

Craig Rural Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2019

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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Craig Rural Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Craig Rural Fire Protection District (the "District"), as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions on the Financial Statements

In our opinion, the financial statements previously referred to, present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Craig Rural Fire Protection District, as of December 31, 2019, and the respective changes in financial position thereof, and the respective budgetary comparisons for the governmental funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Craig Rural Fire Protection District taken as a whole. The supplementary information on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements, 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Required Supplementary Information

The Board of Directors has elected to omit the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios on pages 32 and 33 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, which 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 this required supplementary information in accordance with US GAAS, which consist of inquires 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marc, James and Associates, PC

Highlands Ranch, Colorado
May 21, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Craig Rural Fire Protection District

STATEMENT OF NET POSITION

December 31, 2019

ASSETS

Cash and cash equivalents	\$	1,613,627
Property taxes receivable		962,703
Accounts receivable		70
Capital assets, net of accumulated depreciation of \$2,780,243		
Capital assets not being depreciated		
Land		174,463
Capital assets being depreciated		
Buildings and improvements		3,169,177
Land improvements		8,156
Apparatus		1,926,820
Equipment		134,063
HazMat equipment		61,867
		<hr/>
Total capital assets		5,474,546
Net pension asset		59,272
		<hr/>
Total assets		8,110,218

DEFERRED OUTFLOWS

Volunteer firefighters' pension plan		241,840
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LIABILITIES

Accounts payable		32,771
Accrued liabilities		7,894
		<hr/>
Total liabilities		40,665

DEFERRED INFLOWS OF RESOURCES

Property taxes		962,703
Volunteer firefighters' pension plan		405,429
		<hr/>
Total deferred inflows		1,368,132

NET POSITION

Invested in capital assets		5,474,546
Restricted for emergencies		18,600
Unrestricted		1,450,115
		<hr/>
Total net position	\$	<u>6,943,261</u>

Craig Rural Fire Protection District

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2019

Program expenses		
Public safety		
Administration	\$	214,775
Firefighting/HazMat		352,033
Training		29,017
Fuel		6,510
Equipment repairs		42,658
Stations, buildings and grounds		31,017
Durable equipment		94,798
Volunteer firefighters' pension		<u>71,168</u>
Total program expenses		841,976
Program revenue		
Response fees		1,247
Donations		<u>4,571</u>
Total program revenue		<u>5,818</u>
Net program expenses		836,158
General revenue		
Property taxes		961,143
Specific ownership taxes		106,846
Intergovernmental		12,000
Investment income		19,723
Miscellaneous		<u>2,531</u>
Total general revenue		<u>1,102,243</u>
CHANGE IN NET POSITION		266,085
NET POSITION - beginning of the year		<u>6,677,176</u>
NET POSITION - end of the year	\$	<u><u>6,943,261</u></u>

FUND FINANCIAL STATEMENTS

Craig Rural Fire Protection District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019

	General Fund	HazMat Response Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,542,263	\$ 71,364	\$ 1,613,627
Property taxes receivable	962,703	-	962,703
Accounts receivable	70	-	70
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,505,036</u>	<u>\$ 71,364</u>	<u>\$ 2,576,400</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 30,196	\$ 2,575	\$ 32,771
Accrued liabilities	7,877	17	7,894
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>38,073</u>	<u>2,592</u>	<u>40,665</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	962,703	-	962,703
FUND BALANCE			
Restricted	18,600	-	18,600
Committed	216,779	68,772	285,551
Unassigned	1,268,881	-	1,554,432
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,504,260</u>	<u>68,772</u>	<u>1,573,032</u>
Total liabilities and fund balance	<u>\$ 2,505,036</u>	<u>\$ 71,364</u>	<u>\$ 2,576,400</u>
RECONCILIATION TO STATEMENT OF NET POSITION			
Total fund balance			\$ 1,573,032
Amounts reported for governmental activities in the Statement of Net Position are different due to:			
Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund, however capital assets are reported net of accumulated depreciation of \$2,780,243 in the Statement of Net Position,			
			5,474,546
The net pension asset reflected in the Statement of Net Position is not due and payable in the current period and therefore is not reported in the general fund,			
			59,272
Deferred outflows and deferred inflows associated with the recording of the net pension liability in the Statement of Net Position are not resources in the general fund and are not reported in the general fund.			
			<u>(163,589)</u>
Net position - government-wide financial statements			<u>\$ 6,943,261</u>

