



POUDRE CANYON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2019



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Independent Auditors' Report

Board of Directors
Poudre Canyon Fire Protection District
La Porte, Colorado

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Poudre Canyon Fire Protection District as of December 31, 2019, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's 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; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Poudre Canyon Fire Protection District as of December 31, 2019, and the changes in its financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Matter

Accounting principles generally accepted in the United States require that management discussion and analysis and supplementary pension plan information 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, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

May 30, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the Poudre Canyon Fire Protection District (PCFPD) for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- * PCFPD's assets exceeded liabilities by \$1,728,395 at December 31, 2019.
- * The General Fund balance was \$488,927 as of December 31, 2019. Of this amount, \$5,843 is reserved for emergencies.
- * The December 31, 2019 General Fund balance is \$82,149 more than the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

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

The *statement of activities* presents information showing how the government's net assets changed during the 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 are reported in the statement for some items that will only result in cash flows in future fiscal periods.

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. PCFPD, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. PCFPD has two governmental funds, a General Fund and a Capital Projects Fund (CLPFEG).

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 financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide adjustments to facilitate this comparison between *governmental funds* and *governmental activities*, which are also explained in the notes.

The basic governmental fund financial statements can be found on pages 9 and 10 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 23 of this report.

Budgetary Comparisons. PCFPD adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund on page 11 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2019, assets exceeded liabilities by \$1,728,395.

The following table provides a summary of the District's net position:

December 31	2019	2018
Assets and Deferred Outflows:		
Current and other assets	\$ 1,114,616	\$ 1,291,033
Capital assets	2,579,765	1,864,537
Net pension asset	55,269	28,316
Deferred outflows - pension plan	5,123	5,123
Total Assets and Deferred Outflows	3,754,773	3,189,009
Liabilities and Deferred Inflows:		
Short-term liabilities	289,029	15,534
Long-term liabilities	1,482,404	1,500,000
Deferred inflows - property taxes	225,813	195,210
Deferred inflows - pension plan	29,132	29,132
Total Liabilities and Deferred Inflows	2,026,378	1,739,876
Net Position:		
Net investment in capital assets	1,097,361	364,537
Restricted	61,112	679,326
Unrestricted	569,922	405,270
Total Net Position	\$ 1,728,395	\$ 1,449,133

A portion of PCFPD's net position represents unrestricted net assets of \$569,922 which may be used to meet the District's ongoing obligations to patrons.

A significant portion of the District's net position reflects its investment in capital assets. These assets include land, buildings, equipment, and vehicles. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$5,843 of the District's net position represents resources that are subject to external restriction on how they may be used. Included in this category is the TABOR emergency reserve of \$5,843.

The following table indicates the changes in net position:

	2019	2018
Revenues:		
Program revenues:		
Capital grants	\$ 195,127	\$ --
General revenues:		
Property and S.O. taxes	211,661	210,633
Donations	29,553	42,684
Other revenue	24,898	26,324
Investment earnings	6,885	2,228
Total Revenues	468,124	281,869
Expenses:		
Program services	59,735	86,042
Depreciation	76,479	76,487
Interest	52,648	42,696
Total Expenses	188,862	205,225
Increase in Net Position	\$ 279,262	\$ 76,644

Governmental Activities. Governmental activities increased PCFPD's net position by \$279,262 in 2019. Key elements of this increase are as follows:

- * Total revenues were \$468,124 in 2019 as compared to \$281,869 in 2018. This is primarily because of a grant received from the State of Colorado.
- * Expenses totaled \$188,861 in 2019 and were \$205,225 in 2018, a 8% decrease due to less pension expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes.

Year Ended December 31, 2019	Final Budget	Actual
Beginning Fund Balance	\$ 406,778	\$ 406,778
Revenue	238,155	242,654
Expenditures	(192,788)	(90,260)
Transfers Out	(70,245)	(70,245)
Ending Fund Balance	\$ 452,145	\$ 488,927

CAPITAL ASSET ADMINISTRATION

Capital Assets. PCFPD's investment in capital assets for its governmental type activities as of December 31, 2019, totals \$2,579,765 (net of accumulated depreciation). This investment includes all land, buildings, equipment, and vehicles.

