WINDSOR-SEVERANCE FIRE PROTECTION DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2019

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FINANCIAL SECTION

Board of Directors
Windsor-Severance Fire Protection District
Windsor, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Windsor-Severance Fire Protection District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Windsor-Severance Fire Protection 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and pension information on pages 29-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, are required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Windsor-Severance Fire Protection District's financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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 individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

July 27, 2020

Windsor-Severance Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2019

This section of the annual financial report offers readers of the Windsor-Severance Fire Protection District's (the "District") financial statements management's discussion and analysis of the District's financial performance during the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Background Information

The District was created in 1950 by several citizens concerned about fire protection for their homes and businesses. The predominant fund approach for the District was comprised of three basic funds, the General, Capital, and Debt Service Funds.

In November 1997, the District Board of Directors asked the taxpayers to remove the TABOR limits that were imposed on the District in 1992. In 2000, the voters were asked to approve a 2.00 mill increase to hire the Districts first full-time career firefighters, and in 2019 the voters were asked to approve a total mill levy increase of 1.556 over the next 7 years: 2020 - 0.556 Mills, 2023 - 0.500 Mills, 2026 - 0.500 Mills. The final mill levy for the District was set at 7.750 mills for 2019 to be collected during 2020.

Financial Highlights

- The District's net position increased $2,674,671 or 17.05% during 2019.
- General revenues account for $9,150,903 or 91.60% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $838,992 or 8.40% of total revenues of $9,989,985.
- The District had $7,315,224 in expenses related to governmental activities; $838,992 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues, property and specific ownership taxes of $8,763,104 plus $324,062 from a gain on sale of an asset, $63,737 in interest and other revenues were used to provide for these programs.
- The District had asset additions of $610,464 during 2019.
- The District made an additional debt service payment in 2019 leaving an outstanding balance of $1,000,000 in long-term debt at year-end.

Overview of the Financial Statements

This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and required and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as fire protection were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required and other supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

Table 1
Organization of the Windsor-Severance Fire Protection District's
Annual Financial Report

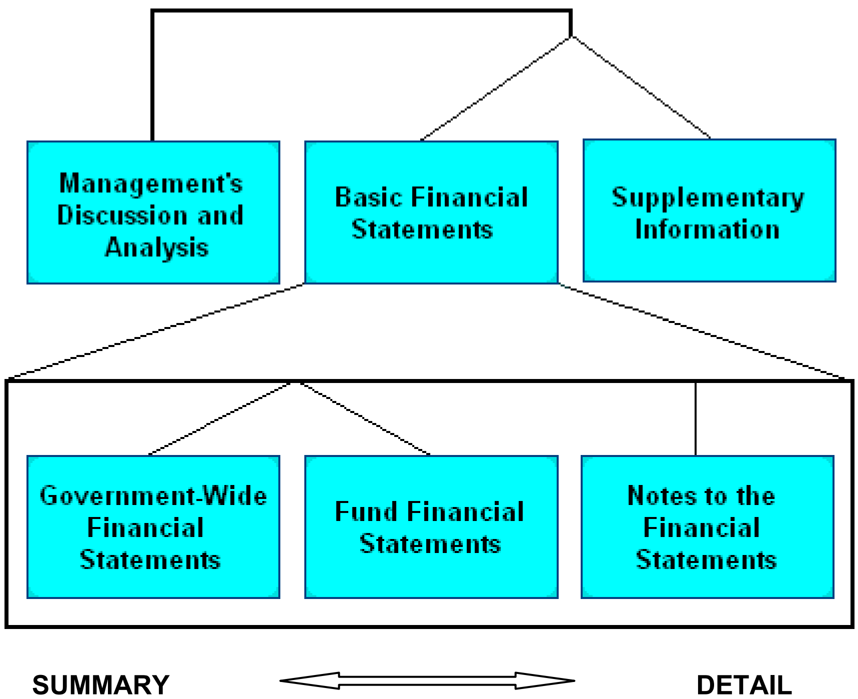

Table 2 below, summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the two types of financial statements, government-wide and fund, found in the basic financial statements.