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year ended December 31, 2019

	General Fund	HazMat Reponse Fund	Total
Revenue			
Property taxes	\$ 961,143	\$ -	\$ 961,143
Specific ownership taxes	106,846	-	106,846
Intergovernmental	-	12,000	12,000
Response fees	1,247	-	1,247
Interest income	19,723	-	19,723
Donations	4,571	-	4,571
Miscellaneous	2,526	5	2,531
Total revenue	1,096,056	12,005	1,108,061
Expenditures			
Public safety			
Administration	205,350	3,175	208,525
Firefighting/HazMat	86,878	960	87,838
Training	29,017	-	29,017
Fuel	6,510	-	6,510
Equipment repairs	42,658	2,429	45,087
Durable equipment	94,798	-	94,798
Stations, buildings and grounds	31,017	-	31,017
Pension contribution	100,000	-	100,000
Total expenditures	596,228	6,564	602,792
CHANGE IN FUND BALANCE	499,828	5,441	505,269
FUND BALANCE - beginning of the year	1,004,432	63,331	1,067,763
FUND BALANCE - end of the year	\$ 1,504,260	\$ 68,772	\$ 1,573,032

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year ended December 31, 2019

Change in fund balance - governmental funds	\$ 505,269
Amounts reported for governmental activities in the Statement of Activities are different due to:	
The difference between the pension expense as reflected in the Statement of Activities and the pension contribution as reflected in the general fund,	28,835
Depreciation expense on capital assets is reported in the Statement of Activities However, it does not use current financial resources, as such depreciation expense is not reported as an expenditure in the governmental fund.	<u>(268,019)</u>
Change in net position - government-wide financial statements	<u>\$ 266,085</u>

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE
IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year ended December 31, 2019

	Original and Final Budget	Actual	Variance
Revenue			
Property taxes	\$ 961,058	\$ 961,143	\$ 85
Specific ownership taxes	60,000	106,846	46,846
Response and other fees	500	1,247	747
Interest income	800	19,723	18,923
Grants and donations	3,000	4,571	1,571
Miscellaneous	500	2,526	2,026
	<hr/>	<hr/>	<hr/>
Total revenue	1,025,858	1,096,056	70,198
Expenditures			
Public safety			
Administration	223,571	205,350	18,221
Firefighting/HazMat	99,665	86,878	12,787
Training	31,800	29,017	2,783
Fuel	6,740	6,510	230
Equipment repairs	44,950	42,658	2,292
Durable equipment	51,500	94,798	(43,298)
Stations, buildings and grounds	29,240	31,017	(1,777)
Pension contribution	100,000	100,000	-
Capital outlay			
Stations, buildings and grounds	1,200	-	1,200
Equipment	270,648	-	270,648
	<hr/>	<hr/>	<hr/>
Total expenditures	859,314	596,228	263,086
	<hr/>	<hr/>	<hr/>
CHANGE IN FUND BALANCE	\$ 166,544	499,828	\$ 333,284
	<hr/>	<hr/>	<hr/>
FUND BALANCE - beginning of the year		1,004,432	
		<hr/>	
FUND BALANCE - end of the year		\$ 1,504,260	
		<hr/>	

