

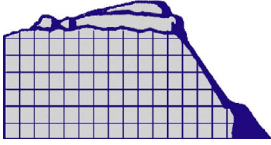
DeBEQUE FIRE PROTECTION DISTRICT

Financial Statements and  
Report of Independent Auditors  
For the Year Ended December 31, 2019

DeBEQUE FIRE PROTECTION DISTRICT

TABLE OF CONTENTS  
December 31, 2019

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Statement of Net Position and Governmental Fund Balance Sheet	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund and Statement of Activities	7
Reconciliation of Statement of Revenues, Expenditures and Change in the Fund Balances of the Governmental Fund to the Statement of Activities	8
Notes to the Financial Statements	9 – 19
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of the Department's Proportionate Share of the Net Pension Liability/ (Asset) Fire & Police Statewide Defined Benefit Plan As of December 31,	20
Schedule of Department Contributions Fire & Police Statewide Defined Benefit Plan As of December 31,	20
Schedule of Revenues, Expenses, and Change in Fund Balance Budget and Actual	21



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
DeBeque Fire Protection District  
DeBeque, Colorado

I have audited the accompanying financial statements of the governmental activities of DeBeque Fire Protection District, State of Colorado as of and for the year ended December 31, 2019, 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the DeBeque Fire Protection District, State of Colorado, as of December 31, 2019, 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**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Pages 3-5, required pension information, page 14-19, and budgetary comparison information on page 20 for the General Fund, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

*Paul D. Miller, CPA, LLC*

Grand Junction, CO  
May 22, 2020

Management's Discussion and Analysis  
DeBeque Fire Protection District  
Fiscal Year 2019

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The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on District financial issues and activities. Please read it in conjunction with the District's financial statements that follow the Management's Discussion and Analysis.

**USING THIS ANNUAL REPORT**

The financial statements included in this annual report are those of a special-purpose government engaged only in a government-type activity. The following statements and schedules are included:

- Statement of Net Position and governmental fund balance sheet – reports the District's current financial resources (short-term spendable resources with capital assets and short and long-term obligations). (See page 6)
- Statement of revenue, expenditures, and changes in fund balances – governmental and statement of activities – reports the District operating and non-operating revenues by major source along with operating and non-operating expenditures. (See page 7)
- Statement of revenues, expenditures, and change in fund balance actual and budget – compares the District's budgeted and actual revenues and expenditures for the year ended December 31, 2019 (See pages 21)

**STATEMENT OF NET POSITION**

The following table shows the condensed statement of Net Position for the past two years.

Years ended December 31,	2019	2018
Current assets	\$ 1,825,937	\$ 1,649,067
Capital assets (net of depreciation)	6,069,573	6,250,354
Deferred Outflow of Resources-SWDB Pension	304,184	302,368
Total assets	8,199,694	8,201,789
Current liabilities	138,756	63,103
Deferred Inflow of Resources	116,441	957,089
Net Position		
Invested in capital assets	6,069,573	6,250,354
Restricted for Tabor emergency	60,000	50,350
Restricted for FPPA SWDB Pension	222,804	264,922
Nonspendable	30,525	31,704
Committed	-	-
Unrestricted	561,595	584,264
Total Net Position	\$ 6,944,497	\$ 7,181,594

Management's Discussion and Analysis  
DeBeque Fire Protection District  
Fiscal Year 2019

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The net position of the District decreased \$237,097 from \$7,181,594 in 2018 to \$6,944,497 in 2019. The decrease is a result of lower property tax revenue and increase depreciation. The District's total assets decreased from \$8,201,786 in 2018 to \$8,199,694 in 2019 for a difference of \$1,822. The District's total liabilities increased in 2019 by \$75,653.

**REVIEW OF REVENUES**

Years ended December 31,	<u>2019</u>	<u>2018</u>
Operating revenue		
Charges for services	\$ 89,559	\$ 82,849
Total	<u>89,559</u>	<u>82,849</u>
Non-operating revenue		
Specific ownership tax	76,567	77,807
General property tax	942,381	882,772
Interest income	209	210
Other revenue	42,632	124,269
Grants	115,851	29,514
Total	<u>1,177,640</u>	<u>1,114,572</u>
Total revenue	<u>\$1,267,199</u>	<u>\$ 1,197,421</u>

The District's total revenues increased in 2019 by \$69,778 from 2018. The increase in revenue was due mainly to an increase in grants, and property taxes.

