

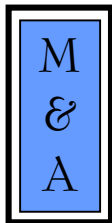
Steamboat Springs Area Fire Protection District

**Financial Statements
December 31, 2019**

**Steamboat Springs Area Fire Protection District
Financial Statements
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McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Steamboat Springs Area Fire Protection District

We have audited the accompanying financial statements of the governmental activities and major funds of the Steamboat Springs Area Fire Protection District (the "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 of material misstatement.

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

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

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 major funds of the District as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

Other Matters

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

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The budgetary comparison information found in Section F is presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison information in Section F is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 8, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Steamboat Springs Area Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. Management is not aware of any facts, decisions or conditions that have a significant effect on financial position or operations.

Financial Highlights

- Assets exceeded liabilities by \$6,758,984 at the end of the fiscal year.
- At December 31, 2019, the District's governmental fund reported ending fund balance of \$5,953,424.
- Total net position increased by \$168,013 as compared to 2018.
- Total cash and investments increased by \$292,155 as compared to 2018.
- General Fund expenditures were \$1,117,308 for the year ended December 31, 2019.
- At the end of 2019, unassigned Governmental Fund balance was \$5,908,196 or 528.79% of total expenditures.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other 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 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 financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes (*governmental activities*).

The government-wide financial statements can be found on pages C1 and C2 of this report.

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. All of the funds of the District are governmental 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 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 a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two governmental funds – general fund and capital fund.

The basic governmental fund financial statements can be found on page C1 and C2 of this report.

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 financial statements can be found on pages D1-D10 of this report.

Other information. The District adopts an annual appropriated budget for its general fund and capital fund. A budgetary comparison statement has been provided in this section for the General Fund and Capital Fund to demonstrate compliance with this budget. The General Fund budget statement is found after the *basic financial statements* on page E1 of this report. The Capital Fund budget statement is found after the *basic financial statements* on page F1 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position

Net Position

	December 31,	
	2019	2018
Current assets	\$ 7,682,923	\$ 7,029,951
Capital assets	805,560	932,383
Total assets	8,488,483	7,962,334
Current liabilities	148,917	153,742
Total liabilities	148,917	153,742
Deferred inflows of resources	1,580,582	1,217,621
Total deferred inflows of resources	1,580,582	1,217,621
Net investment in capital assets	805,560	932,373
Restricted net position	43,590	42,084
Unrestricted net position	5,909,834	5,616,504
Total net position	\$ 6,758,984	\$ 6,590,961

The District's assets exceeded liabilities by \$6,758,984 at the close of the most recent fiscal year. Of this amount, \$805,560 was invested in capital assets, net of future debt payments. \$43,590 is established as an emergency reserve. The remaining \$5,909,834 is available for the District's future operations per the Steamboat Springs Fire Rescue strategic plan.

Change in Net Position

	December 31,	
	2019	2018
Revenue		
General revenue	\$ 1,453,001	\$ 1,402,789
Expenses		
Fire protection services	1,142,354	1,003,488
Administration	137,270	213,246
Capital Outlay	5,364	-
Total expenses	<u>1,284,988</u>	<u>1,216,734</u>
Change in net position	168,013	186,055
Net Position - Beginning	<u>6,590,971</u>	<u>6,404,916</u>
Net Position - Ending	<u><u>\$ 6,758,984</u></u>	<u><u>\$ 6,590,971</u></u>

General Fund Budgetary Highlights

During the fiscal year ended December 31, 2019, the District incurred actual expenditures of \$1,117,308 in the General Fund. The difference between actual and budgeted expenditures of \$1,202,410 was \$85,102. The budget savings were related to administration expenditures.

Capital Assets

Additional information on the District's capital assets can be found in section IV in the notes of this report.

Next Year's Budget

In 2020, budgeted expenditures for the General fund are \$1,419,570 for the Capital Fund are \$174,528.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Steamboat Springs Area Fire Protection District, c/o Pinnacle Consulting Group, Inc., 550 West Eisenhower Blvd., Loveland, CO 80537.

FINANCIAL STATEMENTS

Steamboat Springs Area Fire Protection District
Balance Sheet/
Statement of Net Position
December 31, 2019