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE
IN FUND BALANCE
BUDGET AND ACTUAL - HAZMAT RESPONSE FUND

For the Year ended December 31, 2019

	Original and Final Budget	Actual	Variance
Revenue			
Intergovernmental	\$ 12,000	\$ 12,000	\$ -
Miscellaneous	-	5	(5)
	<u>12,000</u>	<u>12,005</u>	<u>(5)</u>
Total revenue			
Expenditures			
Public safety			
Administration	3,250	3,175	75
HazMat	3,500	960	2,540
Equipment repairs	500	2,429	(1,929)
Durable equipment	2,000	-	2,000
Training	4,257	-	4,257
	<u>13,507</u>	<u>6,564</u>	<u>6,943</u>
Total expenditures			
CHANGE IN FUND BALANCE	<u>\$ (1,507)</u>	5,441	<u>\$ 6,938</u>
FUND BALANCE - beginning of the year		<u>63,331</u>	
FUND BALANCE - end of the year		<u>\$ 68,772</u>	

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF PLAN NET POSITION -
VOLUNTEER FIREFIGHTERS' PENSION FUND

December 31, 2019

ASSETS	
Cash and cash equivalents	\$ 40,458
Investments, at fair value	<u>4,056,240</u>
Total assets	<u><u>4,096,698</u></u>
PLAN NET POSITION	
Restricted for pension benefits	<u><u>\$ 4,096,698</u></u>

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF CHANGE IN PLAN NET POSITION -
VOLUNTEER FIREFIGHTERS' PENSION FUND

For the Year ended December 31, 2019

Additions	
District contribution	\$ 100,000
State of Colorado contribution	60,000
Net investment income	<u>537,939</u>
Total additions	697,939
Deductions	
Administrative expenses	615
Pension benefits payments	<u>263,160</u>
Total deductions	<u>263,775</u>
CHANGE IN PLAN NET POSITION	434,164
PLAN NET POSITION - beginning of the year	<u>3,662,534</u>
PLAN NET POSITION - end of the year	<u>\$ 4,096,698</u>

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Craig Rural Fire Protection District (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was established in 1921 under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act. The District’s service area includes western Routt County, eastern Moffat County and the City of Craig, Colorado. The District provides firefighting and HazMat services to the residents and visitors of the District. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Measurement Focus and Financial Reporting Framework

Government-Wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on the *governmental-type activities* of the District, which rely to a significant extent on property taxes, charges for services and grants for support. The Statement of Activities demonstrates the degree to which expenses of the *governmental-type activities* are supported by property taxes, charges for services and grants.

Governmental Fund Financial Statements

The governmental fund financial statements are prepared using the current financial measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if the revenues are collectible within the current period or soon thereafter to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Governmental Funds

For 2019, the District had two major Governmental Funds.

- The *General Fund*, is the general operating fund of the District which accounts for all of the financial resources of the District not accounted and reported in another fund,
- The *Special Revenue Fund* is used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District accounts for the HazMat Response activities as a special revenue fund. The revenues associated with the operation of the HazMat Response include intergovernmental payments and response fees.

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Reporting Framework*

Fiduciary Funds

Fiduciary funds account for the assets held by the District in a Trustee capacity or as an agent on behalf of others. The District has one Fiduciary Fund, the Volunteer Firefighters' Pension Fund.

Expendable Trust Fund – These funds are accounted for using the flow of economic resources measurement focus and use the accrual basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

4. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and deferred inflow of resources. The District estimates that the fair value of these financial instruments as of December 31, 2019 do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

5. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

6. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Routt County and Moffat County bill and collect the property taxes on behalf of the District and remit the collections, less the Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes.

As of December 31, the District has recorded the levied property taxes and the related deferred inflow of resources.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

7. *Restricted Net Position*

The restriction of net position represents amounts that may not be appropriated or are legally segregated for a specific purpose.