**REVIEW OF EXPENDITURES**

Years ended December 31,	<u>2019</u>	<u>2018</u>
Operating expenditures:		
Fire & ambulance operations	\$ 1,109,282	\$1,125,916
Depreciation	352,896	434,022
Capital outlay	172,115	55,320
Total Expenditures	<u>\$ 1,634,293</u>	<u>\$1,615,258</u>

The District's total expenditures increased in 2019 by \$19,035 this was mainly due to an increase in capital expenditures.

The major capital asset purchased, which is included in the \$172,115 total for 2019, was as follows:

17 SCBA Units	\$117,902.
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Management's Discussion and Analysis  
DeBeque Fire Protection District  
Fiscal Year 2019

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**ECONOMIC AND OTHER FACTORS**

DeBeque Fire Protection District became an independent District in January, 2009. The District purchased fire and emergency equipment in the first few years of operation and completed construction of a fire station in 2016.

The local economy experienced a decline in the early operating years of the District due to a decrease in oil and gas production and a general decline on the national and local levels. The economy has not fully recovered from that decline.

**FINANCIAL CONTACT**

The District's financial statements are designed to present users (service users, taxpayers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions concerning this report or need additional financial information, please contact the Fire Chief, DeBeque Fire Protection District, 4580 I-70 Frontage Road, DeBeque, Colorado 81630, or 970-283-8632.

DeBeque Fire Protection District  
Statement of Net Position and Governmental Fund Balance Sheet  
December 31, 2019

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash and cash equivalents	\$ 613,496	\$ -	\$ 613,496
Accounts receivable rescue less allowance of \$32,400	31,639	-	31,639
Property taxes receivable	1,115,581	-	1,115,581
Other current receivables	34,696	-	34,696
Prepaid Expenses	30,525	-	30,525
Net Pension Asset FPPA SWDB	-	-	-
Capital Assets (net of accumulated depreciation):			
Land and building	-	5,735,154	5,735,154
Administrative equipment	-	99,943	99,943
Fire trucks and equipment	-	149,268	149,268
Rescue vehicles and equipment	-	85,208	85,208
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow of Resources-Pension SWDB	-	304,184	304,184
<b>TOTAL ASSETS</b>	<b>\$ 1,825,937</b>	<b>\$ 6,373,757</b>	<b>\$ 8,199,694</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 11,261	-	11,261
Other current liabilities	31,477	-	31,477
Compensated absences	15,498	-	15,498
Net Pension Liability	-	80,520	80,520
<b>TOTAL LIABILITIES</b>	<b>58,236</b>	<b>80,520</b>	<b>138,756</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Property taxes	1,115,581	-	1,115,581
Pension FPPA SWDB	-	860	860
<b>TOTAL INFLOW OF RESOURCES</b>	<b>1,115,581</b>	<b>860</b>	<b>1,116,441</b>
<b>FUND BALANCE</b>			
Emergency reserve - TABOR	60,000	(60,000)	-
Nonspendable	30,525	(30,525)	-
Unassigned	561,595	(561,595)	-
<b>TOTAL FUND BALANCE</b>	<b>652,120</b>	<b>(652,120)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,825,937</b>		
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ -	6,069,573	6,069,573
Restricted for:			
TABOR emergency	-	60,000	60,000
Pension FPPA SWDB	-	222,804	222,804
Nonspendable	-	30,525	30,525
Unassigned	-	561,595	561,595
<b>TOTAL NET POSITION</b>	<b>\$ -</b>	<b>\$ 6,944,497</b>	<b>\$ 6,944,497</b>

Adjustments to reconcile the governmental fund balance sheet to the statement of net assets are as follows:

Fund balance per general fund balance sheet	\$ 652,120
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,069,573
GASB 68 Pension Adjustment	222,804
<b>Net Position</b>	<b>\$ 6,944,497</b>

The notes to the financial statement are an integral part of this statement.