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets:					
Cash and investments	6,088,658	4,653	6,093,311	-	6,093,311
Due from county treasurer	7,392	-	7,392	-	7,392
Property tax receivable	1,580,582	-	1,580,582	-	1,580,582
Prepaid expenses	1,638	-	1,638	-	1,638
Capital assets, net	-	-	-	805,560	805,560
Total Assets	7,678,270	4,653	7,682,923	805,560	8,488,483
Liabilities:					
Accounts payable	144,264	4,653	148,917	-	148,917
Total Liabilities	144,264	4,653	148,917	-	148,917
Deferred Inflow of Resources:					
Unavailable tax revenues	1,580,582	-	1,580,582	-	1,580,582
Fund Balance/Net Assets:					
Fund Balance:					
Nonspendable	1,638	-	1,638	(1,638)	-
Restricted for:					
Emergencies	43,590	-	43,590	(43,590)	-
Unassigned	5,908,196	-	5,908,196	(5,908,196)	-
Total Fund Balance	5,953,424	-	5,953,424	(5,953,424)	-
Total Liabilities and Fund Balance	7,678,270	4,653	7,682,923	(5,953,424)	-
Net Position:					
Restricted for:					
Emergencies				43,590	43,590
Net invested in capital assets				805,560	805,560
Unrestricted				5,909,834	5,909,834
Total Net Position				6,758,984	6,758,984

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

Steamboat Springs Area Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balance/
Statement of Activities
For the Year Ended December 31, 2019

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues:					
Property tax	1,178,852	39,941	1,218,793	-	1,218,793
Specific ownership tax	81,700	-	81,700	-	81,700
Interest income	150,668	-	150,668	-	150,668
Other income	1,840	-	1,840	-	1,840
Total Revenues	1,413,060	39,941	1,453,001	-	1,453,001
Expenditures/Expenses:					
Fire protection	981,238	-	981,238	161,116	1,142,354
Administration	136,070	1,200	137,270	-	137,270
Capital outlay	-	39,659	39,659	(34,295)	5,364
Total Expenditures/Expenses	1,117,308	40,859	1,158,167	126,821	1,284,988
Excess (Deficiency) of Revenues Over Expenditures	295,752	(918)	294,834	(294,834)	-
Other Financing Sources (Uses):					
Transfers (out)	(918)	918	-	-	-
Total Other Financing Sources (Uses)	(918)	918	-	-	-
Change in Fund Balance	294,834	-	294,834		
Change in Net Position					168,013
Fund Balance/Net Position:					
Beginning	5,658,590	-	5,658,590		6,590,971
Ending	5,953,424	-	5,953,424		6,758,984

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

NOTES TO THE FINANCIAL STATEMENTS

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019

I. Summary of Significant Accounting Policies

Steamboat Springs Area Fire Protection District (the "District") was organized pursuant to the Colorado Special District Act to provide fire suppression, fire protection and education, rescue, hazardous materials, emergency medical, and ambulance services (collectively, "Emergency Services") within its jurisdiction and to individuals passing through its jurisdiction. The District and City of Steamboat Springs (the "City") have entered into an intergovernmental agreement to provide Emergency Services within the boundaries of both entities through Steamboat Springs Fire Rescue.

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

A. Reporting Entity

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

The District is not financially accountable for any entity based on the above criteria nor is the District a component unit of any other entity.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

1. Government-wide Financial Statements

In the Statement of Net Position, the District's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net invested in capital assets; restricted; and unrestricted.

The focus of the Statement of Net Position and the Statement of Activities is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019**

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

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports a General Fund and a Capital Projects Fund. The General Fund is the District's operating fund. The Capital Projects Fund accounts for the property taxes and expenditures associated with capital purchases and construction.

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

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

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 60 days of December 31) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

D. Financial Statement Accounts

1. Cash and Investments

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

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

**Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

1. Cash and Investments (continued)

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

2. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

3. Capital Assets

Capital assets, which include land, buildings, infrastructure, and vehicles and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life of at least 3 years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Buildings, vehicles, and equipment are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	20-40
Vehicles and equipment	5-10

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Deferred Inflows of Resources

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which is unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Use of Estimates

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

6. Fund Balance

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority which is the Board of Directors.

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

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

**Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Fund Balance (continued)

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless any contracts or other legal requirements prohibit it, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures from unrestricted fund balance are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve position and management calculates targets and reports them annually to the Board of Directors.

II. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital assets at cost	\$ 2,903,207
Accumulated depreciation	<u>(2,097,647)</u>
Capital assets, net	<u><u>\$ 805,560</u></u>

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

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

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Depreciation expense	\$ 161,116
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

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

- (1) For the 2019 budget, prior to August 25, 2018, the County Assessor sent to the District a preliminary certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2018 only once by a single notification to the District.
- (2) On or before October 15, 2018, the District's management submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (4) For the 2019 budget, prior to December 15, 2018 the District computed and certified to the County Commissioners a rate of a levy that derived the necessary property taxes as computed in the proposed budget.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) supplemental appropriations to the extent actual revenue is in excess of the estimated in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.
- (6) All appropriations lapse at a year-end.

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in 2018 were collected in 2019 and taxes certified in 2019 will be collected in 2020. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2019, year-end fund balance for emergencies as required under TABOR in the amount of \$43,590, which is the approximate required reserve at December 31, 2019.

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

The District's voters approved a ballot question on May 5, 1998 allowing the District to collect, retain and expend the full proceeds of its tax levy and all other revenues received during 1998 and each year thereafter.

