

NORTH-WEST FIRE PROTECTION DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2019

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
North-West Fire Protection District
Fairplay, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North-West Fire Protection District, 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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North-West Fire Protection District, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 30-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

July 8, 2020

NORTH-WEST FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of North-West Fire Protection District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the District's financial statements which begin on page 1.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) the government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in the government-wide financial statements for some items will result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused PTO leave).

The government-wide financial statements detail functions of the District that are principally supported by tax revenues (governmental activities) and charges for services. The governmental activity of the District is public safety – Fire/Emergency Services.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District reports governmental and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 3 through 5 of this report.

The District adopted an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund is located on page 30 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting for fiduciary funds is much like the government-wide financial statements.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6-29 of this report.

Other Information: In addition to the basic financial statements, this report also presents required supplementary information consisting of the schedules of revenues, expenditures and changes in fund balance – budget to actual – General Fund and the summary of historical information of the Volunteer Firefighter Pension Plan and Statewide Defined Benefit Plan, which can be found on pages 30-34, of this report.

North-West Fire Protection District
Condensed Statement of Net Assets
December 31,

	<u>Governmental Activities</u>	
	<u>2019</u>	- <u>2018</u>
Assets		
Current assets	\$ 2,110,683	\$ 2,481,701
Capital assets	1,178,027	990,265
Total Assets	3,288,710	3,471,966
Deferred Outflows		
SWDB Pension	364,883	144,812
Volunteer Pension	44,989	32,351
Total Liabilities & Deferred Inflows	409,872	177,163
Liabilities		
Current liabilities	102,245	98,615
Long-term liabilities	636,701	656,561
Total Liabilities	738,946	755,176
Deferred Inflows		
Deferred Revenues - Property Taxes	1,299,809	1,225,282
SWDB Pension	41,996	41,268
Volunteer Pension	11,191	19,300
Total Liabilities & Deferred Inflows	1,352,996	1,285,850
Net Assets		
Invested in capital assets, net of related debt	1,019,132	782,321
Restricted	45,000	65,300
Unrestricted	542,508	760,482
Total Net Assets	\$ 1,606,640	\$ 1,608,103

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,606,640 at the close of the most recent fiscal year.

North-West Fire Protection District
MD&A

The District's net assets reflect its investment in capital assets (e.g. land, buildings and improvements, equipment and vehicles) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

From 2018 to 2019, the District's total assets decreased \$183,256. The decrease is primarily due to a reduction in accounts receivable and net pension asset.

North-West Fire Protection District
Condensed Statement of Activities
December 31,

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues		
Program Revenues		
Charges for Services	\$ 124,517	\$ 552,739
Operating Grants	198,981	4,308
Total Program Revenues	<u>323,498</u>	<u>557,047</u>
General Revenues		
Taxes	1,386,380	1,324,292
Investment Earnings	65,361	25,657
Other	9,438	6,578
Total General Revenues	<u>1,461,179</u>	<u>1,356,527</u>
Total Revenues	<u>1,784,677</u>	<u>1,913,574</u>
Program Expenses		
General Government	(1,776,590)	(1,690,965)
Interest on Long-Term Debt	(9,550)	(2,514)
Loss on Disposal of Capital Assets	-	-
Total Program Expenses	<u>(1,786,140)</u>	<u>(1,693,479)</u>
Change in Net Assets	<u>(1,463)</u>	<u>220,095</u>
Net Assets, Beginning, As Restated	<u>1,608,103</u>	<u>1,388,008</u>
Net Assets, Ending	<u>\$ 1,606,640</u>	<u>\$ 1,608,103</u>

The District's overall financial position, as measured by net assets, decreased \$1,463 during 2019. This was mainly due to the increase in capital expenditures such as vehicle purchases and station improvements.

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's governmental funds follows.

Government Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$652,108. Of this fund balance, \$45,000 is restricted, meaning it is not available for new spending, because it has already been committed for declared emergencies as required by Article X, Section 20 of the Colorado Constitution, commonly referred to as the Taxpayers' Bill of Rights (TABOR). The District had \$6,255 in Nonspendable fund balance in the form of prepaid expenses. The \$600,853 remainder of the fund balance is unassigned.