The primary capital activity for the 2019 year was continuing construction for station four.

The District elects the straight-line depreciation method for its capital assets, except for land which is not depreciated. Additional information on the District's capital assets can be found in Note 3 of this report.

DEBT ADMINISTRATION

Long-term Debt. At December 31, 2019, the District through CLPFEG had \$1,482,404 remaining on a \$1,500,000 loan from the USDA, funded from General Fund taxes. This loan was entered into on September 6, 2018 for the purpose of constructing a fire station and refinancing existing lease debt.

Additional information on the District's debt can be found in Note 6.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of PCFPD's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, P.O. Box 370, La Porte, Colorado 80535.

POUDRE CANYON FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

ASSETS

Cash	\$	886,807
Property Taxes Receivable		225,813
Prepaid items		1,996
Capital Assets:		
Land and improvements		54,566
Buildings and improvements		2,677,251
Equipment and vehicles		813,062
Accumulated depreciation		(965,114)
Net Pension Asset		55,269

Total Assets 3,749,650

DEFERRED OUTFLOWS OF RESOURCES

Pension Plan 5,123

LIABILITIES

Accounts Payable	289,029
USDA Loan	1,482,404
Total Liabilities	1,771,433

DEFERRED INFLOWS OF RESOURCES

Deferred Property Taxes	225,813
Pension Plan	29,132
Total Deferred Inflows of Resources	254,945

NET POSITION

Net Investment in Capital Assets	1,097,361
Net assets in trust for pension plan	55,269
Restricted for TABOR emergencies	5,843
Unrestricted	569,922
Total Net Position	\$ 1,728,395

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

Revenue:		
General property taxes	\$	194,774
Specific ownership taxes		16,887
Interest earnings		6,885
Grants and contributions		248,778
Total Revenue		467,324
Expenditures:		
Current Operating:		
Administration		44,473
Fire fighting and emergency response		15,262
Interest		52,648
Depreciation		76,479
Total Expenditures		188,862
Other revenue (expenses)		
Interest income		
Gain on sale of asset		800
Total other revenue		800
Revenue Over		
Expenditures		279,262
Net Position, Beginning of Year		1,449,133
Net Position, End of Year	\$	1,728,395

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2019	General Fund	Capital Projects Fund (CLPFEG)	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 486,931	\$ 399,876	\$ 886,807
Property Taxes Receivable	225,813	-	225,813
Prepaid items	1,996	-	1,996
TOTAL ASSETS	\$ 714,740	\$ 399,876	\$ 1,114,616
<u>LIABILITIES</u>			
Accounts Payable	\$ -	\$ 289,029	\$ 289,029
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Property Taxes	225,813	-	225,813
Total Deferred Inflows of Resources	225,813	-	225,813
<u>FUND BALANCE</u>			
Fund Balances:			
Reserved for TABOR emergencies	5,843	-	5,843
Unassigned	483,084	110,847	593,931
Total Fund Balance	\$ 488,927	\$ 110,847	\$ 599,774

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended December 31, 2019	General Fund	Capital Projects Fund (CLPFEG)	Total Governmental Funds
Revenue:			
General property taxes	\$ 194,774	\$ -	\$ 194,774
Specific ownership taxes	16,887	-	16,887
Interest earnings	5,058	1,827	6,885
Grants and contributions	22,135	226,643	248,778
Total Revenue	238,854	228,470	467,324
Expenditures:			
Current Operating:			
Administration	65,088	6,337	71,425
Fire fighting and emergency response	25,172	-	25,172
Capital outlay	-	781,797	781,797
Debt service	-	70,245	70,245
Total Expenditures	90,260	858,379	948,639
Other Financing Sources (Uses):			
Gain (loss) on sale of asset	800	-	800
Operating transfer	(67,245)	67,245	-
Revenue and Other Financing Sources (Uses) Over Expenditures	82,149	(562,664)	(480,515)
Fund Balance, Beginning of Year	406,778	673,511	1,080,289
Fund Balance, End of Year	\$ 488,927	\$ 110,847	\$ 599,774