The District's voters also approved a ballot question on May 6, 2008 allowing the District to levy up to 9 mills annually, as determined by the Board of Directors, for general operations, additional personnel, or capital expenditures.

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

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019

III. Stewardship, Compliance, and Accountability (continued)

C. Gallagher Amendment

In 1982, Colorado's voters passed an amendment to Article X, § 3(1)(b) of the Colorado Constitution, which is commonly referred to as the "Gallagher Amendment". The purpose of the Gallagher Amendment was to permanently establish a ratio between total statewide assessed values of residential property ("RAR") and all other types of property, which are collectively referred to as "non-residential". At the time, residential property's share of statewide revenue was 44.6%, as compared to 55.4% for nonresidential property ("Gallagher Split"), based on a RAR of 21% and 29% for nonresidential property. The Gallagher Amendment requires the Colorado General Assembly to adjust the RAR up or down, as necessary, in order to maintain the Gallagher Split, while the nonresidential assessment rate remains fixed at 29%. Since the passage of the Gallagher Amendment, the growth in the aggregate statewide valuation of residential property has typically outpaced that of nonresidential property, which over time has resulted in a significant downward adjustment to the RAR. The on-going reduction in the RAR has been exacerbated by the fact that the Gallagher Amendment functions only as a downward ratchet on the RAR because the General Assembly believes that TABOR requires a statewide election when the Gallagher Amendment would otherwise call for an increase to the RAR.

The District's voters approved a ballot question on November 6, 2018, allowing the District to increase or decrease its mill levy rates only if there are changes in the method of calculating assessed valuation, including, but not limited to, changes due to the Gallagher Amendment, so that, to the extent possible, the actual tax revenues generated by such mill levies are the same as the actual tax revenues that would have been generated had such changes not occurred.

IV. Detailed Notes on All Funds

A. Deposits and Investments

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds.

The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District had invested \$1,602,312, in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury 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.

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The Trust directly holds all repurchase agreements. The custodian's internal records identify the investments owned by the Trust. The District does not categorize its participation in the Trust because the investment is not evidenced by securities specifically identifiable to the District.

At December 31, 2019, the District had \$251,419 invested in the Colorado Surplus Asset Fund Trust ("CSAFE") fund. CSAFE is a local government investment pool trust fund organized under Part 7 of Article 75 of Title 24, CRS. CSAFE provides a pooling of Colorado's local government funds for an effective and convenient means of investing. The investment advisor for CSAFE is Davidson Fixed Income Management, Inc., an investment advisor registered with the SEC. CSAFE invests primarily in U.S. Treasury securities, agencies, repurchase agreements, bank deposits, AAAM rated money market funds, and highly rated commercial paper. The CSAFE fund holds a 'AAAM' rating by Standard and Poor's.

At December 31, 2019, the District had \$104,276 invested in the Colorado Statewide Investment Program (CSIP). CSIP is an investment program that provides professional investment services designed specifically to meet the cash management needs of Colorado governments, non-profit institutions and other institutional entities. CSIP invests in the Colorado Investors Class of the PFM Funds Prime Series (PFM Fund), a money market mutual fund registered with the SEC. The PFM Fund is a diversified, open-end pool whose primary objectives are to seek as high a rate of current income as is consistent with maintaining liquidity and stability of principal.

The investment advisor for the PFM Fund is PFM Asset Management LLC, an investment advisor registered with the SEC. The PFM Fund invests in U.S. Treasury obligations, U.S. government agency obligations, commercial paper, corporate notes and bonds, certificates of deposit, banker's acceptances, municipal obligations, floating/variable rate obligations, other money-market funds, and repurchase agreements. The PFM Fund holds a 'AAAM' rating by Standard and Poor's.

Deposits and investments are presented on the Statement of Net Position as follows:

Type	Rating	Carrying Amount	Maturities	
			Less Than One Year	Less Than Five Years
Deposits		4,129,306	57,306	4,072,000
Colotrust	AAAM	1,602,312	1,602,312	-
CSAFE	AAAM	257,419	257,419	-
CSIP	AAAM	104,276	104,276	-
Total cash and investments		<u>\$ 6,093,313</u>	<u>2,021,313</u>	<u>4,072,000</u>

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2019, the District had the following recurring measurements:

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
Colotrust	1,602,312
CSIP	104,276
<u>Investments Measured at Amortized Cost</u>	<u>Total</u>
Csafe	257,419

B. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets:				
Buildings and improvements	\$ 823,568	-	(8,930)	814,638
Vehicles	1,851,702	-	(27,127)	1,824,575
Equipment	220,769	43,225	-	263,994
Total capital assets	<u>2,896,039</u>	<u>43,225</u>	<u>(36,057)</u>	<u>2,903,207</u>
Less accumulated depreciation for:				
Buildings and improvements	(438,111)	(21,099)	-	(459,210)
Vehicles	(1,380,257)	(122,323)	27,127	(1,475,453)
Equipment	(145,290)	(17,694)	-	(162,984)
Total accumulated depreciation	<u>(1,963,658)</u>	<u>(161,116)</u>	<u>27,127</u>	<u>(2,097,647)</u>
Total Capital Assets, net	<u>\$ 932,381</u>	<u>(117,891)</u>	<u>(8,930)</u>	<u>805,560</u>

Depreciation expense of \$161,116 was charged to operations.

