

**Basalt & Rural Fire Protection District**

**Financial Statements  
December 31, 2018**



**Basalt & Rural Fire Protection District  
Financial Report  
December 31, 2018**

**Table of Contents**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	A1 – A2
<b>Management's Discussion and Analysis</b>	B1 – B4
<b>Basic Financial Statements:</b>	
Government-wide and Fund Financial Statements:	
Governmental Funds Balance Sheet/Statement of Net Position	C1
Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	C2
<b>Notes to the Financial Statements</b>	D1 – D28
<b>Required Supplementary Information</b>	
Schedule of Revenues and Expenditures - Budget (GAAP Basis) and Actual General Fund	E1
Schedule of Revenues and Expenditures - Budget (GAAP Basis) and Actual Special Revenue Impact Fee Fund	E2
Schedule of Revenues and Expenditures - Budget (GAAP Basis) and Actual Capital Projects Fund	E3
Schedule of the Employer's Proportionate Share of the Net Pension Asset / Liability	E4
Schedule of District Contributions	E5
Notes to the Required Supplementary Information	E6 – E7
<b>Supplementary Information</b>	
Schedule of Revenues and Expenditures - Budget (GAAP Basis) and Actual Debt Service Fund	F1



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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Basalt & Rural Fire Protection District  
El Jebel, Colorado**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Basalt & Rural Fire Protection District (the "District") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

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### **Opinions**

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

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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 Management's Discussion and Analysis in Section B 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.

The budgetary comparison schedules, the Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of District Contributions in Section E are not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund budgetary comparison 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 basic 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**June 5, 2019**

## MANAGEMENT'S DISCUSSION AND ANALYSIS



# Basalt & Rural Fire Protection District

## Management's Discussion and Analysis December 31, 2018

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

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of two components: 1) financial statements; and 2) Notes to the Financial Statements. These components are discussed below.

**Financial statements:** The financial statements are designed to provide readers with an overview of the District's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet/Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net position. The Balance Sheet columns present the financial position focusing on short-term available resources and are reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. 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 Revenues, Expenditures and Changes in Fund Balance/Statement of Activities shows how the government's fund balance and net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The District's financial statements can be found in section C of this report.

**Notes to the Financial Statements:** The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in section D of this report.

## Financial Analysis of the District

### Basalt & Rural Protection District's Net Position

<b>Assets:</b>	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 7,238,835	\$ 7,868,391
Capital assets	8,263,683	7,600,821
<b>Total Assets</b>	<b>15,502,518</b>	<b>15,469,212</b>
<b>Deferred Outflows of Resources:</b>		
Pension related deferred outflows	315,158	370,024
	<u>315,158</u>	<u>370,024</u>
<b>Liabilities:</b>		
Current liabilities	41,105	190,553
Long-term liabilities:		
Due within one year	150,000	166,384
Due after one year	3,549,703	3,941,769
<b>Total Liabilities</b>	<b>3,740,808</b>	<b>4,298,706</b>
<b>Deferred Inflows of Resources:</b>		
Property tax revenues	3,159,206	3,132,326
Pension related deferred inflows	177,487	37,324
	<u>3,336,693</u>	<u>3,169,650</u>
<b>Net Position:</b>		
Net Investment in capital assets	4,761,978	4,982,846
Reserved for emergency	133,521	177,252
Restricted for debt service	171,009	136,487
Restricted for pension	138,351	-
Restricted for other	118,660	1,059,605
Unrestricted	3,416,656	2,014,690
<b>Total Net Position</b>	<b>\$ 8,740,175</b>	<b>\$ 8,370,880</b>

Approximately 54% of the District's net position reflect its investment in capital assets, which includes land, fire stations, vehicles, and equipment, less debt outstanding related to those capital assets.

At the end of the 2018, the District is able to report positive balances in all categories of net position. Overall, the District's net position increased during the most recent fiscal year. Governmental Accounting Standards Board Statement No. 34 requires asset acquisitions to be capitalized and depreciated over their respective estimated useful lives. For 2018, the District capitalized \$1,151,334 of new assets and reported depreciation expense in the amount of \$480,209.

Additionally, principal payments are removed from the Statement of Activities, and reported on the Statement of Net Position. Debt principal payments totaled \$145,000 for the year ended December 31, 2018, in accordance with the District's Series 2016 debt issuance.

## Financial Analysis of the District (continued)

### Basalt & Fire Protection District's Change in Net Position

<b>Revenues:</b>	<b>2018</b>	<b>2017</b>
Property taxes	\$ 3,107,395	\$ 3,034,804
Specific ownership taxes	142,206	137,782
Service income	416,428	302,934
Impact fees	140,181	137,753
Investment income	34,134	12,890
Grants and contributions	314,244	16,410
Wildfire contracts	269,225	281,230
Other	11,388	8,798
<b>Total Revenues</b>	<u>4,435,201</u>	<u>3,932,601</u>
<b>Expenditures/Expenses:</b>		
General and administrative	1,412,980	997,047
Fire prevention	180,851	175,429
District operations:		
Building maintenance	344,955	358,569
Personnel	456,350	589,244
Training	112,094	64,615
Communications	49,911	37,335
Equipment	154,582	95,117
Vehicle repair and maintenance	134,593	140,798
Emergency medical services	1,106,940	977,581
Debt service:		
Interest	113,150	116,050
<b>Total Expenditures/Expenses</b>	<u>4,066,406</u>	<u>3,551,785</u>
<b>Other Financing Sources:</b>		
Sale of assets	<u>500</u>	<u>6,303</u>
<b>Change in Net Position</b>	369,295	387,119
<b>Net Position - January 1</b>	8,370,880	7,983,761
<b>Net Position - December 31</b>	<u>\$ 8,740,175</u>	<u>\$ 8,370,880</u>

Property taxes were the most significant sources of revenues, accounting for 70% of total revenues. Specific ownership tax revenue of \$142,206 accounted for 3% of the total revenues.

When compared to 2017, overall revenues increased by \$502,600 in 2018 mainly due to an increase in grants and contributions to the District after the Lake Christine fire within District boundaries.

Personnel expenses of \$2,268,981 in 2018 accounted for 56% of the total expense incurred by the District, and includes wages as well as employee benefits provided by the District.

## **Budget Variances in the General Fund**

General Fund revenues were higher than anticipated, as increases in Service Income (\$174,828 higher than budgeted), Wildfire Contracts (\$113,282 higher than budgeted), and Grants and Contributions (\$314,244 higher than budgeted) were experienced.

District operational expenses were under budget by \$32,891, as several line items had variances from budget. Most notably, the District's Capital Outlay expenses were under budget by \$169,503. Additionally, the District's General and Administrative expenses were over budget by \$215,923 due to bad debt expenses associated with ambulance collections during the year, which are not budgeted for.