General Fund Budgetary Highlights

Budget Variances: The District did amend its general fund budget for 2019. The original budgeted revenues were \$1,622,844 and the original budgeted expenses were \$1,976,216. The amended budgeted revenues were \$1,759,763 and the amended budgeted expenses were \$2,184,913. The budget to actual comparison details can be seen on page 30 of the financial statements. District revenues were under budget by \$70,508. Actual expenditures were under budget by \$72,439.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets at December 31, 2019 amounted to \$1,178,027 (net of accumulated depreciation/amortization). The analysis of changes in capital assets is as follows:

	CAPITAL ASSETS (net of depreciation)		
	<u>2018</u>	<u>Change</u>	<u>2019</u>
Land	\$ 40,048	\$ -	\$ 40,048
Construction in Progress	-	54,038	54,038
Buildings	284,071	(125)	283,946
Machinery and Equipment	121,658	(16,892)	104,766
Vehicles	544,488	150,741	695,229
Total	<u>\$ 990,265</u>	<u>\$ 187,762</u>	<u>\$1,178,027</u>

The District purchased in 2019 a new Type VI vehicle for \$190,565 and a new Command Vehicle for \$54,312. The District completed Station 1 improvements in the amount of \$17,068. The District also has Station 2 construction improvements in progress in the amount of \$54,038. Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations: At the end of the current fiscal year, the District had a total outstanding Capital Lease of \$158,895. The analysis of changes in lease payable is as follows:

LONG-TERM OBLIGATIONS			
	2018	Change	2019
Capital Leases	\$ 207,944	\$(49,049)	\$ 158,895

In 2019 the District continued to make the scheduled principal and interest payments on the leases.

Additional information on the District’s long-term obligations can be found in Note 5 of this report.

Economic Factors and Next Year’s Budgets and Rates

The District’s expenditures are expected to increase due to the purchase of a new vehicle in 2020, completing Station 2 improvements, and the possible building of a Training Center.

Due to the 2020 novel coronavirus pandemic (COVID-19), the District may see a decrease in property tax collections and cash flows due to economic uncertainties. However, the duration of the economic uncertainties or impacts cannot be fully estimated at this time.

Request for Information

The financial report is designed to provide a general overview of the District’s finances for all those interested in the government’s finances. Questions concerning any of the information provided in the report or additional financial information should be addressed to: North-West Fire Protection District, PO Box 1090, 21455 Highway 285, Fairplay, CO 80440-1090.

BASIC FINANCIAL STATEMENTS

NORTH-WEST FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2019

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 565,119
Receivables	
Property Taxes	1,299,809
Accounts Receivable	239,500
Prepaid Expenses	6,255
Capital Assets, Not Depreciated	94,086
Capital Assets, Depreciated	
Net of Accumulated Depreciation	<u>1,083,941</u>
 TOTAL ASSETS	 <u>3,288,710</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related SWDB Pension	364,883
Related to Volunteer Pension	<u>44,989</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>409,872</u>
Accounts Payable	39,330
Accrued Salaries and Benefits	24,014
Accrued Compensated Absences	38,901
Net Pension Liability - SWDB Pension	96,808
Net Pension Liability - Volunteer Pension	380,998
Noncurrent Liabilities	
Due within One Year	50,957
Due in More Than One Year	<u>107,938</u>
 TOTAL LIABILITIES	 <u>738,946</u>
DEFERRED INFLOWS	
Deferred Revenues - Property Taxes	1,299,809
Related SWDB Pension	41,996
Related to Volunteer Pension	<u>11,191</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>1,352,996</u>
NET POSITION	
Net Investment in Capital Assets	1,019,132
Restricted for Emergencies	45,000
Unrestricted	<u>542,508</u>
 TOTAL NET POSITION	 <u>\$ 1,606,640</u>