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON STATEMENT

Year Ended December 31, 2019	Actual	Original Budget	Final Budget	Variance From Final
Revenue:				
General property taxes	\$ 194,774	\$ 195,155	\$ 195,155	\$ (381)
Specific ownership taxes	16,887	12,000	15,000	1,887
Interest earnings	5,058	600	5,000	58
Grants, contributions, and fundraising	25,135	13,500	23,000	2,135
Total Revenue	241,854	221,255	238,155	3,699
Expenditures:				
Administrative:				
Elections	-	500	-	-
Professional services	7,082	7,800	7,100	18
Insurance	25,467	32,000	28,000	2,533
Pension contribution	5,123	5,123	5,123	-
Newsletter/website	1,824	1,000	1,800	(24)
Dues and fees	238	500	250	12
Administration	4,048	7,000	4,450	402
Utilities	20,643	20,000	25,000	4,357
Miscellaneous and other	663	500	600	(63)
Total Administrative	65,088	74,423	72,323	7,235
Fire Fighting:				
Operating supplies, fuel, repairs	23,132	30,000	26,000	2,868
Training	2,040	5,000	2,000	(40)
Total Fire Fighting	25,172	35,000	28,000	2,828
Capital Outlay:				
Equipment	-	30,000	30,000	30,000
Total Capital Outlay	-	30,000	30,000	30,000
Total Expenditures	90,260	139,423	192,788	102,528
Other Financing Sources:				
Gain on sale of asset	800	-	-	(800)
Operating transfer	(70,245)	(70,245)	(70,245)	-
Revenue Over (Under) Expenditures	82,149	81,832	45,367	(36,782)
Fund Balance, January 1, 2019	406,778	406,778	406,778	-
Fund Balance, December 31, 2019	\$ 488,927	\$ 488,610	\$ 452,145	\$ 36,782

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Poudre Canyon Fire Protection District (or PCFPD) conform to generally accepted accounting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity:

The financial report of the District includes all of the integral parts of the District's operations. The District has determined that it has no financial accountability for any other agency which would require it to be in the reporting entity, except for CLPFEG. CLPFEG was added to the reporting entity in 2018 due to the lease between CLPFEG and the District and is blended in the financial statements.

Cache La Poudre Fire and Emergency Group, Inc. (CLPFEG) is a non-profit 501(c)(3) corporation that was formed solely to raise and provide resources on behalf of the Poudre Canyon Fire Protection District. This organization was established in 2005 by a group of canyon residents who were deeply concerned by the ongoing struggle the fire district faced for funding; so therefore focuses solely on fund-raising, supporting only fire and emergency services in the Cache La Poudre Canyon.

Government-wide and Fund Financial Statements:

The District reports as a special purpose government engaged in a single governmental program. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

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

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued:

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 collectible within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current year 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.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District.

The *capital projects* fund accounts for proceeds of a loan from the USDA and the construction of another fire station as well as other fundraising through CLPFEG.

Capital Assets:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Acquisitions of capital assets are recorded as capital outlay expenditures within the governmental funds. Depreciation has been provided on capital assets, using straight line methods over the useful lives of the assets (buildings 50 years, trucks 20 years, and equipment 10 years). The District's capitalization level is \$5,000.

Property Taxes:

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the same year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. The District uses the Larimer County Treasurer to bill and collect its property taxes. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible. Taxes levied in December 2019 are recorded as taxes receivable and deferred inflows as of December 31, 2019.

The original January 1, 2019 levy for the General Fund of the District was 21.142 mills or approximately \$195,210.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Budget:

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with the Local Government Budget Law. The budget is prepared on a basis consistent with generally accepted accounting principles for all funds. The fund level of classification is the level at which expenditures may not legally exceed appropriations. All annual appropriations lapse at year end. CLPFEG does not have a budget as a non-profit corporation as it is not subject to the Local Government Budget law.