8. *Capital Assets*

The District's capital assets which consist of land, buildings and improvements, trucks and other equipment, are reported in the government-wide financial statements. The District's capital assets are recorded at cost, if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District has a capitalization policy of \$10,000. The District's Board of Directors has the option to capitalize certain items less than \$10,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets. Depreciation is provided under the straight-line method, with estimated service lives of ten to seventy-five years.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

9. *Investments*

The investments of the Expendable Trust Fund ("Pension Plan") are reported at market value, determined by quoted market prices.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund, Special Revenue Fund, and Fiduciary Fund. An annual appropriated budget is adopted for the Funds. All annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

Prior to October 15, the District's Treasurer submits a proposed operating budget for the subsequent fiscal year to the District's Board of Directors. The Board of Directors may change the proposed budget prior to the publication of the notice of budget. Within ten days of the submission, a notice of the proposed budget is published. The operating budget includes proposed expenditures and the means of financing the expenditures.

Public hearings are held at the regular District Board of Director's meetings to obtain taxpayer input on the proposed operating budget.

On or before December 15, the operating budget is legally adopted through passage of a budget resolution. Upon adoption, the District's Treasurer is authorized to transfer the budgeted amounts within the function and objects of the Fund(s). The District's Board of Directors must approve revisions that change the total expenditures of the Fund(s). Appropriations are controlled and the budget can be only amended in accordance with the State of Colorado Revised Statutes that allows the District to amend the budget and adopt a supplemental appropriation, if funds for a specific purpose, other than ad valorem taxes, become available.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE B – BUDGET INFORMATION – *continued*

The State of Colorado Statutes requires a balanced budget. For 2019, the District's budgeted revenues exceeded budgeted expenditures in the General Fund by \$166,544. The District's Board of Directors anticipates the use of the surplus to fund future capital asset expenditures.

In addition, in the District's HazMat Response Fund, the budgeted expenditures exceeded budgeted revenues by \$1,507. The District's Board of Directors anticipated the use of prior years' surplus to fund the budgeted excess expenditures.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2019, the District maintained deposits that were either insured by the FDIC or held in eligible depositories. The District also holds funds at an investment company in money market accounts and certificates of deposit. These funds are held in the District's name and are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 per customer.

In addition, State of Colorado Statute specifies investments that meet defined rating and risk criteria in which local governments may invest including; obligations of the United States and certain United States government agency securities; certain international agency securities; general obligation and revenue bonds of the United States, state and local government entities; banker's acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts.

Throughout the year and at December 31, 2019, the District's cash on deposit and securities held with its investment company exceeded the \$500,000 per customer SIPC insurance limit. The District has not experienced any losses and believes it is not exposed to any significant credit risk on its cash on deposit and securities held.

Under Colorado statutes, the Volunteer Firefighters' Pension Plan (Expendable Trust Fund) Trustees have complete discretionary authority to invest and reinvest funds, subject to certain limitations. The District has adopted a formal investment policy.

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE C – CASH AND INVESTMENTS - *continued*

As of December 31, 2019, the Volunteer Firefighters' Pension Plan investments consisted of the following:

Investment Type	Cost	Fair Value
Asset and mortgage backed securities	\$ 67,537	\$ 71,057
Municipal bonds	821,148	854,100
Exchange traded funds	205,157	174,924
Mutual funds	2,693,464	2,956,159
	<u>\$ 3,787,306</u>	<u>\$ 4,056,240</u>

The District Volunteer Firefighters' Pension Fund investments are represented by specific identifiable securities that are held in trust by the District's investment advisory company in the District's name.

As of December 31, 2019 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		<1	1-5	6-10	>10
Asset and mortgage backed securities	\$ 71,057	\$ -	\$ -	\$ -	\$ 71,057
Municipal bonds	854,100	-	377,046	110,162	366,892
Exchange traded funds	174,924	-	-	-	174,924
Mutual funds	2,956,159	-	-	-	2,956,159
	<u>\$ 4,056,240</u>	<u>\$ -</u>	<u>\$ 377,046</u>	<u>\$ 110,162</u>	<u>\$ 3,569,032</u>

The exchange traded and mutual funds held by the District's Volunteer Firefighters' Pension Fund do not have a final maturity date and as such, have been included in the over 10 year category. The District at its option, may sell any investments prior to the final maturity date.