Table 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District which are not proprietary or fiduciary.
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.

Government-wide Statements

The government-wide statements are designed to provide readers a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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. To assess the District's overall health, the reader needs to consider additional non-financial factors such as the condition of buildings and equipment.

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 flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Included in governmental activities are most of the District's basic services such as fire protection.

The basic government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District funds are divided into two categories: governmental funds and fiduciary funds.

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund which is considered a major fund.

The basic governmental fund financial statements can be found on pages 3-5 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 6-29 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required and other supplementary information*. This includes the required general fund budgetary comparison schedule, the schedule of funding progress, and the other supplementary information is budgetary comparison schedule for the volunteer firefighters' pension fund.

Financial Analysis of the District as a Whole

Net Position and Changes in Net Position

The District's combined net position was greater on December 31, 2019, than it was the year before, increasing by 17.05% to $18,361,379. This increase in the District's financial position came from its governmental activities. Table 3 provides a summary of the District's net position at December 31:

Table 3
Condensed Statement of Net Position

	Governmental Activities	
ASSETS	2019	2018
Current Assets	21,999,180.00	13,889,060.00
Capital Assets Net	9,392,255.00	9,743,394.00
Total Assets	31,391,435.00	23,632,454.00
Deferred outflow of financial resources	1,816,095.00	1,165,415.00
LIABILITIES		
Current Liabilities	782,214.00	112,137.00
Noncurrent Liabilities	2,324,260.00	2,327,605.00
Total Liabilities	3,106,474.00	2,439,742.00
Deferred inflow of financial resources	11,739,677.00	6,671,419.00
NET POSITION		
Net Investment in Capital Assets	7,073,284.00	7,415,789.00
Restricted	304,078.00	690,214.00
Unrestricted	10,984,017.00	7,580,705.00
Total Net Position December 31,	18,361,379.00	15,686,708.00

Table 4 provides a summary of the changes in net position. Following Table 4 is specific discussion related to overall revenues and expenses.

Table 4
Condensed Statement of Activities

	Governmental Activities	
PROGRAM REVENUES	2019	2018
Charges for Services	480,460.00	787,706.00
Operating Grants & Contributions	358,532.00	110,695.00
Capital Grants & Contributions	-	71,465.00
Total Program Revenues	838,992.00	969,866.00
GENERAL REVENUES		
Property Taxes	8,215,416.26	5,990,919.00
Specific Ownership Taxes	547,687.74	477,541.00
Investment Earnings	20,456.00	101,245.00
Mitigation	-	-
Gain on Sale of Assets	324,062.00	-
Other Revenues	43,281.00	77,426.00
Transfers	-	(17,898.00)
Total General Revenues and Transfers	9,150,903.00	6,629,233.00
Total Revenues	9,989,895.00	7,599,099.00
PROGRAM EXPENSES		
Public Safety	7,315,224.00	4,994,517.00
Change in Net Position	2,674,671.00	2,604,582.00
Net Position, Beginning	15,686,708.00	13,225,753.00
Prior Period Restatement	-	(143,627.00)
Net Position, Beginning (As Restated)	15,686,708.00	13,082,126.00
Net Position, Ending	18,361,379.00	15,686,708.00

Property and specific ownership taxes account for most of the District's revenue, contributing about 87.72 cents for every dollar raised. Another 4.80 cents came from charges for services with the remainder from operating grants and contributions, earnings on investments and miscellaneous sources.

The District expenses predominantly relate to fire protection and emergency medical services, which includes administration, firefighting, prevention, communication, and vehicle and facility maintenance. Given that the District is a service organization providing fire protection, most of the expenses are for salaries and related employee benefits.

Financial Analysis of District's Funds

General Fund

The general fund was established and is continually funded to provide for the daily activities, salaries, expenses, and operating costs of the District. This fund provides for functional areas of the organization - personnel, administration, office expense, operations, and training. The general fund also provides for such other items as insurance, utilities, and other costs the District incurs. The primary funding source for the general fund is taxation of real property. Other sources of income for the general fund include earnings on investments, grants, charges for services, and miscellaneous revenues. The primary projects or program efforts for establishing needed funding during 2019 were:

1. Salaries and benefits for all existing full-time personnel of the District.
2. Normal operational costs of the District.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The District's final budget for the general fund anticipated that expenditures would exceed revenues by $6,175,454, with an anticipated $6,500,000 expended as a transfer to establish the Capital fund. Actual results for the year show a $4,230,356 decrease in fund balance.