The Board is authorized to transfer budgeted amounts within departments of each fund. Any revisions that alter the total appropriation for each department must be approved by the Board through a supplemental appropriation resolution. The District amended the 2019 budget during the year.

Fund Equity:

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally restricted by law or outside parties for use for specific purpose.

Restrictions for the District are recorded up to the maximum equity available in the fund balance and consist of:

Restricted for Emergencies:

These restrictions are established to comply with TABOR. Recorded TABOR emergency reserves at December 31, 2019 are \$5,843.

Assigned fund balances, if any, are amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official to which the Board delegates authority. Restricted funds are considered to be spent first, followed by assigned and unassigned, for an expenditure for which any could be used.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition and construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Investment Risks:

The pension board shall have complete control and authority to invest the funds of the Plan. Funds of the Plan shall be managed and invested by the pension board of the District in accordance with the prudent investor rule and the other standards and provisions for trustees set forth in the "Colorado Uniform Prudent Investor Act." The District affiliated with the Fire and Police Pension Association (FPPA) of Colorado to administer the Plan in 2011.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Plan does not have a policy to address interest rate risk. FPPA has established and monitors guidelines regarding the securities in the fixed income investment portfolio.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a policy to limit credit risk. FPPA has established and monitors guidelines regarding the types and quality of securities in the fixed income portfolio.

The Plan's investment policy seeks to maximize diversification opportunities to reduce overall portfolio risk while generating growth of asset value. The Plan places no limit on the amount that may be invested with one issuer. FPPA does not have any investments representing five percent or more with any one issuer.

Custodial credit risk is the risk that in the event of financial institutional failure, the Plan's investments may not be returned to it. The Plan does not have a policy for custodial credit risk.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Although the Plan does not have a specific policy relating to foreign currency risk, FPPA has established and monitors specific guidelines regarding the types, exposures, and quality of securities within each investment portfolio.

Pensions:

PCFPD participates in an agent defined benefit pension fund administered by the Fire and Police Pension Association of Colorado (FPPA). The net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - Cash and Investments:

The District's bank accounts at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - Capital Assets:

	Balance, 1/1/19	Additions	Deletions	Balance, 12/31/19
Land and Improvements	\$ 54,566	\$ --	\$ --	\$ 54,566
Buildings and Improvements	1,710,327	--	--	1,710,327
Construction in Progress	175,217	791,707	--	966,924
Equipment and Vehicles	815,280	--	2,218	813,062
Total Capital Assets	2,755,390	791,707	2,218	3,544,879
Less Accumulated Depreciation:				
Building and Improvements	263,952	36,561	--	300,513
Equipment and Vehicles	626,901	39,918	2,218	664,601
Total Accumulated Depreciation	890,853	76,479	2,218	965,114
Capital Assets, net	\$ 1,864,537	\$ 715,228	\$ --	\$ 2,579,765

NOTE 4 – Volunteer Pension Plan:

The District's defined benefit pension plan for volunteers provides retirement and disability benefits and death benefits to plan members and beneficiaries. The plan is affiliated with the Fire and Police Member's Benefit Fund, an agent multiple-employer pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. Title 31, Article 30 of the Colorado Revised Statutes assigns the authority to establish and amend the benefit provisions of the plans that participate in FPPA to the respective member entities. FPPA issues a publicly available financial report that includes financial statements and required supplementary information for the Fire and Police Member's Benefit Fund. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Englewood, Colorado 80111, or by calling 1-800-332-FPPA.

At December 31, 2018, pension plan membership consisted of 37 active members and three beneficiaries.

Contribution requirements of the District are established under Title 31, Article 30 of the Colorado Revised Statutes. The plan is noncontributory regarding participants. Contributions to the plan for the year ended December 31, 2019 included \$4,350 from State of Colorado matching and \$5,123 of property taxes levied by the District. During 2019 the normal benefit was \$100 per month for the three beneficiaries.