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

NORTH-WEST FIRE PROTECTION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

	GENERAL FUND
ASSETS	
Cash and Investments	\$ 565,119
Property Taxes Receivable	1,299,809
Accounts Receivable	239,500
Prepaid Expenses	6,255
TOTAL ASSETS	\$ 2,110,683
 LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY	
LIABILITIES	
Accounts Payable	\$ 39,330
Accrued Expenses	24,014
Unearned Revenues	95,422
TOTAL LIABILITIES	158,766
 DEFERRED INFLOWS	
Deferred Revenues - Property Taxes	1,299,809
 FUND EQUITY	
Fund Balance	
Nonspendable	6,255
Restricted for Emergencies	45,000
Unassigned	600,853
TOTAL FUND EQUITY	652,108
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY	\$ 2,110,683
 Amounts reported for governmental activities in the statement of net position are different because:	
Fund Equity, Governmental Funds	652,108
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	1,178,027
Some revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	95,422
Long-term liabilities and related assets are not due and payable in the current period and, not reported in the funds. This includes capital lease payable (\$158,895), compensated absences (\$38,901), net pension liability of (\$477,806), deferred outflows related to pensions of \$387,872, and deferred inflows related to pensions of (\$53,187).	(318,917)
Net position of governmental activities	\$ 1,606,640

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

NORTH-WEST FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	<u>GENERAL FUND</u>
REVENUES	
Property Taxes	\$ 1,199,732
Specific Ownership Taxes	186,648
Charges for Services	124,517
Interest	65,361
Grants and Donations	103,559
Rental Income	<u>9,438</u>
 TOTAL REVENUES	 <u>1,689,255</u>
EXPENDITURES	
Salaries and Benefits	1,211,901
Professional Services	140,451
Firefighting and Prevention	244,581
General and Administrative	131,737
Capital Outlay	325,205
Debt Service	
Principal	49,049
Interest and Fiscal Charges	<u>9,550</u>
 TOTAL EXPENDITURES	 <u>2,112,474</u>
 NET CHANGE IN FUND BALANCES	 (423,219)
FUND BALANCES, Beginning	<u>1,075,327</u>
FUND BALANCES, Ending	<u><u>\$ 652,108</u></u>

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

NORTH-WEST FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (423,219)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlay \$315,982 exceeded depreciation expense (\$128,220) for the year.	187,762
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the capital lease payments of \$49,049 and change in accrued absences of (\$3,677).	45,372
Some accounts receivable will be collected after year end, but are reported as unearned revenues in the governmental funds because they are not available soon enough to pay for the current period's expenditures.	95,422
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>93,200</u>
Change in Net Position of Governmental Activities	<u>\$ (1,463)</u>

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North-West Fire Protection District (the “District”) was formed in 1981 to provide fire protection services for the Towns of Fairplay and Alma, Colorado and the surrounding areas. The District is governed by a five-member Board of Directors elected by the eligible electors of the District.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a 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 instead as *general revenues*.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported as separate columns in the fund financial statements.

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Buildings	15 - 40 years
Machinery and Equipment	5 - 20 years
Vehicles	7 - 15 years

Unearned Revenues

The District reports unearned revenues on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (fund financial statements). When both revenue recognition criteria are met, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. The District has reported \$95,422 as unearned revenue in its fund financial statements for wildland reimbursements that have not been received as of March 31, 2020 and are not considered currently available as of December 31, 2019.

Compensated Absences

Employees of the District are allowed to accumulate unused paid time off (PTO) up to an accrual amount ("cap") as stated in the District Member Handbook. Upon termination of employment with the District, an employee is compensated for one-half of the employee's accrued but unused PTO, if any, at the employee's current rate of pay.

These compensated absences are recognized when due in the governmental funds types. A liability has been recorded in the government-wide financial statements for accrued compensated absences.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

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

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

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

In addition to the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property Taxes

The District certifies its property taxes expressed as a mill levy, on or before December 15. Property taxes attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions

Fund Balance Classification

In the government-wide financial statements, net positions are restricted when constraints placed on the net positions are externally imposed.