## **Capital Asset and Debt Administration**

**Capital assets:** The District's capital assets, net of accumulated depreciation, totaled \$8,263,683, with capital purchases of \$1,151,334 occurring in 2018. Capital asset additions were comprised of a ladder truck, Station #41 upgrades, and new equipment. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements in section D.

**Long-term debts:** The District had general obligation debt of \$3,375,000 outstanding at December 31, 2018. Additional information can be found in the Notes to the Financial Statements in section D.

## **Request 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 the District's Administrative Offices, 1089 JW Drive, Carbondale, Colorado 81623.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**



**Basalt & Rural Fire Protection District**  
**Governmental Funds Balance Sheet/Statement of Net Position**  
**December 31, 2018**

<b>Governmental Funds Balance Sheet</b>							
	<b>General Fund</b>	<b>Impact Fee Fund</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets:</b>							
Cash and cash equivalents	\$ 2,767,726	\$ 101,450	\$ 180,684	\$ -	\$ 3,049,860	\$ -	\$ 3,049,860
Investments	725,395	-	-	-	725,395	-	725,395
Assessed taxes receivable	2,860,735	-	298,471	-	3,159,206	-	3,159,206
Accounts receivable, net of allowance of \$70,000	160,379	5,639	-	-	166,018	-	166,018
Due (to)/from other fund	(2,146)	980	(9,425)	10,591	-	-	-
Restricted assets:							
Cash and cash equivalents	5	-	-	-	5	-	5
Net pension asset - employer plan	-	-	-	-	-	138,351	138,351
Capital assets, net of accumulated depreciation	-	-	-	-	-	8,263,683	8,263,683
<b>Total Assets</b>	<b>6,512,094</b>	<b>108,069</b>	<b>469,730</b>	<b>10,591</b>	<b>7,100,484</b>	<b>8,402,034</b>	<b>15,502,518</b>
<b>Deferred Outflows of Resources:</b>							
Pension related deferred outflows	-	-	-	-	-	315,158	315,158
<b>Total Deferred Outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>315,158</b>	<b>315,158</b>
<b>Liabilities:</b>							
Accounts payable	35,350	-	250	-	35,600	-	35,600
Other liabilities	5,500	-	-	-	5,500	-	5,500
Unearned revenue	5	-	-	-	5	-	5
Bonds payable:							
Due within one year	-	-	-	-	-	150,000	150,000
Due in more than one year, net	-	-	-	-	-	3,351,705	3,351,705
Net pension liability - volunteer plan	-	-	-	-	-	197,998	197,998
<b>Total Liabilities</b>	<b>40,855</b>	<b>-</b>	<b>250</b>	<b>-</b>	<b>41,105</b>	<b>3,699,703</b>	<b>3,740,808</b>
<b>Deferred Inflows of Resources:</b>							
Property tax revenues	2,860,735	-	298,471	-	3,159,206	-	3,159,206
Pension related deferred inflows	-	-	-	-	-	177,487	177,487
<b>Total Deferred Inflows</b>	<b>2,860,735</b>	<b>-</b>	<b>298,471</b>	<b>-</b>	<b>3,159,206</b>	<b>177,487</b>	<b>3,336,693</b>
<b>Fund Balances / Net Position:</b>							
<b>Fund Balances:</b>							
Spendable:							
Restricted	271,872	108,069	171,009	10,591	561,541	(561,541)	-
Unassigned	3,338,632	-	-	-	3,338,632	(3,338,632)	-
<b>Total Fund Balances</b>	<b>3,610,504</b>	<b>108,069</b>	<b>171,009</b>	<b>10,591</b>	<b>3,900,173</b>	<b>(3,900,173)</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 6,512,094</b>	<b>\$ 108,069</b>	<b>\$ 469,730</b>	<b>\$ 10,591</b>	<b>\$ 7,100,484</b>		
<b>Net Position:</b>							
Net investment in capital assets						4,761,978	4,761,978
Restricted for debt service						171,009	171,009
Restricted for emergencies						133,521	133,521
Restricted for pension						138,351	138,351
Restricted for other purposes						118,660	118,660
Unrestricted						3,416,656	3,416,656
<b>Total Net Position</b>						<b>\$ 8,740,175</b>	<b>\$ 8,740,175</b>

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

**Basalt & Rural Fire Protection District  
Statement of Revenues, Expenditures and  
Changes in Fund Balances/Statement of Activities  
For the Year Ended December 31, 2018**

**Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances**

	General Fund	Impact Fee Fund	Debt Service	Capital Projects	Total	Adjustments	Statement of Activities
<b>Revenues:</b>							
Property taxes	\$ 2,816,846	\$ -	\$ 290,549	\$ -	\$ 3,107,395	\$ -	\$ 3,107,395
Specific ownership taxes	128,805	-	13,401	-	142,206	-	142,206
Charges for services:							
Service income	416,428	-	-	-	416,428	-	416,428
Impact fees	-	140,181	-	-	140,181	-	140,181
Investment income	33,719	236	179	-	34,134	-	34,134
Grants and contributions	314,244	-	-	-	314,244	-	314,244
Wildfire contracts	269,225	-	-	-	269,225	-	269,225
Miscellaneous	11,388	-	-	-	11,388	-	11,388
<b>Total Revenues</b>	<u>3,990,655</u>	<u>140,417</u>	<u>304,129</u>	<u>-</u>	<u>4,435,201</u>	<u>-</u>	<u>4,435,201</u>
<b>Expenditures/Expenses:</b>							
General and administrative	1,352,555	-	11,457	-	1,364,012	48,968	1,412,980
Fire prevention	180,851	-	-	-	180,851	-	180,851
District operations:							
Building maintenance	344,955	-	-	-	344,955	-	344,955
Personnel	88,863	-	-	-	88,863	367,487	456,350
Training	112,094	-	-	-	112,094	-	112,094
Communications	49,911	-	-	-	49,911	-	49,911
Equipment	147,213	-	-	-	147,213	7,369	154,582
Vehicle repair and maintenance	134,993	-	-	-	134,993	(400)	134,593
Emergency medical services	1,188,139	-	-	-	1,188,139	(81,199)	1,106,940
Capital outlay	130,497	337,026	-	744,336	1,211,859	(1,211,859)	-
Debt service:							
Principal	-	-	145,000	-	145,000	(145,000)	-
Interest	-	-	113,150	-	113,150	-	113,150
<b>Total Expenditures/Expenses</b>	<u>3,730,071</u>	<u>337,026</u>	<u>269,607</u>	<u>744,336</u>	<u>5,081,040</u>	<u>(1,014,634)</u>	<u>4,066,406</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	260,584	(196,609)	34,522	(744,336)	(645,839)	1,014,634	368,795
<b>Other Financing Sources (Uses):</b>							
Sale of assets	500	-	-	-	500	-	500
<b>Total Other Financing Sources (Uses)</b>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
<b>Changes in Fund Balance/Net Position</b>	261,084	(196,609)	34,522	(744,336)	(645,339)	1,014,634	369,295
<b>Fund Balances/Net Position:</b>							
Beginning of Year	3,349,420	304,678	136,487	754,927	4,545,512		8,370,880
End of Year	<u>\$ 3,610,504</u>	<u>\$ 108,069</u>	<u>\$ 171,009</u>	<u>\$ 10,591</u>	<u>\$ 3,900,173</u>		<u>\$ 8,740,175</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**



**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**

**I. Summary of Significant Accounting Policies**

The Basalt & Rural Fire Protection District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to provide emergency and non-emergency services for the protection of life and property in Pitkin and Eagle County, Colorado.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The District has no component units, and it is not a component unit of any other entity.