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Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2019

V. Other Information

A. Intergovernmental Agreement with City of Steamboat Springs

In February 2001, the District and City entered into an amended intergovernmental agreement to provide Emergency Services in their respective jurisdictions through Steamboat Springs Fire Rescue. The following are highlights of the agreement (as amended in 2009):

- Through the joint contributions of the parties, the City employs the personnel who staff Steamboat Springs Fire Rescue. The City is responsible for Steamboat Springs Fire Rescue's provision of Emergency Services within the boundaries of the City and the District and for the purchase, maintenance, repair, or replacement of the facilities and the Emergency Services apparatus, vehicles and equipment used by Steamboat Springs Fire Rescue personnel.
- The District is charged its allocated share of operating and capital costs based upon a services costing formula.
- The District transferred possession, but not ownership, of the District's capital assets to the City for duration of the agreement. These assets are considered part of the Combined Capital Plant managed by City personnel for Emergency Services operations.

The agreement became effective January 1, 2002 for a period of one year and automatically renews for two-year periods unless terminated by either party by July 1 of the preceding year. The following summarizes the Emergency Services costs incurred during the year ended December 31, 2019.

Operating Costs:

Fire suppression/EMS	\$ 3,555,010
Fire prevention	137,208
Fire administration, safety and education	788,420
Total expenditures	<u>4,480,638</u>
Emergency medical services collections	(601,320)
Other net revenues	(285,041)
Total revenues	<u>(886,361)</u>
Net operating costs	3,594,277
Operating cost formula percentage	<u>27.3%</u>
District's share of net operating costs	<u><u>\$ 981,238</u></u>

B. Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

Steamboat Springs Area Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Property tax	1,177,718	1,177,718	1,178,852	1,134
Specific ownership tax	94,217	94,217	81,700	(12,517)
Interest income	96,022	96,022	150,668	54,646
Other income	-	-	1,840	1,840
Total Revenues	<u>1,367,957</u>	<u>1,367,957</u>	<u>1,413,060</u>	<u>45,103</u>
Expenditures:				
Fire protection services	1,002,958	1,002,958	981,238	21,720
Management	41,630	41,630	41,630	-
Accounting	26,680	26,680	26,680	-
Legal	39,000	39,000	13,268	25,732
Treasurer's fees	35,332	35,332	35,433	(101)
Auditing	6,400	6,400	6,600	(200)
Directors fees	15,000	15,000	5,093	9,907
Insurance	1,610	1,610	1,613	(3)
Miscellaneous	33,800	33,800	5,753	28,047
Total Expenditures	<u>1,202,410</u>	<u>1,202,410</u>	<u>1,117,308</u>	<u>85,102</u>
Excess (Deficiency) of Revenues Over Expenditures	165,547	165,547	295,752	130,205
Other Financing Sources (Uses):				
Transfers (out)	(44,294)	(44,294)	(918)	43,376
Total Other Financing Sources (Uses)	<u>(44,294)</u>	<u>(44,294)</u>	<u>(918)</u>	<u>43,376</u>
Net Change in Fund Balance	121,253	121,253	294,834	173,581
Fund Balance - Beginning	<u>5,573,914</u>	<u>5,573,914</u>	<u>5,658,590</u>	<u>84,676</u>
Fund Balance - Ending	<u><u>5,695,167</u></u>	<u><u>5,695,167</u></u>	<u><u>5,953,424</u></u>	<u><u>258,257</u></u>

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

SUPPLEMENTARY INFORMATION

Steamboat Springs Area Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Property tax	39,903	39,903	39,941	38
Total Revenues	<u>39,903</u>	<u>39,903</u>	<u>39,941</u>	<u>38</u>
Expenditures:				
Treasurer's fees	1,197	1,197	1,200	(3)
Capital outlay	83,000	83,000	39,659	43,341
Total Expenditures	<u>84,197</u>	<u>84,197</u>	<u>40,859</u>	<u>43,338</u>
Excess (Deficiency) of Revenues Over Expenditures	(44,294)	(44,294)	(918)	43,376
Other Financing Sources (Uses):				
Transfers in	44,294	44,294	918	(43,376)
Total Other Financing Sources (Uses)	<u>44,294</u>	<u>44,294</u>	<u>918</u>	<u>(43,376)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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