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The District had nonspendable resources in the form of prepaid expenses as of December 31, 2019.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified its Emergency Reserves as being restricted because their use is restricted by the Taxpayer' Bill of Rights (TABOR) amendment to the State Constitution for declared emergencies only.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (motion or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2019.
- Assigned – These amounts do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. As of December 31, 2019, the District had no assigned fund balance.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- Before October 15, the Board of Directors appoints District Management and the Fire Chief as the District's Budget Committee.
- On or before October 15, District Management and the Fire Chief, acting as the Budget Committee submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- At least one public hearing is conducted to obtain taxpayer comments.
- On or before December 15, the budget is legally enacted through passage of a resolution.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- District Management and the Fire Chief are authorized to transfer budgeted amounts between one or more line items within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

NOTE 3: CASH DEPOSITS

A summary of deposits and investments as of December 31, 2019 follows:

Petty Cash	\$ 1,580
Cash Deposits	286,928
Investments	<u>276,611</u>
Total	<u><u>\$ 565,119</u></u>

Deposits

Custodial Credit Risk -Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2019, the District had deposits with financial institutions with a carrying amount of \$286,928. The bank balances with the financial institutions were \$313,682. Of these balances, \$250,000 was covered by federal depository insurance and \$63,682 was covered by collateral held by authorized escrow agents in the financial institution's name in accordance with the (PDPA).

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: CASH DEPOSITS (Continued)

Investments

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado local governments.

The District had invested \$276,611 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019, is summarized below:

	<u>Balances</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2019</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 40,048	\$ -	\$ -	\$ 40,048
Construction in Progress	<u>-</u>	<u>54,038</u>	<u>-</u>	<u>54,038</u>
Total Capital Assets, not depreciated	<u>48,048</u>	<u>54,038</u>	<u>-</u>	<u>94,086</u>
Capital Assets, depreciated				
Buildings	662,768	17,067	-	679,835
Machinery and Equipment	297,321	-	-	297,321
Vehicles	<u>1,436,929</u>	<u>244,877</u>	<u>-</u>	<u>1,681,806</u>
Total Capital Assets, depreciated	<u>2,397,018</u>	<u>261,944</u>	<u>-</u>	<u>2,658,962</u>
Less Accumulated Depreciation				
Buildings	378,697	17,192	-	395,889
Machinery and Equipment	175,663	16,892	-	192,555
Vehicles	<u>892,441</u>	<u>94,136</u>	<u>-</u>	<u>986,577</u>
Total Accumulated Depreciation	<u>1,446,801</u>	<u>128,220</u>	<u>-</u>	<u>1,575,021</u>
Total Capital Assets, depreciated, Net	<u>950,217</u>	<u>133,724</u>	<u>-</u>	<u>1,083,941</u>
Governmental Activities, Capital Assets, Net	<u>\$ 990,265</u>	<u>\$ 187,762</u>	<u>\$ -</u>	<u>\$ 1,178,027</u>

Depreciation expense was charged to general government program of the District.

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2019.

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Due In</u> <u>One Year</u>
Capital Leases	<u>\$ 207,944</u>	<u>\$ -</u>	<u>\$ 49,049</u>	<u>\$ 158,895</u>	<u>\$ 50,957</u>

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5: LONG-TERM DEBT (Continued)

Other General Obligations

2018 Capital Lease

On March 16, 2018, the District entered into a capital lease for the purchase of equipment. The lease is secured by the equipment financed, and, in the event that the District defaults on the lease, the title to the equipment will transfer back to the Lessor. The lease requires five annual payments of \$57,138 including principal and interest, at 3.89% through March 16, 2022.

Future Debt Service Requirements

Annual debt service requirements for the capital lease at December 31, 2019, are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 50,957	\$ 6,181	\$ 57,138
2021	52,939	4,199	57,138
2022	<u>54,999</u>	<u>2,139</u>	<u>57,138</u>
Total Debt Service Requirements	<u>\$ 158,895</u>	<u>\$ 12,519</u>	<u>\$ 171,414</u>

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The District maintains insurance through a commercial carrier for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

NOTE 7: COMMITMENTS AND CONTINGENCIES

TABOR Amendment - Colorado voters passed the Taxpayer's Bill of Rights (TABOR), which amended the State Constitution to add Article X, Section 20, which imposes several limitations and requirements, including those related to revenue raising, spending abilities, and other specific requirements of state and local government. In 1998 the District's voters exempted the District from TABOR's revenue and spending limits, and the annual revenue limits imposed by Section 29-1-301 of the Colorado Revised Statutes.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by TABOR. At December 31, 2019, the emergency reserve of \$45,000 was recorded in the General Fund. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