**B. Government-wide and Fund Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. However, the District does not have any business-type activities, only governmental activities.

**1. Government-wide Financial Statements**

In the Governmental Funds Balance Sheet/Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts—investment in capital assets; restricted assets; and unrestricted assets.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

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

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

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

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements, including fiduciary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. One or more specific restricted or committed revenues should be the foundation for the fund.

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Resources restricted within this fund relate to TABOR reserve requirements (see Note 3.B), as well as debt service on capital lease acquisitions.

The *Impact Fee Fund* is used to account for revenues that are legally restricted to expenditure for providing the facilities necessary to accommodate growth within the District's boundaries. This is considered a major special revenue fund due to its significance to the District.

The *Debt Service Fund* accounts for and reports financial resources that are restricted to expenditure for principal and interest that have been legally mandated, as well as the accumulation of resources for, and the payment of, long-term general obligation principal, interest and related costs.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Governmental activities in the government-wide financial statements and fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

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

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

**2. Current Financial Focus and Modified Accrual Basis**

The governmental funds financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

**D. Financial Statement Accounts**

**1. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District.

Investments are stated at fair value or net asset value. The change in value of investments is recognized as an increase or decrease to investment assets and investment income.

The District follows state statute, which permits investments in the following types of obligations:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts. The District's policy is to establish an allowance for uncollectible accounts based on historical experience and individual analysis of accounts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" in the fund financial statements and are eliminated in the government-wide financial statements.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

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

**D. Financial Statement Accounts (continued)**

**3. Prepaid Items**

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

**4. Capital Assets**

Capital assets, which include land, fire stations and improvements, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital expenditures for projects are capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the asset.

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

<u>Assets</u>	<u>Years</u>
Buildings	10-40
Equipment	7-25

**5. Pensions**

The District participates in the Statewide Defined Benefit Plan administered by the Fire and Police Pension Association of Colorado (“FPPA”). The Statewide Defined Benefit Plan is a cost-sharing multiple-employer defined benefit plan. The District also sponsors a single employer defined benefit plan for its volunteer firefighters. The net pension asset (liability), 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 plans 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.

**6. Compensated Absences**

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities column in the government-wide financial statements.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

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

**D. Financial Statement Accounts (continued)**

**7. Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position column. The District records long-term debt of governmental funds at the face value. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund. The long-term accumulated unpaid vacation and accrued sick are serviced from property taxes and other revenues by the respective fund types from future appropriations.

**8. Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category, pension-related deferred outflows reported in the government-wide Statement of Net Position. Pension contributions made after the measurement date, and the difference between projected and actual earnings, will be recognized as a reduction of the net pension liability in future periods. See Note IV.G.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Unavailable revenue from property taxes, reported in the governmental balance sheet and on the Statement of Net Position, are deferred and recognized as an inflow from resources in the period that the amounts become available. Collective deferred inflows related to the District's net pension obligation are reported on the Statement of Net Position and are amortized over the average remaining service life of all active and inactive plan members. See Note IV.G.

**9. Fund Equity**

Government accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund balance that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications, refer to Note IV.F.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

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

**D. Financial Statement Accounts (continued)**

**10. Interfund Transactions**

Interfund services provided and used are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as “due from other funds” or “due to other funds” on the balance sheet when they are expected to be liquidated within one year.

**E. Significant Account Policies**

**1. Use of Estimates**

The preparation of financial statements to conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Comparative Information**

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the total assets, liabilities, fund balances (net position), total revenues or total expenses.

**3. Credit Risk**

The receivables of the various funds of the District are primarily due other governments. Management believes that the credit risk related to the receivables is minimal.

**4. Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the District’s policy to use unrestricted resources first, then restricted resources as they are needed, except when it is appropriate to use restricted first, such as special-purpose grants.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**II. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of differences between the governmental fund Balance sheet and the government-wide Statement of Net Position**

The Governmental Funds Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. One element of the reconciling column accounts for capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds. \$8,263,683 represents the book value of capital assets at December 31, 2018. The District also shows pension related deferred outflows of \$315,158 as well as a pension related asset of \$138,351 as reconciling items. These adjustments are required because long-term assets are not available for current period expenditures and therefore are not reported in the funds.

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the fund financial statements. At December 31, 2018, the District had a net pension liability in the amount of \$197,998. The District also had pension related deferred inflows of \$177,487 shown as a reconciling item. The District also had bonds payable of \$3,501,705, including the original issuance premium of \$368,488, net of accumulated amortization of \$96,783 shown as reconciling items.

Deferred items related to the District's pension plans, adjusted for changes in pension related actuarial assumptions, proportion of collective pension amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan, are amortized over the average remaining service life of active and inactive plan participants.

**B. Explanation of difference between the government fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities**

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities includes a reconciling column. One element of the reconciliation column accounts for governmental funds reporting capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense of \$480,209 was offset against capital outlay of (\$1,211,859) for the year, resulting in an adjustment of (\$731,650). The District also had a net loss on disposal of assets of \$8,263 and expensed capital outlay of \$60,526 for expenses that did not meet the District capitalization threshold.

Another element of the reconciling column accounts for the repayment of principal debt. The repayment of principal debt is an expenditure within the governmental funds, but the repayment reduces long-term liabilities, and therefore is reduction to the Statement of Activities. The District's principal repayments totaled (\$145,000) for 2018. The District's premium amortization totaled (\$30,875) for 2018.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the change in accrued compensated absences of (\$53,459).

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**II. Reconciliation of Government-wide and Fund Financial Statements (continued)**

**B. Explanation of difference between the government fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities (continued)**

Changes in the District's pension asset (obligation) 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. (\$122,438) represents the change in the District's net pension asset (liability) during the year, including difference between employer contributions to the pension plans and amortization of pension-related deferrals.

**III. Stewardship, Compliance, and Accountability**

**A. Budgets and Budgetary Accounting**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds and the fiduciary fund are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

- (1) For the 2018 budget, prior to August 25, 2017, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2017 only once by a single notification to the District.
- (2) On or before October 15, 2017, the District's budget officer submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) For the 2018 budget, prior to December 15, 2017, the District computed and certified to the County Commissioners a rate of a levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient.
- (6) All appropriations lapse at a year-end.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**A. Budgets and Budgetary Accounting (continued)**

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in 2017 were collected in 2018 and taxes certified in 2018 will be collected in 2019. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

During the year, a supplemental appropriation was not necessary. The budgetary comparison statements reflect the original budget and the final budget after legally authorized revisions were made.