It should be noted that the District's budget format is designed to establish and monitor divisional functions of the Fire District's operations to more closely align expenses with the areas of responsibility. These divisions are set up as cost centers for accountability in each of the following areas:

- Personnel
- Administration
- Office Expense
- Operations
- Training

The District must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At December 31, 2019 the District's TABOR reserve amounted to $272,000.

Capital Assets and Debt Administration

Capital Assets

By the end of 2019, the District had invested $9,392,255, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, vehicles and other equipment (See Table 5). This amount represents a net increase of $175,067 or 1.86% from last year. Additional information on the District's capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was $435,397.

Table 5
Capital Assets (Net of Depreciation)

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Capital Assets, not depreciated				
Land	$ 942,382	$ -	$ -	$ 942,382
Construction in Progress	-	366,836	-	366,836
Total Capital Assets, not depreciated	$ 942,382	$ 366,836	$ -	$ 1,309,218
Capital Assets, depreciated				
Buildings	$ 6,917,661	$ -	$ -	$ 6,917,661
Machinery & Equipment	1,155,887	-	-	1,155,887
Vehicles	3,709,016	243,628	-	3,952,644
Total Capital Assets, depreciated	$ 11,782,564	$ 243,628	$ -	$ 12,026,192
Less Accumulated Depreciation				
Buildings	$ 1,340,858	$ 142,928	$ -	$ 1,483,786
Machinery & Equipment	498,667	110,029	-	608,696
Vehicles	1,668,233	182,440	-	1,850,673
Total Accumulated Depreciation	$ 3,507,758	$ 435,397	$ -	$ 3,943,155
Total Capital Assets, Depreciated, Net	$ 8,274,806	$ (191,769)	$ -	$ 8,083,037
Capital Assets, Net	$ 9,217,188	$ 175,067	$ -	$ 9,392,255

Long-Term Debt

Table 6
Outstanding Long-Term Debt

	Balance 12/31/18	Additions	Payments	Balance 12/31/19
Series 2009 G.O. Bonds	$ 1,755,000	$ -	$ 755,000	$ 1,000,000
Series 2009 Bond Premium	15,794	-	6,041	9,753
	$ 1,770,794	$ -	$ 761,041	$ 1,009,753

During 2019 the District used available funds to make an additional payment against its outstanding debt.

During 2019, the District did not issue any new debt. Colorado Revised Statute 32-1-1101(6) states that a fire district shall have a limit of bonded indebtedness determined by a specific formula. The District's outstanding debt is below this limit.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Windsor Severance Fire Protection District at 100 N. 7th Street, Windsor, Colorado 80550.

BASIC FINANCIAL STATEMENTS

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION
As of December 31, 2019

	Governmental Activities
ASSETS	
Cash and Investments	$ 10,227,541
Accounts Receivable	117,163
Receivables	
Property Taxes	11,621,068
Prepaid Items	33,408
Capital Assets, Not Depreciated	1,309,218
Capital Assets, Depreciated	
Net of Accumulated Depreciation	8,083,037
TOTAL ASSETS	31,391,435
DEFERRED OUTFLOWS OF RESOURCES	
Related to Volunteer Pension	296,955
Related to SWDB Pension	1,519,140
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,816,095
LIABILITIES	
Accounts Payable	601,115
Accrued Salaries and Benefits	181,099
Accrued Interest	5,885
Compensated Absences	214,463
Long Term Debt	
Due in One Year	335,000
Due in More Than One Year	674,753
Net Pension Liability - Volunteer Pension	676,312
Net Pension Liability - SWDB Pension	417,847
TOTAL LIABILITIES	3,106,474
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues - Property Taxes	11,621,068
Related to Volunteer Pension	114,145
Related to SWDB Pension	4,464
TOTAL DEFERRED INFLOWS OF RESOURCES	11,739,677
NET POSITION	
Net Investment in Capital Assets	7,073,284
Restricted for Emergencies	272,000
Restricted for Debt Service	32,078
Unrestricted	10,984,017
TOTAL NET POSITION	$ 18,361,379