DeBeque Fire Protection District  
Statement of Revenue, Expenditures, and Change in Net Position-Governmental  
and Statement of Activities  
For the Year Ended December 31, 2019

	General Fund	Adjustments (See Page 4)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Fire & ambulance-operation	\$ 1,109,282	\$ -	\$ 1,109,282
Capital outlay	172,115	(172,115)	-
Pension Activity	-	42,118	42,118
Depreciation	-	352,896	352,896
Total expenditures/expenses	1,281,397	222,899	1,504,296
<b>PROGRAM REVENUES</b>			
Charges for services	89,559	-	89,559
Net program (expenses) revenue	(1,191,838)	(222,899)	(1,414,737)
<b>GENERAL REVENUES</b>			
Property taxes	942,381	-	942,381
Specific ownership	76,567	-	76,567
Grant revenue	115,851	-	115,851
Interest income	209	-	209
Miscellaneous income	42,632	-	42,632
Total general revenues	1,177,640	-	1,177,640
Excess of Revenue over (Under) expenditures	(14,198)	(222,899)	
Change in net position			(237,097)
<b>NET POSITION</b>			
Beginning of the year	666,318	6,515,276	7,181,594
End of the year	\$ 652,120	\$ 6,292,377	\$ 6,944,497

The notes to the financial statement are an integral part of this statement.

DeBeque Fire Protection District  
Statement of Revenue, Expenditures, and Change in Net Position-Governmental  
and Statement of Activities  
For the Year Ended December 31, 2019

Amounts reported for the governmental activities in the statement of activities (page 6) are different because:

Excess of expenditures over revenues - general funds (page 7)	\$ (14,198)
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activity the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	172,115
Depreciation	(352,896)
	(180,781)
GASB 68 Activity	(42,118)
Change in net position of governmental activities (page7)	\$ (237,097)

The notes to the financial statement are an integral part of this statement.

DeBEQUE FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2019

The DeBeque Fire Protection District is a special service district governed pursuant to provisions of the Colorado Special District Act. The District was established to provide fire protection and ambulance services within and surrounding the area of DeBeque in 2008.

The District operates under the Board of Directors elected by the voters of the District. The District's financial statements include the accounts and operations of all the District's functions.

The District's boundaries cover a portion of two Colorado counties, Mesa and Garfield. The District maintains fire and rescue at one location, DeBeque, Colorado.

The more significant of the District's accounting policies are described below:

A. Financial Reporting Entity

The DeBeque Fire Protection District is a special district as defined by Colorado Statutes and is governed by an elected board of directors. The Board of Directors has oversight responsibility and control over all activities within its boundaries.

The basic financial statements include only the District, as there are no component units required to be included in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, based on their operational or financial relationships with the District.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and statement of activities) report information on all of the non-fiduciary activities of the District.

*Governmental activities* are supported by taxes, and charges for services. The district has no *business-type activities*, which rely to a significant extent on user charges for support.

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

C. Risk of Loss

The District is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance coverage for vehicles, commercial property, commercial umbrella, commercial general liability, and management liability through the Volunteer Firemen Insurance Services.

D. Subsequent Events

The District's management has reviewed subsequent events through the date of the audit report.

E. Fund Financial Statements

The accounts of the District are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

DeBEQUE FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2019

E. Fund Financial Statements-Continued

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period. The District has only one governmental fund, the *General Fund*, which is the general operating fund of the District. The District has no financial resources required to be accounted for in a separate fund.

F. Capital Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental type fund.

All capital assets are valued at historical cost or estimated historical costs if actual historical cost is not available. The assets have a useful life of 5 to 40 years and are depreciated on the straight-line method. It is the District's policy to capitalize individual items costing \$1,500 or more.

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

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

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both determined and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter, to be used to pay liabilities of the current period. For this purpose, the District considers revenues available within 60 days of the end of the current fiscal period. Those revenues associated with the current period susceptible to accrual are property taxes, interest revenue, and charges for services. All other revenues are reported when cash is received. Expenditures are recorded when the related fund liability is incurred.

H. Net Position

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets net of related debt consists of capital assets net of accumulated depreciation and related debt. Net Position are reported as restricted when there are constraints placed on their use either by law through constitutional provisions or enabling legislation or through restrictions externally imposed by creditors, grantors, laws, or regulations of other governments.

I. Use of Estimates

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

J. Disaggregation of Receivables and Payables

Significant components of receivables and payables are disaggregated in the financial statements. All receivables are expected to be collected within one year. All material payables are expected to be paid within one year with the exception of the amounts for the accrual of compensated absences and capital leases.

DeBEQUE FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2019

K. Budgets and Budgetary Accounting

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The budget is prepared on the same basis as that of the fund financial statements.