**B. TABOR Amendment - Revenue and Spending Limitation Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service) for the fiscal year ended December 31, 2018. The District has reserved a portion of its December 31, 2018 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$133,521 which is the approximate required reserve at December 31, 2018.

The initial base for local government spending and revenue limits is December 31, 1992, fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In May 1998, the District's electorate authorized the District to collect and spend all revenues received during 1997 and each subsequent year, notwithstanding the limitations of TABOR, without increasing its mill levy above current levels without further voter approval.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment - Revenue and Spending Limitation Amendment (continued)**

In May 2002, the District's electorate approved increasing the District's mill levy from 3.255 mills to 4.950 mills for taxes collected in 2003 and subsequent.

In November 2012, the District's electorate approved increasing the District's mill levy from 4.950 mills to 8.00 mills for taxes collection in 2013 and subsequent.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each separately chartered FDIC-member financial institution, without regard to the nature of the accounts. Any remaining deposits are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$2,117,185.

*Fair Value of Investments*

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At December 31, 2018, the District had the following recurring measurements:

<u>Investments Measured at Fair Value</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 725,395	\$ -	\$ 725,395	\$ -
<u>Investments Measured at Net Asset Value</u>	<u>Total</u>			
Colotrust	\$ 1,974,125			

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

**Interest Rate Risk:** As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length on maturities, the District has limited its interest rate risk.

**Credit Risk:** State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would expect to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative statements.

**Concentration of Credit Risk:** The District diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, Congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible depository.

At year end, the District had the following deposits and investments with the following maturities:

	Standard & Poor's Rating	Carrying Amounts	Maturities	
			Less than one year	One to five years
<i>Deposits:</i>				
Petty cash	Not rated	\$ 200	\$ 200	\$ -
Checking / savings	Not rated	1,075,540	1,075,540	-
Government Investment Pools	AAA $m$	1,974,125	1,974,125	-
<i>Investments:</i>				
Certificates of deposit	Not rated	725,395	725,395	-
		<u>\$ 3,775,260</u>	<u>\$ 3,775,260</u>	<u>\$ -</u>

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**B. Receivables**

The District has the following receivables, net of applicable uncollectible accounts:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Impact Fee Fund</u>	<u>Total Governmental Funds</u>
<b>Current Receivables:</b>				
Property taxes	\$ 2,860,735	\$ 298,471	\$ -	\$ 3,159,206
Service Income	230,266	-	-	230,266
Interest	113	-	-	113
Other	-	-	5,639	5,639
	<u>3,091,114</u>	<u>298,471</u>	<u>5,639</u>	<u>3,395,224</u>
Less: allowance for uncollectible	(70,000)	-	-	(70,000)
<b>Total per Government-wide Financial Statements</b>	<u><u>\$ 3,021,114</u></u>	<u><u>\$ 298,471</u></u>	<u><u>\$ 5,639</u></u>	<u><u>\$ 3,325,224</u></u>

**C. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 291,410	\$ -	\$ -	\$ 291,410
Construction in progress	8,263	1,002,477	(8,263)	1,002,477
Total capital assets, not being depreciated	<u>299,673</u>	<u>1,002,477</u>	<u>(8,263)</u>	<u>1,293,887</u>
Capital assets, being depreciated:				
Fire stations and improvements	8,437,913	64,549	-	8,502,462
Vehicles and equipment	5,427,208	84,308	-	5,511,516
Total capital assets being depreciated	<u>13,865,121</u>	<u>148,857</u>	<u>-</u>	<u>14,013,978</u>
Less accumulated depreciation:	<u>(6,563,973)</u>	<u>(480,209)</u>	<u>-</u>	<u>(7,044,182)</u>
Total capital assets, being depreciated, net	<u>7,301,148</u>	<u>(331,352)</u>	<u>-</u>	<u>6,969,796</u>
Total Capital Assets, Net	<u><u>\$ 7,600,821</u></u>	<u><u>\$ 671,125</u></u>	<u><u>\$ (8,263)</u></u>	<u><u>\$ 8,263,683</u></u>

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

General and administrative	\$ 34,732
Fire and rescue services	123,326
Emergency medical services	53,521
District operations	261,260
Communications	7,370
<b>Total Depreciation Expense</b>	<u><u>\$ 480,209</u></u>

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**D. Interfund Balances and Transfers**

<u>Due to:</u>	<u>Due from:</u>	<u>Amount:</u>	<u>Purpose:</u>
Capital Improvement	General Fund	\$ 1,167	Receipts applicable to fund
Capital Improvement	Debt Service	\$ 9,425	Receipts applicable to fund
Impact Fee Fund	General Fund	\$ 980	Receipts applicable to fund

**E. Long-term Obligations**

At December 31, 2018, the District had the following long-term obligations outstanding:

**1. General Obligation Refunding Bonds, Series 2016**

On February 9, 2016, the District issued \$3,630,000 in General Obligation Refunding Bonds. The net proceeds of \$3,900,000, after issuance costs, were used for capital projects.

Interest with rates ranging from 2.00% to 4.00% is payable semi-annually on June 1 and December 1, with bond principal payable December 1. The Series 2016 Bonds are subject to prior redemption on December 1, 2026.

Bonds maturing on or before December 1, 2025 are not subject to redemption prior to maturity. Bonds maturing on or after December 1, 2016 are subject to redemption before maturity, at the option of the District, in whole or in part at par plus accrued interest without a redemption premium.

**2. Changes in Long-term Obligations**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
General Obligation Bonds 2016	\$ 3,375,000	\$ -	\$ (145,000)	\$ 3,230,000	\$ 150,000
Original issue premium	302,580	-	(30,875)	271,705	-
Compensated absences	53,459	-	(53,459)	-	-
Net unfunded pension (asset) - employer	33,761	-	(172,112)	(138,351)	-
Net unfunded pension liability - volunteer	343,353	-	(145,355)	197,998	-
<b>Total Long-term Obligations</b>	<b>\$ 4,108,153</b>	<b>\$ -</b>	<b>\$ (546,801)</b>	<b>\$ 3,561,352</b>	<b>\$ 150,000</b>

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Fund Balance Disclosure**

The District classified governmental fund balances as follows:

*Non-spendable* – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, etc.

*Spendable Fund Balance:*

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The following amounts were restricted at December 31, 2018:

Restricted for debt service	\$ 171,009
Restricted for emergencies	133,521
Restricted for pensions	138,351
Restricted for capital projects	118,660
	\$ 561,541

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of the District. The District's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the District's platform to review and/or make changes to each department's budget. The budget is formally presented to the Board of the District via an advertised public process for their review, revisions and final approval by year-end. All subsequent budget requests made during the year, after Board approval, must be presented via a public process and again approved by the Board of the District.

*Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of the District or its management designees.

*Unassigned* – includes residual positive fund balance within the General Fund, which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as grant agreements that require dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts when expenditures are made. The District does not have an adopted minimum fund balance policy; however, the District's budget includes calculations of targeted reserve positions, which is reported annually to the Board of the District.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**1. FPPA Statewide Defined Benefit Plan**

**Plan Description:** The Plan is 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 they are not already covered by a statutorily exempt plan. As of August 1, 2003, the SDBP may include clerical and other personnel from fire districts whose services are auxiliary to fire protection.

**Contributions:** Determined by state statute or by election of the members, contributions are set at a level that enables all benefits to be fully funded at the retirement date of all members. Employees and employers are contributing at a rate of 8% and 9.5%, respectively of base salary for a total contribution rate of 17.5% through 2017. In 2014, the members elected to increase the member contribution rate 0.5% annually from 2015 through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

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

**Benefits:** On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the Plan to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983, such that any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension.

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. 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.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

**Benefits (continued):** In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result, their Separate Retirement Account ("SRA") has two components; the standard SRA and the reentry SRA.

The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Statewide Defined Benefit Plan was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.70 percent.

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.

**Net Pension Liability (Asset):** At December 31, 2018, the District reported a liability (asset) of \$(138,351) for its proportionate share of the net pension liability. The Plan's fiduciary net position currently exceeds the total pension liability, resulting in an asset reported by the District. The net pension liability (asset) was measured at 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 District's proportion of the net pension liability (asset) was based on the District's contributions to the Plan for calendar year 2017, relative to the total contributions of participating employers to the Plan.

At December 31, 2017, The District's proportionate share was .096168%, compared to .093431% at December 31, 2016.

For the year ended December 31, 2018, the District recognized net pension (revenues) expense of \$78,248 .

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,533
Change of assumptions or other inputs	20,845	-
Change in experience difference	99,772	-
Net difference between projected and actual earnings on pension plan investments	-	46,975
Changes in proportionate share of contributions	9,708	31,126
Contributions subsequent to measurement date	63,125	-
	<u>\$ 193,450</u>	<u>\$ 79,634</u>

Contributions subsequent to the measurement date of December 31, 2017, which are reported as deferred outflows of resources related to pensions, will be recognized as an adjustment against the net pension (liability) asset in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as a component of pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amortization</u>
2019	\$ 13,053
2020	10,914
2021	(9,052)
2022	(16,457)
2023	11,358
thereafter	40,875
	<u>\$ 50,691</u>

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

**Actuarial Assumptions:** The collective total pension liability as of December 31, 2017 is based upon the January 1, 2018 actuarial valuation. The actuarially determined contributions as of December 31, 2017 are based upon the January 1, 2017 actuarial valuation. The valuations used the following actuarial assumptions and other inputs:

	<u>Total Pension Liability</u>	<u>Actuarially Determined Contributions</u>
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	7.50%	7.50%
Projected Salary Increases	4.0% - 14.0%	4.0% - 14.0%
Cost of Living Adjustments (COLA)	0.00%	0.00%
Includes inflation at	2.50%	2.50%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except that 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.

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 (asset) liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	37.00%	8.33%
Equity Long/Short	9.00%	7.15%
Illiquid Alternatives	24.00%	9.70%
Fixed Income	15.00%	3.00%
Absolute Return	9.00%	6.46%
Managed Futures	4.00%	6.85%
Cash	2.00%	2.26%
Total	<u>100.00%</u>	

The discount rate used to measure the total pension liability (asset) 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 (asset).

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

**Discount rate:** Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Collective net pension liability (asset)	\$ 156,626,967	\$ (143,865,763)	\$ (393,386,428)
Proportionate share of net pension liability (asset)	\$ 150,624	\$ (138,351)	\$ (378,310)

**Pension plan fiduciary net position:** Detailed information about the Plan's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at <http://fppaco.org/annual-reports.html>.

**2. Volunteer Fire and Police Pension Plan**

**Plan Description:** The District is trustee of a single-employer defined benefit pension plan available to provide retirement income for all volunteer fire fighters in recognition of their service to the District. FPPA administers an agent multiple-employer Public Employee Retirement System ("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://fppaco.org/annual-reports.html>.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**2. Volunteer Fire and Police Pension Plan (continued)**

The plan provides normal retirement benefits, disability retirement and survivor benefits. The following benefit provisions were used to determine the District's pension liability at the measurement date of December 31, 2017:

<i>1. Normal retirement benefit at age 50 with 20 year of service (monthly):</i>		
a. Regular	\$	575.00
<i>2. Vested retirement benefit (monthly):</i>		
a. With 10 to 20 years of service amount per year of service per year of service per minimum vesting years	\$	28.75
b. Minimum vesting years		10
<i>3. Disability retirement benefit (monthly):</i>		
a. Short term disability for line of duty injury amount payable for not more than 1 year	\$	287.50
b. Long term disability for line of duty injury lifetime benefit	\$	575.00
<i>4. Survivor benefits (monthly):</i>		
a. Following death before retirement eligible: due to death in line of duty as volunteer firefighter	\$	287.50
b. Following death after normal retirement	\$	287.50
c. Following death after vested retirement with 10 to 20 years of service amount per year of service per minimum vesting rights	\$	14.38
d. Following death after disability retirement	\$	287.50
<i>5. Funeral benefits (required benefit):</i>		
a. Funeral benefit lump sum, one time only	\$	1,150.00

As of January 1, 2018, the latest actuarial valuation date, there were 8 active members and 38 service retirees and beneficiaries.

**Funding Policy:** The funding of the plan by the District and members is authorized by the Board of Trustees. The contribution by the State of Colorado (the "State") toward fire pension funds has been a fixed dollar amount established by the legislature and allocated pro rata to all fire pension funds in the State who apply for State matching funds, based upon the amounts contributed by the employer up to a maximum of one half (1/2) mill on the assessed valuation or 90% of District contributions, whichever is less. Since the District currently offers maximum retirement benefits in excess of \$300 per month, the State will match at the level determined above but no greater than the maximum of: (1) the amount necessary to fund a pension of \$300 per month on an actuarially sound basis, and (2) the amount of State contributions provided in the prior year.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**2. Volunteer Fire and Police Pension Plan (continued)**

**Net Pension Liability:** At December 31, 2018, the volunteer pension fund reported a net pension liability of \$197,998. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018.