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

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	$ 7,243,139	$ 480,460	$ 358,532	$ (6,404,147)
Interest on Long-Term Debt	72,085	-	-	(72,085)
Total Governmental Activities	7,315,224	480,460	358,532	(6,476,232)
GENERAL REVENUES				
Property Taxes				8,763,104
Donations				20,456
Other				43,281
SPECIAL ITEM: Gain on Sale of Assets				324,062
TOTAL GENERAL REVENUES				9,150,903
CHANGE IN NET POSITION				2,674,671
NET POSITION, Beginning				15,686,708
NET POSITION, Ending				$ 18,361,379

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

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	$ 3,265,383	$ 462,158	$ 6,500,000	$ 10,227,541
Property Taxes Receivable	11,621,068	-	-	11,621,068
Accounts Receivable	114,736	2,427	-	117,163
Prepaid Items	33,408	-	-	33,408
TOTAL ASSETS	$ 15,034,595	$ 464,585	$ 6,500,000	$ 21,999,180
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
LIABILITIES				
Accounts Payable	$ 168,608	$ 432,507	$ -	$ 601,115
Accrued Expenses	181,099	-	-	181,099
TOTAL LIABILITIES	349,707	432,507	-	782,214
DEFERRED INFLOWS				
Deferred Revenues - Property Taxes	11,621,068	-	-	11,621,068
FUND BALANCE				
Fund Balance				
Nonspendable	33,408	-	-	33,408
Restricted for Emergencies	272,000	-	-	272,000
Restricted for Debt Service	-	32,078	-	32,078
Comitted for Capital Projects			6,500,000	6,500,000
Unassigned	2,758,412	-	-	2,758,412
TOTAL FUND BALANCE	3,063,820	32,078	6,500,000	9,595,898
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	$ 15,034,595	$ 464,585	$ 6,500,000	$ 21,999,180

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

Fund Balance, Governmental Funds	9,595,898
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	9,392,255
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include Bonds Payable ($1,000,000), Bond Premium ($9,753), Net Pension Liability ($1,094,159), Deferred Outflows Related to Pensions $1,816,095 and Deferred Inflows Related to Pensions ($118,609) and Compensated Absences ($214,463) and Accrued Interest ($5,885).	(626,774)
Net position of governmental activities	$ 18,361,379

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

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

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

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	$ 8,338,717	$ 424,387	$ -	$ 8,763,104
Charges for Services	480,460	-	-	480,460
Grants	197,567	-	-	197,567
Donations	160,965	-	-	160,965
Interest	17,930	2,526		20,456
Miscellaneous	43,281	-	-	43,281
TOTAL REVENUES	9,238,920	426,913	-	9,665,833
EXPENDITURES				
Administration	2,182,494	-	-	2,182,494
Museum	10,620	-	-	10,620
Firefighting	3,582,431	-	-	3,582,431
Medical Rescue Services	21,684	-	-	21,684
Fire Prevention	247,912	-	-	247,912
Heatlh and Safety	13,653	-	-	13,653
Communication	62,236	-	-	62,236
Building Maintenance	206,109	-	-	206,109
Equipment Maintenance	182,530	-	-	182,530
Capital Outlay	741,987	-	-	741,987
Other	41,682	7,095	-	48,777
Debt Service				
Principal	-	755,000	-	755,000
Interest and Fiscal Charges	-	72,085	-	72,085
TOTAL EXPENDITURES	7,293,338	834,180	-	8,127,518
EXCESS OF REVENUES OVER EXPENDITURES	1,945,582	(407,267)	-	1,538,315
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	6,500,000	6,500,000
Transfers Out	(6,500,000)	-	-	(6,500,000)
Proceeds on Sale of Assets	324,062	-	-	324,062
TOTAL FINANCING SOURCES (USES)	(6,175,938)	-	6,500,000	324,062
NET CHANGE IN FUND BALANCES	(4,230,356)	(407,267)	6,500,000	1,862,377
FUND BALANCES, Beginning	7,294,176	439,345	-	7,733,521
FUND BALANCES, Ending	$ 3,063,820	$ 32,078	$ 6,500,000	$ 9,595,898