The details of the budget calendar are outlined below:

October 15	–	Deadline for Budget Officer to submit proposed budget to the government board. Governing body must publish "Notice of Budget" upon receiving proposed budget.
December 15	–	Deadline for certification of mill to the Board of County Commissioners.
December 22	–	Deadline for Board of County Commissioners to levy taxes and to certify the levies to the Assessor.
December 31	–	Statutory deadline for local governing body to adopt budget. A certified copy of the adopted budget must be sent to the Division of Local Government within 30 days of adoption.
On or before December 31	–	The District shall enact an ordinance appropriating the budget for the ensuing year.

L. Property Taxes - Receivable

Annual property taxes are levied on December 22 of each year and attached as an enforceable lien as of January 1. They are payable in full April 30, or in two equal installments due February 28 and June 30. The county bills and collects property taxes for the district. Property taxes collected by the county are remitted to the district in the subsequent month. Property taxes are reported as receivable and deferred revenue when levied and as revenue when collected in the following year.

M. Fund Equity

In the fund financial statements governmental funds report reservations of fund balance amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

N. Pensions – State Wide Defined Benefit Plan FPPA.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fire & Police Statewide Defined Benefit Plan and additions to/deductions from Fire & Police Statewide Defined Benefit Plan's fiduciary net position have been determined on the same basis as they are reported by the Fire & Police Pension Association of Colorado. 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.

DeBEQUE FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2019

Note 1 - Change in Capital Asset

	Balance 12/31/2018	Additions Transfers-in	Deletions Transfer-out	Balance 12/31/2019
Administrative equipment	\$ 167,426	\$ 9,734	\$ -	\$ 177,160
EMS vehicles & equipment	560,697	44,479	-	605,176
Building	5,909,866	-	-	5,909,866
Fire vehicles & equipment	2,367,791	117,902	-	2,485,693
Total	9,005,780	172,115	-	9,177,895
Less accumulated depreciation	<u>(2,979,576)</u>	<u>(352,896)</u>	-	<u>(3,332,472)</u>
Net depreciable assets	6,026,204	<u>(180,781)</u>	-	5,845,423
Construction-in-process	-	-	-	-
Land	224,150	-	-	224,150
Net Fixed Assets	<u>\$6,250,354</u>	<u>\$ (180,781)</u>	<u>\$ -</u>	<u>\$ 6,069,573</u>

In 2019, the Districts depreciation was \$ 434,022. This was allocated as follows:

Administration	\$ 170,428
EMS vehicles & equipment	27,810
Fire vehicles & equipment	<u>154,658</u>
Total	<u>\$ 352,896</u>

Note 2 - Budget to Actual Comparison

	General Fund
Revenue & other financing resources	
GAAP Basis	\$ 1,267,199
Modification to GAAP Basis:	
Carryover from prior year	<u>500,292</u>
Resources Budgetary Basis	1,767,491
19 Budgeted Resources	<u>1,288,194</u>
Variance Favorable(Unfavorable)	<u>\$ 479,297</u>
Expenditures-GAAP Basis	\$ 1,109,282
Modification to GAAP Basis:	
Depreciation	<u>(352,896)</u>
Pension Activity GASB 68	42,118
Capital outlays	<u>172,155</u>
Expenditures-Budgeted Basis	970,659
19 Budgeted Expenditures	<u>1,424,943</u>
Variance Favorable (Unfavorable)	<u>\$ 454,284</u>

DeBEQUE FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2019

Note 3 – Deposits and Investments

Deposits

The District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, effective December 31, 2004. This Statement establishes and modifies disclosure requirements related to investment credit risk, including custodial credit risk and concentration of credit risk, interest rate risk and foreign currency risk, as well as deposit custodial credit risk and foreign currency risk.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 100% of the uninsured deposits. Collateral in the pool is considered equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2019, the District's cash deposits were \$613,396 of which \$440,696 is covered by F.D.I.C. insurance, \$172,700 is covered by PDPA, and \$100 is uninsured.

At December 31, 2019, the reconciled balance of the District consisted of the following:

Petty cash	\$ 100
Cash in bank	225,916
Money market	<u>387,480</u>
Cash and Cash Equivalents	<u>\$ 613,496</u>

Note 4 - Tax, Spending, and Debt Limitation

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

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

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

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

The District believes it is compliance with this amendment.