In accordance with Colorado Statutes, the District may invest in a variety of mortgage-backed securities, corporate bonds, United States and State government agency securities, and mutual funds. In addition, the District maintains a certain amount of funds in money markets. The investments in corporate bonds, United States government agency securities and state and local bonds are rated as to their credit risk by Standard & Poor's and by Moody Investor Service. As of December 31, 2019, those ratings were as follows:

	Standard & Poor's	Moody Investor Services
Municipal bonds	AA- to AA+	Aa1 to Aa3

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE C – CASH AND INVESTMENTS - *continued*

As of December 31, 2019, the following investments exceeded 5% of the District's Volunteer Firefighters' Pension Plan fiduciary net position:

Investment	Cost	Fair Value
American Balanced Fund Class A	\$ 365,418	\$ 399,974
American Moderate Growth and Income	188,026	211,806
MFS Conservative Allocation Fund	356,858	391,605
MFS Moderate Allocation Fund	423,032	341,858
Cohen & Steers Pfd Security and Income	250,704	257,847

NOTE D – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2019 are as follows:

	Balance December 31, 2018	Additions	Disposals	Balance December 31, 2019
Capital assets				
Non-depreciable				
Land	\$ 174,463	\$ -	\$ -	\$ 174,463
Depreciable				
Buildings and improvements	3,832,050	-	-	3,832,050
Land improvements	29,259	-	-	29,259
Apparatus	3,453,607	-	-	3,453,607
Equipment	579,063	-	-	579,063
HazMat equipment	186,348	-	-	186,348
Total	8,254,790	-	-	8,254,790
Accumulated depreciation				
Buildings and improvements	(595,809)	(67,064)	-	(662,873)
Land improvements	(19,268)	(1,835)	-	(21,103)
Apparatus	(1,386,767)	(140,020)	-	(1,526,787)
Equipment	(401,537)	(43,458)	-	(444,95)
HazMat equipment	(108,843)	(15,642)	-	(124,485)
Total	(2,512,223)	(268,019)	-	(2,780,243)
Net capital assets	\$ 5,742,566	\$ (268,019)	\$ -	\$ 5,474,547

Total depreciation expense for 2019 was \$268,019 of which \$9,426 was charged to the administrative function and \$258,593 was charged to the firefighting function.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE E – FUND BALANCES/NET POSITION

Fund Balance

The District utilizes a fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact,

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

Committed – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the District’s Board of Directors. Committed resources cannot be used for any other purpose unless the District’s Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

Assigned – represents amounts that the District intends to use for specific purposes as expressed by the District’s Board of Directors or an official delegated the authority to assign amounts,

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

	General Fund	HazMat Response Fund	Total
Fund balances			
Restricted			
TABOR reserve	18,600	-	18,600
Committed			
Apparatus acquisition	216,779	-	216,779
HazMat	-	68,772	68,772
Unassigned	1,268,881	-	1,485,660
	<u>1,504,260</u>	<u>68,772</u>	<u>1,573,032</u>
Total fund balances	\$ <u>1,504,260</u>	\$ <u>68,772</u>	\$ <u>1,573,032</u>

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE E – FUND BALANCES/NET POSITION - *continued*

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

NOTE F – VOLUNTEER FIREFIGHTERS' PENSION PLAN

Description of the Plan and Benefits Provided

The District is trustee of a single employer defined benefit pension plan (the "Plan") for all of the District's volunteer firefighters. The Plan is administered by a five-member Board of Trustees and is included as an Expendable Trust Fund in the District's financial statements. Firefighters who have attained both the age of 50 and completed 20 years of active service in any fire department in the State of Colorado are eligible for a monthly pension according to the Plan provisions as enacted and governed by the Pension Fund Board of Trustees.