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

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Changes in Fund Balances - Total Governmental Funds	$ 1,862,377
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay $610,464, exceeds depreciation expense $435,397, for the year.	175,067
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the bonds payments $755,000 and amortization of bond premium $6,041 and change in Compensated Absences	697,415
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	(60,188)
Change in Net Position of Governmental Activities	$ 2,674,671

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The Windsor-Severance Fire Protection District was formed to provide fire protection and emergency medical services to the Windsor-Severance area within its boundaries. The District is governed by a five-member Board of Directors elected by the residents.

The accounting policies of the Windsor-Severance Fire Protection District (the "District") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

> The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
>
> The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal, interest and related costs.
>
> The *Capital Projects Fund* accounts for the accumulation of resources for, and the payment of, capital equipment and other firefighting activities provided by the District.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Capital Assets

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

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

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

Buildings	50 years
Building Improvements	10-50 years
Machinery and Equipment	5 - 10 years
Vehicles	4 – 20 years

Long-Term Obligations

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

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

Net Position

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

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Net Position (Continued)

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Fund Balance Classification

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District classifies Prepaid Expenses as nonspendable as these items are not expected to be converted to cash within the next year.

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. In addition, the District has classified the Debt Service Fund as restricted because its use is restricted for debt service payments.

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has committed the resources of the Capital Projects Fund to be set aside on an annual basis for future replacement of apparatus.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Fund Balance Classification (Continued)

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

Compensated Absences

Employees of the District are allowed to accumulate unused vacation and sick time. Upon termination of employment with the District, an employee may be compensated for all accrued vacation time at the current rate of pay. Therefore, a liability is recorded in the government-wide financial statements.

Deferred Outflows/Inflows of Resources

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

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

Property Taxes

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

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

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgets and Budgetary Accounting

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

- In September, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

NOTE 3: ***DEPOSITS AND INVESTMENTS***

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

Cash Deposits	$ 993,047
Investments	9,234,494
Total	**$ 10,227,541**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

NOTE 3: ***DEPOSITS AND INVESTMENTS*** (Continued)

Deposits (Continued)

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

At December 31, 2019, the District had deposits with financial institutions with a carrying amount of $993,047. The bank balances with the financial institutions were $1,010,849. Of these balances, $250,000 was covered by federal depository insurance and $760,849 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

Credit Risk

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

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

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

NOTE 3: ***DEPOSITS AND INVESTMENTS*** (Continued)

Investments (Continued)

Local Government Investment Pools

The District had invested $9,234,494 in the Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statues, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. CSAFE is considered a qualifying external investment pool under GASB Statement 79. CSAFE operates similar to money market funds where each share is equal in value to $1.00. The fair value of the position in the pools is the same as the value of the pooled shares.

CSAFE is rated AAAm by Standard and Poor's. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities are owned by the pools and held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pools. Investments of the pools comply with state statues, consisting of U.S. Treasury bills, notes and note strips, repurchase agreements, U.S. Instrumentalities, Commercial Paper, Bank Deposits and Money Market Funds. CSAFE does not have any limitations or restrictions on participant withdrawals.

NOTE 4: ***CAPITAL ASSETS***

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

	Balances 12/31/18	Additions	Deletions	Balances 12/31/19
Governmental Activities				
Capital Assets, not depreciated				
Land	$ 942,382	$ -	$ -	$ 942,382
Construction in Progress	-	366,836	-	366,836
Total Capital Assets, not depreciated	942,382	366,836	-	1,309,218
Capital Assets, depreciated				
Buildings	6,917,661	-	-	6,917,661
Machinery and Equipment	1,155,887	-	-	1,155,887
Vehicles	3,709,016	243,628	-	3,952,644
Total Capital Assets, depreciated	11,782,564	243,628	-	12,026,192
Less Accumulated Depreciation				
Buildings	1,340,858	142,928	-	1,483,786
Machinery and Equipment	498,667	110,029	-	608,696
Vehicles	1,668,233	182,440	-	1,850,673
Total Accumulated Depreciation	3,507,758	435,397	-	3,943,155
Total Capital Assets, depreciated, Net	8,274,806	(191,769)	-	8,083,037
Governmental Activities, Capital Assets, Net	**$ 9,217,188**	**$ 175,067**	**$ -**	**$ 9,392,255**

Depreciation expense was charged to Administration.