**Actuarial Assumptions:** Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2015 determines the contribution amounts for 2016 and 2017. The methods and assumptions used to determine contribution rates for the fiscal year ending December 31, 2017 were:

Actuarial method	Entry Age Normal
Amortization method	Level Dollar, Open*
Remaining amortization period	20 years*
Asset valuation method	5-Year smoothed fair value
Includes inflation at	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.*

**Assumption Changes:** 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, 2016. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for first use in the January 1, 2016 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 1, 2017 Volunteer valuations.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**2. Volunteer Fire and Police Pension Plan (continued)**

**Assumption Changes (continued):**

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 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 obligation bonds with an average AA credit rating as of the measurement date (to the extent the plan's fiduciary net position is projected to be sufficient to pay benefits).

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following represent the plan's net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<b>Current Single Discount</b>		
	<b>1% Decrease</b>	<b>Rate Assumption</b>	<b>1% Increase</b>
	<b>6.50%</b>	<b>7.50%</b>	<b>8.50%</b>
Net Pension Liability (Asset)	\$ 399,070	\$ 197,998	\$ 27,042

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**2. Volunteer Fire and Police Pension Plan (continued)**

In connection with the District's Volunteer Fire and Police Protection Retirement Plan, the following deferred outflow of resources and deferred inflows of resources were reported at December 31, 2018:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	63,633	97,852
Contributions subsequent to measurement date	58,075	-
	<b>\$ 121,708</b>	<b>\$ 97,852</b>

Contributions subsequent to the measurement date of December 31, 2017, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in subsequent years. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized as a component of pension expense in future years as follows:

<b>Year Ended December 31,</b>	<b>Amortization</b>
2019	\$ 4,784
2020	2,771
2021	(17,311)
2022	(24,463)
2023	-
thereafter	-
	<b>\$ (34,219)</b>

**3. Statewide Death and Disability Plan**

*Plan Description* – Firefighters of the District contribute to the Statewide Death and Disability Plan (“SWDD”). The SWDD is a cost-sharing multiple-employer defined benefit death and disability plan administered by FPPA. Contributions to the SWDD are used solely for the payment of death and disability benefits. The SWDD was established in 1980 pursuant to Colorado Revised Statutes.

SWDD benefits provide 24-hour coverage, both on- and off-duty for members not eligible for normal retirement under a defined benefit plan, or under a money purchase plan.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**3. Statewide Death and Disability Plan**

In the case of an on-duty death, benefits may be payable to the surviving spouse or dependent children of active members who were eligible to retire, but were still working. Death and disability benefits are free from state and federal taxes in the event that a member's disability is determined to be the result of an on-duty injury or an occupational disease.

*Funding Policy* – Prior to 1997, the SWDD was primarily funded by the State of Colorado (the "State"), whose contributions were established by Colorado statute. In 1997 the State made a one-time contribution of \$39,000,000 to fund past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated.

The SWDD is funded by member or on-behalf of member contributions. Members hired on or after January 1, 1997, began contributing 2.4 percent of base salary to the SWDD. Contributions may be increased 0.1 percent biennially by the FPPA Board. As of January 1, 2017, the contribution rate is 2.7 percent of base salary. This percentage can vary depending on actuarial experience. All contributions are made by members or on behalf of members. The 2.7 percent contribution may be paid entirely by the District or member, or it may be split between the District and the member as determined at the local level. The District paid \$29,730 on-behalf of members to the SWDD at December 31, 2018.

FPPA issues a publicly available comprehensive annual financial report which includes additional information on the Statewide Death and Disability Plan. That report can be obtained at <https://www.fppaco.org/annual-reports.html>.

**V. Other Information**

**A. Risk Management**

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

The District joined the Western Slope Health Care Group for employee health and accident coverage. The plan is administered by Intercare Health Plans in Englewood, Colorado. The plan provides coverage for up to a maximum of \$25,000 for each claim, with commercial insurance providing coverage in excess of this limit.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**V. Other Information (continued)**

**B. Retirement Plans**

**1. Length of Service Award Program Volunteer Plan**

In 2014, the District adopted a Length of Service Award Plan (“LOSAP”) in accordance with exclusions listed under IRC section 457. All benefits earned under LOSAP, together with all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for exclusive benefit of the participants and their designated beneficiaries. The plan was established for the purpose of providing service awards to qualified volunteer firefighters and volunteer emergency medical technicians who do not participate in the FPPA Volunteer Pension Plan, as defined.

Annually, the District determines eligible participants and amount of the service awards, although no award shall exceed \$3,000 for any given year of service. The District made contributions totaling \$28,750 to plan for the year ended December 31, 2018, in accordance with established provisions.

The individual participants determine investment decisions within the LOSAP Plan and, therefore, the LOSAP Plan’s investment concentration varies between participants. The District, as Trustee of the LOSAP Plan, has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the LOSAP Plan. Consequently, the LOSAP Plan is not part of the District’s financial statements.

**2. Defined Contribution Money Purchase Retirement Plan**

The District adopted the Basalt and Rural Fire Protection District Defined Contribution Money Purchase Retirement Plan and Trust (the “Trust”) in June of 1989. This Trust is administered by ICMA. All non-responder personnel of the District are eligible to participate in the plan. The contribution rate for members is 8% of covered salaries, and for the District is 15% of covered salary. The District contributed \$104,483 for 2018.

The District offers its paid responder personnel an additional voluntary deferred compensation plan created in accordance with IRC section 457 (the “457 Plan”). All compensation deferred under the 457 Plan, together with all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for exclusive benefit of the participants and their designated beneficiaries. Compensation deferred under the 457 Plan is not available to participants until termination, retirement, death, or unforeseeable emergency.

Employees may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. The District contributes 4% of employee earnings. For 2018, this amount totaled \$29,467.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**V. Other Information (continued)**

**B. Retirement Plans (continued)**

**3. Section 457 Deferred Compensation Plan**

The individual participants determine investment decisions within the 457 Plan and, therefore, the 457 Plan's investment concentration varies between participants. The District, as Trustee of the 457 Plan, has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the 457 Plan. Consequently, the 457 Plan is not part of the District's financial statements.

**4. Section 457 Deferred Compensation Plan - Other**

The District offers its paid non-responder personnel an additional voluntary deferred compensation plan created in accordance with IRC section 457 (the "457 Plan - Other"). All compensation deferred under the 457 Plan - Other, together with all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for exclusive benefit of the participants and their designated beneficiaries. Compensation deferred under the 457 Plan - Other is not available to participants until termination, retirement, death, or unforeseeable emergency.

Employees may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. There are no District contributions to this plan.

The individual participants determine investment decisions within the 457 Plan - Other and, therefore, the 457 Plan - Other's investment concentration varies between participants. The District, as Trustee of the 457 Plan - Other, has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the 457 Plan - Other. Consequently, the 457 Plan - Other is not part of the District's financial statements.

**C. Restricted Contribution**

At December 31, 2018, the District is holding \$5 in restricted contributions. The money was given to the District to show commitment to helping fund a new fire station in the future. The District is in the process of applying for grant money for additional construction costs. The deposits will be returned if the grant is unsuccessful and has been included in unearned revenue.