A summary of the Plan's status as of January 1, 2020, most recently completed actuarial valuation, and December 31, 2019, the Plan's current year end date (measurement and reporting date) is as follows:

Actuarial accrued liability			
Active members (30)	January 1, 2020	\$	1,092,626
Retirees and beneficiaries (29)	January 1, 2020		2,944,770
Total actuarial accrued liability	January 1, 2020	\$	<u>4,037,396</u>
Total pension liability	December 31, 2019	\$	4,037,396
Fiduciary net position	December 31, 2019		<u>4,096,668</u>
Net pension asset	December 31, 2019	\$	<u>(59,272)</u>
Fiduciary net position as % of total pension liability			<u>101.47%</u>

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE F – VOLUNTEER FIREFIGHTERS' PENSION PLAN - *continued*

Description of the Plan and Benefits Provided - continued

The Plan provides retirement benefits for Plan participants and beneficiaries according to the Plan provisions as enacted and governed by the Plan Board of Directors as follows:

Normal Retirement Benefit at Age 50 with 20 years of service (monthly)	\$	850
Vested Retirement Benefit with 10 to 20 years of service per year (monthly)		42
Disability Retirement Benefit (monthly)		
Long-term disability for line of duty injury, lifetime benefit		850
Survivor Benefits (monthly)		
Death after normal retirement		425
Death after normal retirement with extended service		21
Funeral Benefit, lump sum, one-time only		100

Net Pension Liability and Change in the Net Pension Liability

As defined within GASB 68, the Net Pension Liability ("NPL") is the difference between the Total Pension Liability ("TPL") and the Plan's Net Position. This is analogous to the Plan's accrued liability less the market value of the Plan's assets. The TPL is based upon the Plan's actuarial valuation performed as of January 1, 2020 and the measurement date of December 31, 2019.

The change in the Plan's NPL consists of the following:

Service costs	\$	54,777
Interest on the TPL		260,331
District contribution		(100,000)
State of Colorado supplemental discretionary contribution		(60,000)
Net plan investment income		(5,037,908)
Change in Plan assumptions		(33,865)
Difference between expected and actual experience – Total Pension Liability/(Asset)		(88,325)
Plan administrative expenses		615
		<hr/>
Change in the Net Pension Liability		(504,375)
Net Pension Liability – Beginning of the Year		445,103
		<hr/>
Net Pension Asset – End of the Year	\$	<u>(59,272)</u>

The Plan's Net Pension Liability was calculated using a Single Discount Rate of 6.50%. The Plan's Net Pension Liability/(Asset) using the 6.50% Single Discount Rate and Single Discount Rate of one percent lower or one percent higher is as follows:

1% Decrease 5.50%	Current 6.50%	1% Increase 7.50%
<hr/>	<hr/>	<hr/>
\$ 459,343	\$ (59,272)	\$ (484,725)
<hr/>	<hr/>	<hr/>

Craig Rural Fire Protection District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE F – VOLUNTEER FIREFIGHTERS’ PENSION PLAN - *continued*

Basis for Determining the District and Actuarial Calculated Contributions

The District makes contributions based upon the District's established benefits, as previously presented and funding requirements based upon the actuarial study. Plan Participants do not make contributions. The State of Colorado also may make a supplementary discretionary contribution to the Plan in an amount established by statute.

The actuarial assumptions and methods related to the Plan as of January 1, 2018, are as follows:

Valuation date	January 1, 2018
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount open
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return (single discount rate)	6.5%
Inflation	2.5%
Projected salary increases	N/A
Cost of living adjustments	None
Retirement age	50% probability for ages 50-64; 100% probability at age 65
Mortality	RP-2014 Combined Healthy Generational Mortality with Blue Collar Adjustment, projected with Scale BB

The above information was used to calculate contributions prior to January 1, 2020, Commencing January 1, 2020, mortality tables were updated to RP-2014 Mortality Tables for annuitants back to 2006 with Scale MP-2014 and projected forward to 2018 with Scale MP-2017, fully generational using the ultimate rates from Scale MP-2017.