At December 31, 2019, PCFPD reported an asset of \$55,269 for its net pension asset. The net pension asset was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

For the year ended December 31, 2019, PCFPD recognized pension income of \$21,830. At December 31, 2019 PCFPD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 25,184
Net difference between projected and actual earnings on pension plan investments	--	1,259
Changes in actuarial assumptions	--	2,689
Contributions subsequent to the measurement date	5,123	--
Total	\$ 5,123	\$ 29,132

Deferred outflows of resources related to pensions of \$5,123, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2020	\$ 20,208
2021	5,144
2022	1,756
2023	2,204
	\$ 29,132

The global assumption set for plans administered by FPPA was changed in the 2018 experience study and effective as of January 1, 2019. This is the first valuation for this plan with the new assumptions. Significant changes affecting this valuation include:

- Reduce investment return from 7.5% to 7.0%
- Update base mortality tables and projection scales.
- Increase withdrawal rates by 10%.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

Actuarial assumptions: The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.5 percent
Retirement age	50% per year of eligibility until 100% at age 65
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.0 percent

Mortality rates were based on the RP-2014 Annuitant Mortality Tables for Males and Females projected to 2018 using the MP-2017 projection scales, then projected prospectively using the ultimate rates of the scale for all years.

At least every five years the Fire & Police Pension Association's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. Following a regularly scheduled experience study in 2018, the Board of Directors adopted a new assumption set for first use in the January 1, 2019 valuations.

Due to the biennial valuation process, the assumption changes first applied to the actuarial valuations beginning January 1, 2019. The actuarial assumptions impacted included inflation and mortality rates.

The Plan's 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 return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

As of the most recent analysis of the long-term expected rate of return, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	36%	6.75%
Equity Long/Short	10%	4.85%
Illiquid Alternatives	23%	8.25%
Fixed Income	15%	.5%
Absolute Return	10%	4.05%
Managed Futures	4%	3.0%
Cash	2%	--%
Total	100%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.5 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at the actuarially recommended rates.

Sensitivity of the PCFPD net pension asset to changes in the discount rate: The following presents the net pension asset calculated using the discount rate of 7.5 percent, as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

December 31, 2019	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension asset	\$ 30,135	\$ 55,269	\$ 76,074

NOTE 5 – Contingencies:

In 1992 the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Included in the accompanying financial statements are emergency reserves of at least 3% of fiscal year spending.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Contingencies – Continued:

In 2008, the electors of the District voted to supersede TABOR and to collect, retain, and expend the full proceeds of all taxes, fees, and other revenue without increasing or adding taxes of any kind, and to increase the existing mill levy by 15.65 mills for two district fire station/community center buildings and the related operations.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The District purchases commercial insurance for risks of loss in excess of deductible amounts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 6 – Long Term Liabilities:

December 31	2019
\$1,500,000 USDA loan to CLPFEG made in 2018, due in annual installments through 2058, interest at 3.5%, secured by Station four and all assets of CLPFEG	\$ 1,482,404
	\$ 1,482,404

The annual requirements to repay this loan as of December 31, 2019, are as follows:

Years Ending December 31	Principal	Interest	Total
2020	\$ 18,361	\$ 51,884	\$ 70,245
2021	19,003	51,242	70,245
2022	19,669	50,576	70,245
2023	20,357	49,888	70,245
2024	21,070	49,175	70,245
2025-2029	116,939	234,286	351,225
2030-2034	138,887	212,338	351,225
2035-2039	164,954	186,271	351,225
2040-2044	195,914	155,311	351,225
2045-2049	232,684	118,541	351,225
2050-2054	276,356	74,869	351,225
2055-2058	258,210	22,995	351,450
	\$ 1,482,404	\$1,257,376	\$ 2,739,780

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Long Term Liabilities – Continued:

Changes in long-term liabilities during the year were as follows:

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19	Due Within One Year
USDA Loan	\$ 1,500,000	\$ --	\$ 17,596	\$1,482,404	\$ 18,361
	\$ 1,500,000	\$ --	\$ 17,596	\$1,482,404	\$ 18,361

Underlying the USDA loan is an annually renewable lease entered into between the District and CLPFEG, a Colorado nonprofit corporation created to raise and provide resources on behalf of the District. The loan is payable solely from the rentals paid by the District, proceeds of certain insurance policies and proceeds of foreclosure on and sale of the property, if necessary. Neither the loan nor the lease gives rise to a general obligation of the District. As the change of the lease not being renewed is remote, the loan is recorded as a long-term liability.