NOTE 8: DEFINED BENEFIT PENSION PLANS

Volunteer Firefighter Pension Plan

Summary of Significant Accounting Policies

The District has established the Volunteer Firefighter Pension Plan (the "Volunteer Plan"), an agent multiple-employer defined benefit pension fund administered by the District's Volunteer Firefighter Pension Board (the "Pension Board") through the Colorado Fire & Police Pension Association ("FPPA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Volunteer Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Volunteer Plan

Plan Description. The Volunteer Plan was closed to new members on March 1, 2001; accordingly, volunteer firefighters must have begun their volunteer service to the District prior to that date in order to be eligible to participate in the Volunteer Plan. Any eligible volunteer firefighter who has both attained the age of fifty and completed twenty years of creditable service shall be eligible for a monthly pension. Additionally, any eligible volunteer firefighter that has reached the age of fifty with at least ten years of creditable service will receive a pension benefit that is prorated for years of creditable service between 10 and 20 years. An eligible volunteer firefighter who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the Pension Board. The Volunteer Plan also provides for a lump-sum burial benefit upon the death of an active or retired eligible volunteer firefighter. Spouses of volunteer deceased eligible firefighters may receive benefits as authorized by State statute. FPPA issues an annual, publicly-available financial report that includes the assets of the Volunteer Plan. That report may be obtained on FPPA's website at <http://www.fppaco.org>.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

General Information about the Volunteer Plan (Continued)

Funding Policy. An actuary is used to determine the annual required contribution (“ARC”) that would be necessary to maintain the actuarial soundness of the Volunteer Plan. The Volunteer Plan receives contributions from the District in an amount determined by the District Board and Colorado law requires the State to make a matching contribution to the Volunteer Plan in any year in which the District makes a contribution. The amount of the District’s contribution, if any, is at the sole discretion of the District Board and is separate from the State match.

Because the District’s monthly benefit amount is over \$300, State statute provides that the State’s matching contribution is calculated as the greater of (a) the contribution amount that would have been actuarially required if the District’s monthly benefit amount had been \$300 in the immediately preceding year; or (b) the highest State match made to the District between 1998 and 2001. In either case, the State match is capped at the amount of revenue that would be generated from a one-half mill tax on the District’s net assessed valuation in the immediately preceding year.

The actuarial study as of January 1, 2019, indicated that the current levels of contributions to fund the Volunteer Plan are not adequate to support on an actuarially sound basis the prospective benefits for the present Volunteer Plan. The District believes that by having closed the Volunteer Plan to new members and thereby reducing the number of Volunteer Plan participants, along with market gains, the Volunteer Plan will return to an actuarially sound basis.

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

At December 31, 2019 the District reported a liability of \$380,998. The net volunteer pension liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2019. Standard update procedures were used to roll forward the total volunteer pension liability to December 31, 2019.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

Volunteer Pension Liabilities, Volunteer Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Volunteer Pensions
(Continued)

For the year ended December 31, 2019 the District recognized volunteer pension income of \$46,366. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to volunteer pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	N/A
Net difference between projected and actual earnings on pension plan investments	\$22,989	\$11,191
Change in assumptions and other inputs	N/A	N/A
Contributions subsequent to the measurement date	\$20,000	N/A
Total	\$42,989	\$11,191

\$20,000 reported as deferred outflows of resources related to volunteer pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to volunteer pensions will be recognized in pension expense as follows:

Year ended December 31,	
2020	\$5,457
2021	\$1,864
2022	\$375
2023	\$4,102

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

Volunteer Pension Liabilities, Volunteer Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Volunteer Pensions
(Continued)

Actuarial assumptions: Method, and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Open*
Remaining Amortization Period:	20 years*
Asset Valuation Method:	5-Year smoothed fair value
Inflation	2.50%
Salary Increases:	N/A
Investment Rate of Return:	7.50%
Retirement Age:	50% per year of eligibility until 100% at age 65.
Mortality:	Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.