**VI. Subsequent Event - Basalt-Snowmass Fire Rescue Authority**

On December 18, 2017, the Basalt-Snowmass Fire Rescue Authority (the "Authority") was created by an intergovernmental agreement between Snowmass-Wildcat Fire Protection District and Basalt and Rural Fire Protection (the "parties"). The Authority is a separate legal entity whose boundaries cover the combined territory of the parties. Operations of both parties were combined under the Authority on January 1, 2019. At this time, all parties' employees became employees of the Authority and all parties' capital assets were transferred to the Authority along with the first quarterly installment to fund operations.

**Basalt & Rural Fire Protection District**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**VI. Subsequent Event - Basalt-Snowmass Fire Rescue Authority**

The Authority is governed by six appointed directors, who each cast one vote on matters that come before the board. Each party will appoint three directors. The purposes of the Authority are to provide fire rescue services on behalf of the parties, take assignment of all existing assets of the parties unless otherwise specifically exempt by the agreement, and to employ, supervise, and manage all employees and volunteers of the parties.

The Authority shall have no power to levy taxes of any kind, but can fix, maintain and revise fees, rates and charges for functions, services or facilities provided by the Authority.

Unless otherwise agreed to by the parties, the parties shall continue to certify, in addition to the maximum mill levy allowed for refunds and abatements, their existing mill levies as set forth in the agreement. The Authority is funded by each party in quarterly installments beginning January 1, 2019. The parties will retain enough funds from their mill levy rates within their respective boundaries to cover administrative expenses associated with their individual management, such as Director's fees, legal fees, accounting and auditing fees, business operations, pension administration, membership fees, and conferences. All other funds will be conveyed to the Authority. Debt and other liabilities incurred by the Authority will not be obligations of the parties unless the parties provide written consent. The agreement can be terminated effective January 1 of any year, following written notice at least twelve months in advance. In the event of termination, the assets assigned to the Authority by each party will be returned to the assigning party. Assets acquired by the Authority and other financial assets will be liquidated and conveyed to each party in proportion to the total amounts paid to the Authority by each party during the term of the agreement.

**REQUIRED SUPPLEMENTARY INFORMATION**



**Basalt & Rural Fire Protection District  
General Fund  
Schedule of Revenues and Expenditures  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for 2017**

	<u>2018</u>		<u>2017</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
Property taxes	\$ 2,825,197	\$ 2,816,846	\$ (8,351)	\$ 2,735,637
Specific ownership taxes	120,000	128,805	8,805	124,200
Charges for services:				
Service income	241,600	416,428	174,828	417,693
Investment income	2,500	33,719	31,219	12,370
Grants and contributions	-	314,244	314,244	16,410
Wildfire contracts	155,943	269,225	113,282	281,230
Miscellaneous:				
Other	-	11,388	11,388	8,798
<b>Total Revenues</b>	<u>3,345,240</u>	<u>3,990,655</u>	<u>645,415</u>	<u>3,596,338</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General and administrative	1,136,632	1,352,555	(215,923)	1,107,832
Fire prevention	192,913	180,851	12,062	175,429
District operations:				
Building maintenance	295,600	344,955	(49,355)	337,275
Personnel	118,700	88,863	29,837	74,408
Training	115,500	112,094	3,406	64,615
Communications	65,700	49,911	15,789	37,335
Equipment	144,950	147,213	(2,263)	87,748
Vehicle repair and maintenance	149,178	134,993	14,185	140,950
Emergency medical services	1,243,789	1,188,139	55,650	928,284
<b>Capital Outlay:</b>				
Capital outlay	300,000	130,497	169,503	132,202
<b>Total Expenditures</b>	<u>3,762,962</u>	<u>3,730,071</u>	<u>32,891</u>	<u>3,086,078</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(417,722)	260,584	678,306	510,260
<b>Other financing sources (uses):</b>				
Sale of assets	1,000	500	(500)	6,303
Transfers in	-	-	-	162
<b>Total Other Financing Sources (Uses)</b>	<u>1,000</u>	<u>500</u>	<u>(500)</u>	<u>6,465</u>
<b>Net Change in Fund Balance</b>	(416,722)	261,084	677,806	516,725
<b>Fund Balance - January 1</b>	<u>3,200,000</u>	<u>3,349,420</u>	<u>149,420</u>	<u>2,832,695</u>
<b>Fund Balance - December 31</b>	<u>\$ 2,783,278</u>	<u>\$ 3,610,504</u>	<u>\$ 827,226</u>	<u>\$ 3,349,420</u>

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

**Basalt & Rural Fire Protection District  
Special Revenue - Impact Fee Fund  
Schedule of Revenues and Expenditures  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for 2017**

	<u>2018</u>			<b>Final Budget Variance Positive (Negative)</b>	<u>2017</u>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>					
Impact fees	\$ 10,000	\$ 41,702	\$ 140,181	\$ 98,479	\$ 137,753
Investment income	100	100	236	136	253
<b>Total Revenues</b>	<u>10,100</u>	<u>41,802</u>	<u>140,417</u>	<u>98,615</u>	<u>138,006</u>
<b>Expenditures:</b>					
Administration	50	50	-	50	-
Capital outlay	300,000	340,000	337,026	2,974	-
<b>Total Expenditures</b>	<u>300,050</u>	<u>340,050</u>	<u>337,026</u>	<u>3,024</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(289,950)	(298,248)	(196,609)	101,639	138,006
<b>Fund Balance - January 1</b>	<u>295,000</u>	<u>304,678</u>	<u>304,678</u>	<u>-</u>	<u>166,672</u>
<b>Fund Balance - December 31</b>	<u>\$ 5,050</u>	<u>\$ 6,430</u>	<u>\$ 108,069</u>	<u>\$ 101,639</u>	<u>\$ 304,678</u>

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

**Basalt & Rural Fire Protection District  
Capital Projects Fund  
Schedule of Revenues and Expenditures  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for 2017**

	2018			Final Budget Variance Positive (Negative)	2017
	Original Budget	Original and Final Budget	Actual		Actual
<b>Revenues:</b>					
Investment income	\$ 100	\$ 100	\$ -	\$ (100)	\$ -
<b>Total Revenues</b>	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>	<u>-</u>
<b>Expenditures:</b>					
Administration	200	200	-	200	4,131
Capital outlay	799,900	799,900	744,336	55,564	2,921,117
<b>Total Expenditures</b>	<u>800,100</u>	<u>800,100</u>	<u>744,336</u>	<u>55,764</u>	<u>2,925,248</u>
<b>Net Change in Fund Balance</b>	(800,000)	(800,000)	(744,336)	55,664	(2,925,248)
<b>Fund Balance - January 1</b>	<u>800,000</u>	<u>800,000</u>	<u>754,927</u>	<u>(45,073)</u>	<u>3,680,175</u>
<b>Fund Balance - December 31</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,591</u>	<u>\$ 10,591</u>	<u>\$ 754,927</u>