NOTE 5: ***LONG-TERM DEBT***

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

	Balance 12/31/18	Additions	Payments	Balance 12/31/19	Due In One Year
Series 2009 G.O. Bonds	$ 1,755,000	$ -	$ 755,000	$ 1,000,000	$ 335,000
Series 2009 Bond Premium	15,794	-	6,041	9,753	-
Total	**$ 1,770,794**	**$ -**	**$ 761,041**	**$ 1,009,753**	**$ 335,000**

NOTE 5: *LONG-TERM DEBT* (Continued)

Series 2011 G.O. Bond

In May 2009, the District issued $4,190,000 of general obligation bonds for capital improvements. Bond principal payments are due annually on December 1, and interest is due semi-annually on June1 and December 1. Principal payments started at $100,000 beginning in 2009 and increase to $380,000 by 2023. Interest rates range from 2% to 4%.

Future Debt Service Requirements

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

Year Ended December 31,	Principal	Interest	Total
2020	$ 335,000	$ 57,619	$ 392,619
2021	350,000	43,800	393,800
2022	315,000	29,800	394,800
Total Debt Service Requirements	**$ 1,000,000**	**$ 131,219**	**$ 1,181,219**

NOTE 6: DEFINED BENEFIT PENSION PLANS

Volunteer Firefighters' Pension Plan

Summary of Significant Accounting Policies

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

NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

General Information about the Pension Plan

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

Funding Policy. An actuary is used to determine the annual required contribution ("ARC") necessary to maintain the actuarial soundness of the Plan. Colorado law requires the State to make an annual contribution to the Plan. Because the District's monthly benefit amount is over $300, the State's annual contribution is calculated as the highest State contribution made between 1998 and 2001. The District makes an additional contribution to support the plan.

The actuarial study as of January 1, 2019, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

At December 31, 2019 there are 39 retired volunteers receiving benefits, 2 active volunteers and 7 inactive, nonretired volunteers.

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

At December 31, 2019, the District reported a liability of $676,312. The net pension liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2019.

For the year ended December 31, 2019 the District recognized pension expense of $190,885.

NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	N/A	$5,413
Net difference between projected and actual earnings on pension plan investments	$221,498	$108,732
Change in assumptions and other inputs	$9,208	N/A
Contributions subsequent to the measurement date	$66,249	N/A
Total	$296,955	$114,145

$66,249 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2019	$51,737
2020	$17,566
2021	$5,508
2022	$41,750
2023	-

NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

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

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

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

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

NOTE 6: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Volunteer Firefighters' Pension Plan</u> (Continued)

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

The primary changes, which can be observed in the January 1, 2019 valuation, as compared to the assumptions shown are as follows:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.0%	2.52%
Fixed Income	15.0%	2.90%
Managed Futures	4.0%	5.35%
Absolute Return	9.0%	5.08%
Equity Long/Short	9.0%	6.45%
Global Public Equity	37.0%	8.03%
Private Markets	24.0%	10.00%
Total	100.0%	

NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

*While expected inflation exceeds the expected rate of return for cash, a 0% real rate of return is utilized.

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment) to determine the total pension liability.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension asset	$1,020,840	$676,312	$385,957

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

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

NOTE 6: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Statewide Defined Benefit Pension Plan</u>

Summary of Significant Accounting Policies

Pensions. The District contributes to the Statewide Defined Benefit Pension Plan ("SWDB Plan"), a cost-sharing multiple employer defined benefit pension plan, which is administered by the FPPA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. Assets of the SWDB Plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund.