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

Assumption Changes: The assumptions shown above pertain to the actuarial valuation as of January 1, 2017 and the associated Actuarially Determined Contribution for the year ending December 31, 2018. Following a regularly scheduled experience study in 2018, the FPPA's Board of Directors adopted a new assumption set for first use in the January 1, 2019 actuarial valuations.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

Volunteer Pension Liabilities, Volunteer Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Volunteer Pensions
(Continued)

The primary changes, which will be observed in the January 1, 2019 actuarial valuations, as compared to the actuarial assumptions shown above are as follows:

Investment Rate Return	7.00%
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Mortality	<p>Pre-retirement: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality.</p> <p>Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.</p> <p>Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years</p>
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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.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

Volunteer Pension Liabilities, Volunteer Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Volunteer Pensions
(Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Volunteer Fund's target asset allocation as of December 31, 2018 as determined by FPPA are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	2.52%
Fixed Income	15.00%	2.90%
Managed Futures	4.00%	4.35%
Absolute Return	9.00%	5.08%
Equity Long/Short	9.00%	6.45%
Global Equity	37.00%	8.03%
Private Markets	24.00%	10.00%
Total	100.00%	

The discount rate used to measure the total volunteer pension liability was 7.00 percent. The projection of cash flows used by FPPA to determine the discount rate assumed that contributions from participating employers will be made based on their ARCs. Based on those assumptions, the Volunteer 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 payment) to determine the total pension liability.

Sensitivity of the District's net pension liability (asset) to changes in the discount rate. The following presents the net volunteer pension asset calculated using the discount rate of 7.00 percent, as well as the net volunteer pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	\$438,654	\$380,998	\$331,586

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighter Pension Plan (Continued)

Volunteer Pension Liabilities, Volunteer Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Volunteer Pensions
(Continued)

FPPA System Description. FPPA administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The volunteer pension plans have elected to affiliate with FPPA for plan administration and investment only.

FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>

Statewide Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The District contributes to the Statewide Defined Benefit Pension Plan (“SWDB Plan”), a cost-sharing multiple employer defined benefit pension plan, which is administered by the FPPA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB Plan have been determined using the economic resources measurement focus and the accrual basis of accounting.

The SWDB Plan assets are included in the Fire & Police Members’ Benefit Investment Fund and the Fire & Police Members’ Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Separate Retirement Account assets from eligible retired members).

General Information about the SWDB Plan

Plan description. The SWDB Plan provides retirement benefits for eligible members and beneficiaries according to plan provisions as enacted and governed by FPPA’s Pension Fund Board of Trustees. Colorado Revised Statutes (“CRS”), as amended, establishes basic benefit provisions under the SWDB Plan. FPPA issues an annual, publicly-available financial report that includes the assets of the SWDB Plan. That report may be obtained on FPPA’s website at <http://www.fppaco.org>.

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

General Information about the SWDB Plan (Continued)

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 SWDB Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination of employment prior to retirement to reflect the early receipt of the benefit, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with a least five years of accredited service may leave contributions with the SWDP 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. The SWDB Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB Plan and their employers contributed at the rate of 10 percent and 8 percent, respectively, of base salary for a total contribution rate of 18 percent in 2018. In 2014, the members elected to increase the member contribution rate to the SWDB Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. In 2020, the Colorado State Legislature passed HB20-1044, increasing the employer contribution rate to the SWDB Plan beginning in 2021. Employer contributions will remain at 8 percent in 2019 and 2020 and will thereafter increase 0.5 percent annually through 2028 to a total of 12 percent.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

General Information about the SWDB Plan (Continued)

Contributions from members and employers of departments reentering 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 as to whether the member or employer pays the additional 4 percent contribution.

Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 5 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 affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

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

At December 31, 2019 the District reported a net pension liability in the amount of \$96,808 for its proportionate share of the SWDB net pension asset. The SWDB net pension asset was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The District's proportion of the SWDB net pension asset was based on the District's contributions to the SWDB Plan for the calendar year 2018 relative to the total contributions of participating employers to the SWDB Plan.