DeBEQUE FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2019

Note 5 – Operating Leases

For 2019, the following are the operating leases the District had.

The District leases a copier. The term is for 60 months, beginning February 2018 and running through January, 2021. The annual payments are \$1,711 through December 2020, with a final payment of \$143, in January of 2021. The total remaining lease payments are \$1,854.

Note 6 – Fund Balance Classification Policies and Procedures

During 2011, the District implemented GASB 54, Fund Balance Classification. With this new GASB, the fund balance is broken into five classifications. (1) Non-spendable – not in spendable form, (2) Restricted-fund constrained by external parties, (3) Committed – constraints on use of funds imposed by the highest level of decision making authority, in the Districts case that is the Board of Directors. The funds must be established, modified, or rescinded by use of resolution of the Board. (4) Assigned – funds intended to be used for a specific purpose, where the intent is expressed by an official authorized by the governing board, in the Districts case that is the Fire Chief and (5) Unassigned – which are funds available for any purpose. The District does not have Committed or Assigned fund classification in 2019.

It is the District's policy to spend restricted funds first then unrestricted funds for the purpose for which both funds are available and committed and assigned funds are spent when expenditure are incurred for purposes for which amount in any of those unrestricted fund balance classification could be used.

The District does have fund classification as follows:

- Restricted which is dictated by Colorado State Law
- Non-spendable, which is its prepaid expenses,
- Unassigned.

Note 7 - Employee Retirement Plan

***General Information about the Fire & Police 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 that they are not already covered by a statutorily exempt plan. As of August 5, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980.

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at [www.fppaco.org](http://www.fppaco.org).

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2019

Note 7 - Employee Retirement Plan-continued

***General Information about the Fire & Police Statewide Defined Benefit Plan-continued***

Benefits provided.

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

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

Contributions

Contribution rates for the Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of this Plan and their employers are contributing at the rate of 10 percent and 8 percent, respectively, of base salary for a total contribution rate of 18.0 percent through 2018. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments 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 22 percent of base salary in 2018. It is a local decision on who pays the additional 4 percent contribution. Per the 2014 member election, the reentry group will also had their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 5 percent and 4 percent, respectively, of base salary for a total contribution rate of 9 percent in 2018. Per the 2014 member election, members of the affiliated social security group had their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Basis of Presentation

The underlying financial information used to prepare the Schedule of Employer Contributions and Schedule of Collective Pension Amounts is based on FPPA's financial statements. FPPA follows the accounting principles and reporting guidelines as set forth by Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of FPPA. Employer contributions in FPPA's financial statements are recognized in the period in which the contributions are due

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2018

Note 7 - Employee Retirement Plan-continued

***General Information about the Fire & Police Statewide Defined Benefit Plan-continued***

Basis of Presentation-continued

Employer contributions received and processed within the year ended December 31, 2018 are used as the basis for reporting within the Schedule of Employer Contributions. As reported in FPPA's Other Supplementary Schedule of Fiduciary Net Position by Participating Employer in the December 31, 2018 Comprehensive Annual Financial Report (CAFR), employer contributions to the SWDB plan were \$44,362,720 compared to total employer contribution of \$46,794,367 on the Schedule of Employer Contributions. Adjustments were made to the total employer contribution to annualize departments that joined the plan during the year, to reduce employer contributions to zero for departments that had no remaining members at year end, and for known significant adjustments of non-recurring amounts.

The Schedule of Collective Pension Amounts represents total pension amounts for the SWDB plan. This schedule excludes employer-specific deferral amounts that may need to be recognized to comply with Governmental Accounting /standards Board (GASB) Statement No. 68, Accounting, and Financial Reporting for Pensions. Specifically, this schedule excludes deferral amounts arising from the changes in employer proportion, differences between contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

Contributions to the Plan from the Department were \$35,309 for the year ended December 31, 2019.

Actuarial Valuation Dates

The collective total pension liability as of December 31, 2018 is based upon the January 1, 2019 actuarial valuation. The actuarially determined contributions as of December 31, 2018 are based upon the January 1, 2018 valuation.