General Information about the Pension Plan

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

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

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually.

Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the SWDB Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

NOTE 6: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Statewide Defined Benefit Pension Plan</u> (Continued)

General Information about the Pension Plan (Continued)

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

Contributions. The SWDB Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB Plan and their employers are contributing at the rate of 10 percent and 8 percent, respectively, of base salary for a total contribution rate of 18 percent in 2016. In 2014, the members elected to increase the member contribution rate to the SWDB Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments reentering the system are established by resolution and approve by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20.5 percent of base salary in 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4.5 and 4 percent, respectively, of base salary for a total contribution rate of 8.5 percent in 2016. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

At December 31, 2019, the District reported an asset in the amount of $417,847 for its proportionate share of the 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 asset was determined by an actuarial valuation as of January 1, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The District's proportion of the net pension asset was based on the District's contributions to the SWDB Plan for the calendar year 2018 relative to the total contributions of participating employers to the SWDB Plan.

At December 31, 2018, the District's proportion was 0.3305%, which was a decrease of 0.00352% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019 the District recognized a pension income of $302,550. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$536,898	$4,464
Net difference between projected and actual earnings on pension plan investments	$328,701	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$10,767	$11,415
Change in assumptions and other inputs	$404,671	N/A
Contributions subsequent to the measurement date	$238,103	N/A
Total	$1,519,140	$15,879

NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

$238,103 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

-

Year ended December 31	
2020	$240,043
2021	$171,425
2022	$145,977
2023	$241,571
2024	$117,579
Thereafter	$348,563

Actuarial assumptions. The actuarial valuations for the SWBP were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2018. The valuations used the following actuarial assumptions and other inputs:

Total Pension Liability:

Actuarial Valuation Date	January 1, 2019
Actuarial Method	Entry Age Normal
Amortization Method	N/A
Amortization Period	N/A
Long-term investment Rate of Return*	7.00 percent
Projected salary increases*	4.25 – 11.25 percent
Cost of Living Adjustments (COLA)	0.00 percent

*Includes Inflation at 2.5%

Actuarially Determined Contributions:

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

*Includes Inflation at 2.5%

NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

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

For determining the actuarial determined contributions, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019 and were used in the rollforward calculation of total pension liability as of December 31, 2018. Actuarial assumptions effective for actuarial valuations prior to January 1, 2019 were used in the determination of the actuarially determined contributions as of December 31, 2018. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0%	8.03%
Equity Long/Short	9.0%	6.45%
Private Markets	24.0%	10.00%
Fixed Income	15.0%	2.90%
Absolute Return	9.0%	5.08%
Managed Futures	4.0%	5.35%
Cash	2.0%	2.52%
Total	100.0%	

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

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

NOTE 6: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Statewide Defined Benefit Pension Plan</u> (Continued)

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.71% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00%.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability (asset)	$1,620,360	$417,847	($579,616)

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

NOTE 7: *<u>RISK MANAGEMENT</u>*

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance through a commercial carrier for these risks of loss.

NOTE 8: *<u>COMMITMENTS AND CONTINGENCIES</u>*

Claims and Judgments - The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. The District believes that disallowed expenses, if any, would not have a material effect on the overall financial position of the District.

NOTE 8: ***COMMITMENTS AND CONTINGENCIES*** (Continued)

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2019, the emergency reserve of $272,000 was recorded in the General Fund.