At December 31, 2018, the District's proportion was 0.07657%, which was a decrease of 0.00524% from its proportion measured as of December 31, 2017.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2019 the District recognized SWDB pension income of \$379,549. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to SWDB pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$124,391	\$1,034
Net difference between projected and actual earnings on pension plan investments	\$76,155	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$14,210	\$40,962
Change in assumptions and other inputs	\$93,756	N/A
Contributions subsequent to the measurement date	\$56,371	N/A
Total	\$364,883	\$41,996

\$56,371 reported as deferred outflows of resources related to SWDB pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDB pensions will be recognized in pension expense as follows:

Year ended December 31	
2020	\$50,878
2021	\$34,980
2022	\$29,085
2023	\$51,232
2024	\$22,505
Thereafter	\$77,836

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

Actuarial assumptions. The actuarial valuations for the SWBP Plan were 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 Valuation Date	January 1, 2019
Actuarial Method	Entry Age Normal
Amortization Method	N/A
Amortization Period	N/A
Long-term investment Rate of Return*	7.00 percent
Projected salary increases*	4.25 – 11.25 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 2.5%	

Actuarially Determined Contributions:

Actuarial Valuation Date	January 1, 2018
Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return*	7.50 percent
Projected salary increases*	4.0 – 14.0 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 2.5%	

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 employees. 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.

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 the 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 rollforward 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 purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the SWDP Plan's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.00%	8.03%
Equity Long/Short	9.00%	6.45%
Illiquid Alternatives	24.00%	10.00%
Fixed Income	15.00%	2.90%
Absolute Return	9.00%	5.08%
Managed Futures	4.00%	5.35%
Cash	2.00%	2.52%
Total	100.00%	

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The discount rate used to measure the total SWDB pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the FPPA Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment) to determine the total pension liability.

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

For the purpose of this valuation, the expected rate of return on SWDB 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%.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Regarding the sensitivity of the net asset liability/(asset) to changes in the Single Discount Rate, the following presents the SWDB Plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability (asset)	\$375,411	\$96,808	(\$134,288)

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

NORTHWEST FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 9: SUBSEQUENT EVENT

Potential subsequent events were considered through July 8, 2020. It was determined that the following event is required to be disclosed through this date.

COVID-19

As a result of the 2020 novel coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTAL INFORMATION

NORTH-WEST FIRE PROTECTION DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 1,225,282	\$ 1,225,282	\$ 1,199,732	\$ (25,550)
Specific Ownership Taxes	147,034	185,475	186,648	1,173
Charges for Services	176,090	59,000	124,517	65,517
Interest and Other	15,000	60,474	65,361	4,887
Grants and Donations	50,000	220,095	103,559	(116,536)
Rental Income	9,438	9,437	9,438	1
TOTAL REVENUES	<u>1,622,844</u>	<u>1,759,763</u>	<u>1,689,255</u>	<u>(70,508)</u>
EXPENDITURES				
Current				
Salaries and Benefits	1,090,140	1,090,140	1,211,901	(121,761)
Professional Services	212,505	212,505	140,451	72,054
Firefighting and Prevention	118,000	118,000	244,581	(126,581)
General and Administrative	152,344	152,344	131,737	20,607
Debt Service	65,227	65,227	58,599	6,628
Capital Outlay	308,000	516,697	325,205	191,492
Contingency	30,000	30,000	-	30,000
TOTAL EXPENDITURES	<u>1,976,216</u>	<u>2,184,913</u>	<u>2,112,474</u>	<u>72,439</u>
CHANGE IN FUND BALANCE	(353,372)	(425,150)	(423,219)	1,931
FUND BALANCE, Beginning	<u>915,046</u>	<u>1,075,327</u>	<u>1,075,327</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 561,674</u>	<u>\$ 650,177</u>	<u>\$ 652,108</u>	<u>\$ 1,931</u>

See the accompanying independent auditors' report.