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

**Basalt & Rural Fire Protection District**  
**Schedule of Employer's Proportionate Share of Net Pension Asset / Liability**  
**Fire and Police Pension Association of Colorado**  
**Last 10 Fiscal Years \***

**Defined Benefit:**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's portion of the net pension asset (liability)	0.096168%	0.093431%	0.102442%	0.094727%	0.055657%
District's proportionate share of the net pension asset (liability)	\$ 138,351	\$ (33,761)	\$ 1,804	\$ 106,906	\$ 49,767
District's covered payroll	533,525	478,163	496,738	425,975	241,750
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	26%	7%	0%	25%	21%
Plan fiduciary net position as a percentage of the total pension asset (liability)	106.34%	98.21%	100.10%	106.80%	105.80%

**Volunteer Plan:**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 11,483	\$ 13,851	\$ 13,851	\$ 32,402
Interest on the Total Pension Liability	150,902	140,373	140,886	139,873
Benefit Changes	-	114,896	-	-
Difference between Expected and Actual Experience	-	(15,395)	-	2,975
Assumption Changes	-	57,187	-	-
Benefit Payments	(173,794)	(165,093)	(158,179)	(147,295)
<b>Net Change in Total Pension Liability</b>	<u>(11,409)</u>	<u>145,819</u>	<u>(3,442)</u>	<u>27,955</u>
<b>Total Pension Liability - Beginning</b>	<u>2,091,710</u>	<u>1,945,891</u>	<u>1,949,333</u>	<u>1,921,378</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 2,080,301</u>	<u>\$ 2,091,710</u>	<u>\$ 1,945,891</u>	<u>\$ 1,949,333</u>
<b>Plan Fiduciary Net Position</b>				
Employer Contributions	\$ 59,365	\$ 58,741	\$ 57,207	\$ 91,562
Pension Plan Net Investment Income	249,198	92,230	32,464	119,238
Benefit Payments	(173,794)	(165,093)	(158,179)	(147,295)
Pension Plan Administrative Expense	(11,045)	(3,009)	(5,077)	(3,111)
State of Colorado supplemental discretionary payment	10,222	10,222	10,222	10,222
<b>Net Change in Plan Fiduciary Net Position</b>	<u>133,946</u>	<u>(6,909)</u>	<u>(63,363)</u>	<u>70,616</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>1,748,357</u>	<u>1,755,266</u>	<u>1,818,629</u>	<u>1,748,013</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 1,882,303</u>	<u>\$ 1,748,357</u>	<u>\$ 1,755,266</u>	<u>\$ 1,818,629</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 197,998</u>	<u>\$ 343,353</u>	<u>\$ 190,625</u>	<u>\$ 130,704</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.48%	83.59%	90.20%	93.29%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014 for the employer plan, and fiscal year 2015 for the volunteer plan.

**Basalt & Rural Fire Protection District  
Schedule of District Contributions  
Fire and Police Pension Association of Colorado  
Last 10 Fiscal Years \***

**Defined Benefit:**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 42,682	\$ 38,253	\$ 39,739	\$ 34,078	\$ 19,340
Contributions in relation to the contractually required contribution	<u>(42,682)</u>	<u>(38,253)</u>	<u>(39,739)</u>	<u>(34,078)</u>	<u>(19,340)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	533,525	478,163	496,738	425,975	241,750
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%

**Volunteer Plan:**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 25,502	\$ 25,502	\$ 52,375	\$ 52,375	\$ 52,375
Actual contribution, including State of Colorado discretionary payment	<u>(69,587)</u>	<u>(68,963)</u>	<u>(67,429)</u>	<u>(101,784)</u>	<u>(34,141)</u>
Contribution deficiency (excess)	<u>\$ (44,085)</u>	<u>\$ (43,461)</u>	<u>\$ (15,054)</u>	<u>\$ (49,409)</u>	<u>\$ 18,234</u>

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014.

**Basalt & Rural Fire Protection District**  
**Notes to the Required Supplementary Information**  
**December 31, 2018**

**I. Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset)  
Statewide Defined Benefit Plan**

**A. Changes to assumptions or other inputs**

**1. Changes Since the January 1, 2016 Actuarial Valuation are as Follows:**

- No changes.

**2. Changes Since the January 1, 2015 Actuarial Valuation are as Follows:**

- 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 that 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.

**3. Changes Since the January 1, 2014 Actuarial Valuation are as Follows:**

- 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 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.

**B. Changes of benefit terms**

No changes during the years presented.

**C. Changes of size or composition of population covered by benefit terms**

No changes during the years presented.

**II. Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset) –  
Volunteer Pension Fund**

**A. Changes of assumptions or other inputs**

No changes during the years presented.

**B. Changes of benefit terms**

No changes during the years presented.

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

**Basalt & Rural Fire Protection District**  
**Notes to the Required Supplementary Information**  
**December 31, 2018**

**II. Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset) – Volunteer Pension Fund (continued)**

**C. Changes of size or composition of population covered by benefit terms**

No changes during the years presented.

**III. Notes to the Schedule of District Contributions – Statewide Defined Benefit Plan**

**A. Changes to assumptions or other inputs**

No changes during the years presented.

**B. Changes of benefit terms.**

No changes during the years presented.

**C. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented.

**D. Notes to the Schedule of District Contributions – Volunteer Pension Fund**

**D. Changes to assumptions or other inputs**

No changes during the years presented.

**E. Changes of benefit terms.**

No changes during the years presented.

**F. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented.

**SUPPLEMENTARY INFORMATION**



**Basalt & Rural Fire Protection District  
Debt Service Fund  
Schedule of Revenues and Expenditures  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for 2017**

	2018		Final Budget Variance Positive (Negative)	2017
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Property tax	\$ 295,570	\$ 290,549	\$ (5,021)	\$ 299,167
Specific ownership taxes	11,000	13,401	2,401	13,582
Investment income	100	179	79	267
<b>Total Revenues</b>	306,670	304,129	(2,541)	313,016
<b>Expenditures:</b>				
Principal	145,000	145,000	-	145,000
Interest	131,150	113,150	18,000	116,050
County Treasurer's fees	13,250	11,457	1,793	12,010
<b>Total Expenditures</b>	289,400	269,607	19,793	273,060
<b>Excess (deficiency) of revenues over expenditures</b>	17,270	34,522	17,252	39,956
<b>Other financing sources (uses):</b>				
Transfers in (out)	-	-	-	(162)
<b>Total other financing sources (uses)</b>	-	-	-	(162)
<b>Net Change in Fund Balance</b>	17,270	34,522	17,252	39,794
<b>Fund Balance - Beginning</b>	132,221	136,487	4,266	96,693
<b>Fund Balance - Ending</b>	\$ 149,491	\$ 171,009	\$ 21,518	\$ 136,487

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