For the year ended December 31, 2019, the actuarial and District contributions were as follows:

Actuarially Determined Contribution	Actual Contribution	Contribution Excess
\$ 72,313	\$ 160,000	\$ 87,687

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE F – VOLUNTEER FIREFIGHTERS’ PENSION PLAN - *continued*

Deferred Outflows and Deferred Inflows of Resources

The deferred inflows and outflows of resources, as applicable, related to the Plan are amounts used under GASB 68 in developing the government-wide pension expense. The deferred inflows and outflows of resources arise from differences between the expected and actual experiences of the Plan and changes, as applicable, of Plan assumptions. The portions of these amounts which are not included in the current government-wide reported pension expense are reflected as deferred outflows of resources and consist of:

Deferred Outflows of Resources

Deferred outflow of resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPL/NPA to be amortized over the remaining estimated service lives of the participants	\$	16,947
Deferred outflow of resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income to be amortized under a 5 year period		202,146
Deferred outflow of resources to be recognized in future pension expense resulting from the change in assumptions to be amortized over the remaining estimated service lives of the participants		22,747
Total Deferred Outflows of Resources	\$	241,840

Deferred Inflows of Resources

Deferred inflow of resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPL/NPA to be amortized over the remaining estimated service lives of the participants	\$	66,056
Deferred inflow of resources to be recognized in future pension expense resulting from the change in assumptions to be amortized over the remaining estimated service lives of the participants		25,327
Deferred inflows of resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income to be amortized under a 5 year period		314,046
Total Deferred Inflows of Resources		405,429
Net Deferred Outflows and Inflows of Resources	\$	163,589

The deferred outflows and inflows of resources by year to be recognized in the future pension expense as of December 31, 2019 are as follows:

<u>Year ended December 31,</u>		
2020	\$	18,849
2021		60,435
2022		23,661
2023		606,544
Total	\$	163,589

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE G – INTERGOVERNMENTAL AGREEMENT

The District, by virtue of an intergovernmental agreement (the “Agreement”) with Moffat County (the “County”) and the City of Craig, Colorado (the “City”), has been designated as the emergency response authority for the City and County and is thus responsible for emergency response to hazardous substance incidents. The District deploys its Hazardous Substance Response Team (“HazMat Team”), upon request, to the site of hazardous substance incidents within its designated area.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent insurance brokers. The District also carries commercial insurance for its employee health and accident insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

In 1999, the electors of the District authorized the District to collect and spend all revenue received in 1999 and subsequent years, notwithstanding the limitations of TABOR, without increasing its mill levy above current levels without further voter approval.

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

NOTE J - CONCENTRATION OF REVENUE

For 2019, property and specific ownership taxes accounted for 98% of the District's revenue of which a significant portion is attributed to the Craig Station (electricity generating plant) located within the District.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE K– MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through May 21, 2020 which is the date the financial statements and accompanying footnotes were available for issuance.

- In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread to a number of other countries, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

COVID-19 could adversely affect the economies and financial markets of the United States, including Colorado, resulting in an economic downturn that could affect property taxes and other sources of revenue to the District. We are continuing to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

SUPPLEMENTARY INFORMATION

Craig Rural Fire Protection District

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - VOLUNTEER FIREFIGHTERS' PENSION PLAN

