Capital Projects Fund – This fund accounts for the acquisition of sites, buildings, vehicles, equipment and other capital related expenditures. Capital leases, loans and fund transfers are used to finance these purchases.

**FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
CAPITAL PROJECTS – CAPITAL PROJECTS FUND
For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original & Final</u>		
<u>REVENUES</u>			
Interest Revenue	6,540	19,147	12,607
<u>Total Revenues</u>	6,540	19,147	12,607
<u>EXPENDITURES</u>			
Capital Outlay	865,000	552,324	312,676
Capital Lease Interest	47,403	52,125	(4,722)
Capital Lease Principal	163,250	158,528	4,722
<u>Total Expenditures</u>	1,075,653	762,977	312,676
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(1,069,113)	(743,830)	
<u>OTHER FINANCING SOURCES (USES)</u>			
Donated Property	0	3,000	3,000
Transfers In	650,000	700,000	50,000
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	650,000	703,000	53,000
<u>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	(419,113)	(40,830)	
<u>FUND BALANCE, Beginning of Year</u>	684,128	684,128	
<u>FUND BALANCE, End of Year</u>	265,015	643,298	

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