NORTH-WEST FIRE PROTECTION DISTRICT

SCHEDULE OF CONTRIBUTIONS
 VOLUNTEER FIREFIGHTERS' PENSION PLAN
 December 31, 2019

<u>FY Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2009	\$ 26,657	\$ 26,657	\$ -	N/A	N/A
2010	53,278	37,827	(15,451)	N/A	N/A
2011	55,548	39,439	(16,109)	N/A	N/A
2012	41,785	33,010	(8,775)	N/A	N/A
2013	41,785	33,010	(8,775)	N/A	N/A
2014	41,785	33,010	(8,775)	N/A	N/A
2015	45,942	35,365	(10,577)	N/A	N/A
2016	45,942	35,365	(10,577)	N/A	N/A
2017	36,278	20,000	(16,278)	N/A	N/A
2018	34,347	37,371	3,024	N/A	N/A

See the accompanying independent auditors' report.

NORTH-WEST FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
VOLUNTEER FIREFIGHTERS' PENSION PLAN

Measurement Period Ending December 31,	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost	\$ 15,469	\$ 6,485	\$ 6,485	\$ 3,464	\$ 4,114
Interest on the Total Pension Liability	46,273	46,139	45,892	42,187	38,746
Benefit Changes	-	-	-	-	-
Difference Between Expected and Actual Experiences	(66,622)	-	(24,135)	-	31,703
Assumption Changes	(89,580)	-	96,951	52,308	(108,471)
Benefit Payments	(53,414)	(55,955)	(55,860)	(58,734)	(61,869)
Net Change in Total Pension Liability	(147,874)	(3,331)	69,333	39,225	(95,777)
Total Pension Liability - Beginning	787,343	639,469	636,138	705,471	744,696
Total Pension Liability - Ending	<u>\$ 636,138</u>	<u>\$ 636,138</u>	<u>\$ 705,471</u>	<u>\$ 744,696</u>	<u>\$ 648,919</u>
Plan Fiduciary Net Position					
Employer Contribution	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Pension Plan Net Investment Income	20,379	5,875	14,933	39,533	628
Benefit Payments	(53,414)	(55,955)	(55,860)	(58,734)	(61,869)
Pension Plan Administrative Expenses	(858)	(1,784)	(730)	(4,209)	(4,288)
State of Colorado Supplemental Discretionary Payment	15,365	15,365	8,975	-	17,371
Net Change in Plan Fiduciary Net Position	1,472	(16,499)	(12,682)	(3,410)	(28,158)
Plan Fiduciary Net Position - Beginning	327,198	328,670	312,171	299,489	296,079
Plan Fiduciary Net Position - Ending	<u>\$ 328,670</u>	<u>\$ 312,171</u>	<u>\$ 299,489</u>	<u>\$ 296,079</u>	<u>\$ 267,921</u>
Net Pension Liability/(Asset)	\$ 310,799	\$ 323,967	\$ 405,982	\$ 448,617	\$ 380,998
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	51.40%	49.07%	42.45%	39.76%	41.29%
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

NORTH-WEST FIRE PROTECTION DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
STATEWIDE DEFINED BENEFIT PLAN

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportionate share of the Net Pension Liability (Asset)	0.109%	0.101%	0.096%	0.092%	0.082%	0.077%
District's proportionate share of the Net Pension Liability (Asset)	\$ (97,532)	\$ (114,008)	\$ (1,687)	\$ 33,220	\$(117,701)	\$ 96,808
District's covered-employee payroll	\$ 473,752	\$ 454,284	\$ 472,663	\$ 482,438	\$ 527,501	\$ 704,638
District's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered payroll	-20.6%	-25.1%	-0.4%	6.9%	-22.3%	13.7%
Plan fiduciary net position as a percentage of the total pension liability	106.8%	105.8%	105.8%	98.2%	106.3%	95.2%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

NORTH-WEST FIRE PROTECTION DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
STATEWIDE DEFINED BENEFIT PLAN

Years Ended December 31, 2013 through 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily required contributions	\$ 37,900	\$ 36,343	\$ 37,476	\$ 37,813	\$ 38,595	\$ 42,200	\$ 56,371
Contributions in relation to the Statutorily required contributions	<u>37,900</u>	<u>36,343</u>	<u>37,476</u>	<u>37,813</u>	<u>38,595</u>	<u>42,200</u>	<u>56,371</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 473,752	\$ 454,284	\$ 468,450	\$ 472,663	\$ 482,438	\$ 527,501	\$ 704,638
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.