Actuarial assumptions

The actuarial valuation for the Statewide Defined Benefit Plan was used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2018. The valuations used the following actuarial assumptions and other inputs:

	Total Pension Liability	Actuarial Determined Contribution
Actuarial Valuation Date	January 1, 2019	January 1, 2018
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-term Investment Rate of Return*	7.00%	7.50%
Projected salary Increases*	4.25% - 11.25%	4.0% - 14.0%
Cost of Living adjustments (COLA)	0%	0%
*Includes Inflation at	2.50%	2.50%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employers. The on-duty mortality rate is 0.00015. For determining the actuarial determined contributions, 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 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.

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2018

Note 7 - Employee Retirement State Wide Plan-continued

**General Information about the Fire & Police Statewide Defined Benefit Plan-continued**

Actuarial assumptions-continued

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, The Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by FPPA'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, 2019 and were used in the roll forward calculation of total pension liability as of December 31, 2018. Actuarial assumptions effective for actuarial valuations prior to January 1, 2019 were used in the determination of the actuarially determined contributions as of December 31, 2018. The actuarial assumptions impact actuarial factors for benefit purposes such as purchase of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Rate of Return</b>
Global Equity	37.0%	8.03%
Equity Long/Short	9.0%	6.45%
Illiquid Alternatives	24.0%	10.00%
Fixed Income	15.0%	2.90%
Absolute Return	9.0%	5.08%
Managed Futures	4.00%	5.35%
Cash	<u>2.00%</u>	2.52%
<b>Total</b>	<b><u>100%</u></b>	

The discount rate used to measure the total pension liability was 7.0%. 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 of the Board's funding policy, which establishes the contractually required rates under Colorado statute. 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.

At December 31, 2019, the Department reported a liability of \$80,520, as its proportionate share of the net pension liability/ (asset). The net pension liability/ (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability/ (asset). The Department's proportion of the net pension liability/ (asset) was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating Departments, actuarially determined. At December 31, 2018, the Department's proportion was .0637 percent, which was an increase/ (decrease) of (.0105) percent from its proportion measured as of December 31, 2017.

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2018

Note 7 - Employee Retirement State Wide Plan-continued

**General Information about the Fire & Police 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 7.00%; the municipal bond rate is 3.71% (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 7.00%.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount of 7.00%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	<u>1.00% Decrease*</u>	<u>Current Discount Rate*</u>	<u>1.00% Increase*</u>
Department's proportionate share of the net pension liability/(asset)	\$312,248	\$ 80,520	\$ (111,694)

For the year ended December 31, 2019, the Department recognized pension expense of \$36,759. At December 31, 2019 the Department reported deferred outflows of resource and deferred inflow of resources related to pensions from the following sources:

Reconciliation of Collective Deferred Outflows and Inflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 860
Changes in assumptions	-	-
Net difference between actual and projected earnings on pension plan investments	-	-
Changes in proportion and difference between Department contributions and proportionate share of contributions	267,425	-
Department contributions subsequent to the measurement date	36,759	-
Total	\$ 304,184	\$ 860

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2018

Note 7 - Employee Retirement State Wide Plan-continued

***General Information about the Fire & Police Statewide Defined Benefit Plan-continued***

Net Amount of Collective Deferred Inflows and Outflows of Resources in Collective Net Pension Expense in Subsequent Years

The following table presents the SWDB plan net amounts of collective deferred inflows and outflows of resources that will be recognized in the collective pension expense for each of the subsequent five years and in the aggregate thereafter.

For the Plan Year Ended December 31,	Amounts Recognized in Collective Pension Expense
2019	\$ 46,271
2020	33,048
2021	28,144
2022	46,566
2023	22,672
Thereafter	67,224

Note 8 - Statewide Death and Disability Plan

*Plan Description* – The District contributes to the Statewide Death and disability Plan (SWD&DP), a cost sharing multiple-employer death and disability plan administered by FPPA. The SWD&DP covers full-time employees of substantially all fire and police departments in Colorado. As of August 1, 2003, the SWD&DP may include part-time police and fire employees. Contributions to the SWD&DP are used solely for the payment of death and disability benefits. Employers who are covered by Social security may elect supplementary coverage by the Plan. The Plan was established in Section 1098 pursuant to Colorado Revised Statutes. FPA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the SWD&DP. That report can be obtained at [www.fppaco.org](http://www.fppaco.org).