For the Year ended December 31, 2019

	Original and Final Budget	Actual	Variance
Additions			
District contribution	\$ 100,000	\$ 100,000	\$ -
State of Colorado contribution	60,000	60,000	-
Net investment income	150,000	537,939	387,939
Total additions	310,000	697,939	387,939
Deductions			
Pension benefits payments	263,160	263,160	-
Administrative expenses	2,000	615	1,385
Total deductions	265,160	263,775	1,385
CHANGE IN PLAN NET POSITION	<u>\$ 44,840</u>	434,164	<u>\$ 389,324</u>
PLAN NET POSITION - beginning of the year		<u>3,662,534</u>	
PLAN NET POSITION - end of the year		<u>\$ 4,096,698</u>	

REQUIRED SUPPLEMENTARY INFORMATION

Craig Rural Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS

Year 6 (prospectively since 2014)

Measurement period ended December 31.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Pension Plan Liability						
Service cost	\$ 40,583	\$ 40,583	\$ 39,989	\$ 39,989	\$ 54,777	\$ 54,777
Interest on the total pension liability	224,395	226,002	236,831	239,144	256,896	260,331
Difference between expected and actual experience	-	140,010	-	101,127	-	(88,325)
Assumption changes	-	-	-	135,748	-	(33,865)
Benefit payments	<u>(240,805)</u>	<u>(239,700)</u>	<u>(239,700)</u>	<u>(242,783)</u>	<u>(257,794)</u>	<u>(263,160)</u>
Net change in total pension liability	24,173	166,895	37,120	273,225	53,879	(70,242)
Total pension plan liability - beginning	<u>3,552,346</u>	<u>3,576,519</u>	<u>3,743,414</u>	<u>3,780,534</u>	<u>4,053,759</u>	<u>4,107,638</u>
Total pension plan liability - ending	<u>\$ 3,576,519</u>	<u>\$ 3,743,414</u>	<u>\$ 3,780,534</u>	<u>\$ 4,053,759</u>	<u>\$ 4,107,638</u>	<u>\$ 4,037,396</u>
Pension Plan Fiduciary Net Position						
District contributions	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Pension plan net investment income	207,116	8,781	209,291	405,558	(86,645)	537,908
Benefit payments	(240,805)	(239,700)	(239,700)	(242,783)	(257,794)	(263,160)
Pension Plan administrative expenses	(5,700)	-	(5,700)	(213)	(7,481)	(615)
State of Colorado supplemental discretionary contribution	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Net change in Pension Plan fiduciary net position	120,611	(70,919)	123,891	322,562	(191,920)	434,133
Pension plan fiduciary net position - beginning	<u>3,358,310</u>	<u>3,478,921</u>	<u>3,408,002</u>	<u>3,531,893</u>	<u>3,854,455</u>	<u>3,662,535</u>
Pension plan fiduciary net position - ending	<u>\$ 3,478,921</u>	<u>\$ 3,408,002</u>	<u>\$ 3,531,893</u>	<u>\$ 3,854,455</u>	<u>\$ 3,662,535</u>	<u>\$ 4,096,668</u>
Net Pension (Liability) Asset	<u>\$ (97,598)</u>	<u>\$ (335,412)</u>	<u>\$ (248,641)</u>	<u>\$ (199,304)</u>	<u>\$ (445,103)</u>	<u>\$ 59,272</u>
Pension Plan Fiduciary Net Position as a % of Total Pension Plan Liability	<u>97.27%</u>	<u>91.04%</u>	<u>93.42%</u>	<u>95.08%</u>	<u>89.16%</u>	<u>101.47%</u>

Craig Rural Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN
 SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS

Year 6 (prospectively since 2014)

Measurement period ended December 31.	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Pension Plan Liability as % of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Schedule of Contributions						
Actuarially determined contribution	\$ 57,656	\$ 57,656	\$ 69,501	\$ 69,501	\$ 72,313	\$ 72,313
Actual contributions	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ 160,000</u>
Contribution deficiency (excess)	<u>\$ (102,344)</u>	<u>\$ (102,344)</u>	<u>\$ (90,499)</u>	<u>\$ (90,499)</u>	<u>\$ (87,687)</u>	<u>\$ (87,687)</u>