Transfers from the General Fund to the Capital Projects Fund are made to fund these payments.

NOTE 7 – Reconciliation Between Governmental Funds Balance Sheet and the Statement of Net Position:

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

December 31, 2019	
Fund balance of Governmental Funds	\$ 599,774
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	2,579,765
Net pension asset	55,269
Deferred outflows and inflows for pensions	(24,009)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the Governmental Funds	(1,482,404)
Total Net Position	\$ 1,728,395

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities:

<u>Year Ended December 31</u>	<u>2019</u>
Net change in fund balances – Governmental Funds	\$ (480,515)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
The 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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year	715,228
Repayment of loan principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position and proceeds of long-term debt adds to long-term liabilities in the statement of net position	17,596
The General Fund reports District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense	26,953
<u>Change in Net Position of Governmental Activities</u>	<u>\$ 279,262</u>

NOTE 9 – Leases:

The District leases land from the Lower Poudre Canyon Association for the lower canyon fire station for \$1 per year through 2050. The District also leases land from the Old Poudre City Corporation for the upper canyon fire station for \$1 per year through 2109.

NOTE 10 – Construction Commitment:

In November 2018, the Board of Directors of CLPFEG signed a contract for \$815,400 for the construction of fire station four near Red Feather Lakes, Colorado. As of December 31, 2019, approximately \$289,000 was remaining to be paid as construction progresses.

REQUIRED SUPPLEMENTARY INFORMATION

POUDRE CANYON FIRE PROTECTION DISTRICT

Schedule of Pension Contributions

Years Ended December 31	Actuarially		
	Determined Contributions	Contributions Made	Contributions Deficiency
2019	\$ 5,123	\$ 5,123	\$ -
2018	5,123	5,123	-
2017	5,123	5,123	-
2016	5,123	5,123	-
2015	10,842	10,842	-

Methods and Assumptions Used:

Actuarial cost method: Entry age
Amortization method: Level dollar-open
Remaining amortization period: 20 years
Asset valuation method: 5 year smoothed fair value
Inflation: 2.5%
Benefit increase: None
Investment return: 7.0%

POUDRE CANYON FIRE PROTECTION DISTRICT

Schedule of Changes in Net Pension Asset

Years Ended December 31	2019	2018	2017	2016	2015
Total Pension Liability:					
Annual Service Cost	\$ 6,767	\$ 6,926	\$ 7,601	\$ 7,601	\$ 6,812
Interest on Total Pension Liability	3,686	6,596	5,878	4,937	9,167
Difference in Expected Experience and Actual	(35,327)	-	(6,461)	-	(89,391)
Changes in Assumptions	-	-	2,893	-	(13,416)
Total Pension Liability - Beginning	98,070	84,548	74,637	62,099	148,927
Total Pension Liability - Ending	\$ 73,196	\$ 98,070	\$ 84,548	\$ 74,637	\$ 62,099
Plan Fiduciary Net Position:					
Contributions - District	\$ 5,123	\$ 5,123	\$ 5,123	\$ 5,123	\$ 7,242
Contributions - State Match	4,359	4,359	3,535	3,535	3,600
Net Investment Income	1,075	16,052	5,415	3,651	4,833
Administrative Expense	(6,368)	(9,182)	(436)	(1,361)	(1,001)
Benefits paid	(2,110)	-	-	-	-
Net Change	2,079	16,352	13,637	10,948	14,674
Plan Fiduciary Net Position - Beginning	126,386	110,034	96,397	85,449	70,775
Plan Fiduciary Net Position - Ending	128,465	126,386	110,034	96,397	85,449
District Net Pension Asset	\$ 55,269	\$ 28,316	\$ 25,486	\$ 21,760	\$ 23,350
Percentage of Net Pension Asset	176%	129%	130%	129%	138%