*Funding Policy* – The District and/or employee is required to contribute at a rate of 2.8% of base salary for all members as set by statute. All contributions are made by members or on behalf of members. The 2.8% contribution may be paid entirely by the employer or the member, or it may be split between SWD&DP on behalf of the employees was \$13,120 equal to the required contribution for each year

REQUIRED SUPPLEMENTAL INFORMATION

**DeBeque Fire Protection District  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the Department's Proportionate Share of the Net Pension Liability/ (Asset)  
Fire & Police Statewide Defined Benefit Plan  
As of December 31,**

	<b>2019</b>	<b>2018</b>
Department's proportion of the net pension liability/(asset)	.00637%	.0742%
Department's proportionate share of the net pension liability/(asset)	\$80,520	\$(106,793)
Department's covered payroll	\$459,487	\$441,350
Department's proportionate share of the net pension liability/(asset) as a percentage of is covered payroll	17.5%	24.2%
Plan fiduciary net position as a percentage of the total pension liability	95.2%	106.3%

**Schedule of Department Contributions  
Fire & Police Statewide Defined Benefit Plan  
As of December 31,**

	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$36,759	\$35,309
Contributions in relation to the contractually required contribution	\$36,759	\$35,309
Contribution deficiency (excess)	\$ -	\$ -
Department's covered payroll	\$459,487	\$441,350
Contributions as a percentage of covered-employee payroll	8.0%	8.0%

**Notes to Required Supplementary Information  
For the Year Ended December 31, 2019**

*Changes in plan provisions.* The plan provisions have not changed since the prior valuation. The member contribution rate will increase in 2019 as a result of the member election.

*Benefit Adjustments.* Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0 percent to 3 percent. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

DeBeque Fire Protection District  
Statement of Revenues, Expenditures  
Actual and Budget  
For the Year Ended December 31, 2019

	General Fund			Variance Favorable (Unfavorable)
	Budget Original	Budget Final	Actual	
Revenue:				
General property taxes	\$ 938,414	\$ 938,414	\$ 942,381	\$ 3,967
Specific ownership tax	78,000	78,000	76,567	(1,433)
Ambulance	91,500	91,500	89,559	(1,941)
Grant Revenue -Net	125,200	141,500	115,851	(25,649)
Interest income	200	200	209	9
Miscellaneous	33,000	38,580	42,632	4,052
Total Revenues	<u>1,266,314</u>	<u>1,288,194</u>	<u>1,267,199</u>	<u>(20,995)</u>
Expenditures:				
<b>Administrative:</b>				
Salaries	684,300	684,300	589,751	94,549
Payroll benefits	209,150	209,150	179,048	30,102
SWDB Pension expense	-	-	36,759	(36,759)
Insurance	34,700	34,700	27,904	6,796
Office expense	35,750	35,750	29,308	6,442
Professional	59,500	59,500	56,033	3,467
Dues and fees	3,200	3,200	1,898	1,302
Crew supplies & equipment	1,150	1,255	1,192	63
Treasurers fees	18,768	18,768	19,716	(948)
Director's fees	5,700	5,700	5,700	-
Equipment repairs	20,250	20,250	10,361	9,889
Bad debt expense	21,500	37,850	30,153	7,697
Contingency	2,000	2,000	-	2,000
Capital Outlay-Small Equipment	-	-	-	-
<b>Firefighting expense:</b>				
Supplies and expense	45,220	45,220	38,362	6,858
Capital outlays	-	-	-	-
<b>Communication:</b>				
911 expense	6,000	6,000	6,059	(59)
Capital outlay	-	-	-	-
<b>Ambulance services:</b>				
Supplies and expense	52,100	52,100	48,458	3,642
Capital outlay	-	-	-	-
<b>Building and Grounds:</b>				
Supplies and expense	25,000	31,200	28,580	2,620
Total Expenditures	<u>1,224,288</u>	<u>1,246,943</u>	<u>1,109,282</u>	<u>137,661</u>
<b>Capital Outlay Major</b>	<u>178,000</u>	<u>178,000</u>	<u>172,115</u>	<u>5,885</u>
Total	<u>1,402,288</u>	<u>1,424,943</u>	<u>1,281,397</u>	<u>143,546</u>
Revenue Over (Under) Expenditures	<u>\$ (135,974)</u>	<u>\$ (136,749)</u>	<u>\$ (14,198)</u>	<u>\$ 122,551</u>
ADJUSTMENTS TO BUDGET BASIS:				
Beginning Net Position			666,318	
Ending Net Position			<u>\$ 652,120</u>	