REQUIRED SUPPLEMENTAL INFORMATION

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	$ 8,187,269	$ 8,187,268	$ 8,338,717	$ 151,449
Charges for Services	481,600	481,600	480,460	(1,140)
Grants	54,000	54,000	160,965	106,965
Donations	-	-	17,930	17,930
Interest	70,000	70,000	197,567	127,567
Miscellaneous	-	-	43,281	43,281
TOTAL REVENUES	8,792,869	8,792,868	9,238,920	446,052
EXPENDITURES				
Current				
Administration	2,118,045	1,891,468	2,182,494	(291,026)
Museum			10,620	(10,620)
Firefighting	3,779,597	4,366,949	3,582,431	784,518
Medical Rescue Services	23,800		21,684	(21,684)
Fire Prevention	234,905	236,953	247,912	(10,959)
Heatlh and Safety	38,276	112,452	13,653	98,799
Communication	72,500	72,500	62,236	10,264
Building Maintenance	395,200		206,109	(206,109)
Equipment Maintenance			182,530	(182,530)
Capital Outlay	1,750,000	1,850,000	741,987	1,108,013
Other	117,000	263,000	41,682	221,318
TOTAL EXPENDITURES	8,529,323	8,793,322	7,293,338	1,499,984
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	263,546	(454)	1,945,582	1,946,036
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(6,500,000)	(6,500,000)	-
Gain on Sale of Assets	-	325,000	324,062	(938)
TOTAL OTHER FINANCING SOURCES (USES)	-	(6,175,000)	(6,175,938)	(938)
CHANGE IN FUND BALANCE	263,546	(6,175,454)	(4,230,356)	1,945,098
FUND BALANCE, Beginning	7,294,176	7,294,176	7,294,176	-
FUND BALANCE, Ending	$7,557,722	$ 1,118,722	$ 3,063,820	$ 1,945,098

See the accompanying independent auditors' report.

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2019

FY Ending December 31	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2013	75,406	59,624	15,782	N/A	N/A
2014	75,406	192,122	(116,716)	N/A	N/A
2015	90,859	125,873	(35,014)	N/A	N/A
2016	90,859	125,873	(35,014)	N/A	N/A
2017	66,190	125,873	(59,683)	N/A	N/A
2018	53,941	125,873	(71,932)	N/A	N/A

*Includes both employer and State of Colorado Supplementary Discretionary Payment

See the accompanying independent auditors' report.

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
December 31, 2019

Measurement Period Ending December 31,	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost	$ 33,305	$ 31,525	$ 31,525	$ 4,922	$ 4,922
Interest on the Total Pension Liability	222,586	224,809	224,526	240,858	238,009
Benefit Changes	-	-	213,881	-	-
Difference Between Expected and Actual Experiences	17,546	-	(53,506)	-	20,111
Assumption Changes	-	-	91,012	-	124,829
Benefit Payments	(239,079)	(246,898)	(273,801)	(279,550)	(288,132)
Net Change in Total Pension Liability	34,358	9,436	233,637	(33,770)	99,739
Total Pension Liability - Beginning	3,068,836	3,103,194	3,112,630	3,346,267	3,312,497
Total Pension Liability - Ending	$ 3,103,194	$ 3,112,630	$ 3,346,267	$ 3,312,497	$ 3,412,236
Plan Fiduciary Net Position					
Employer Contribution	$ -	$ 132,498	$ 66,249	$ 66,249	$ 66,249
Pension Plan Net Investment Income	178,326	49,940	137,346	377,237	2,845
Benefit Payments	(239,079)	(246,898)	(273,801)	(279,550)	(288,132)
Pension Plan Administrative Expenses	(4,463)	(6,375)	(4,390)	(11,884)	(11,185)
State of Colorado Supplemental Discretionary Payment	59,624	59,624	59,624	59,624	59,624
Net Change in Plan Fiduciary Net Position	(5,592)	(11,211)	(14,972)	211,676	(170,599)
Plan Fiduciary Net Position - Beginning	2,726,622	2,721,030	2,709,819	2,694,847	2,906,523
Plan Fiduciary Net Position - Ending	2,721,030	2,709,819	2,694,847	2,906,523	2,735,924
Net Pension Liability/(Asset)	$ 382,164	$ 402,811	$ 651,420	$ 405,974	$ 676,312
Plan Fidiciary Net Position as a Percentage of Total Pension Liability	87.68%	87.06%	80.53%	87.74%	80.18%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

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

See the accompanying independent auditors' report.

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
12/31/2019

Years Ended December 31,

	2014	2014	2015	2016	2017	2018
District's proportionate share of the Net Pension Liability (Asset)	0.384%	0.406%	0.359%	0.406%	0.368%	0.331%
District's proportionate share of the Net Pension Liability (Asset)	$ (343,269)	$ (458,709)	$ (6,323)	$ 146,547	$ (526,206)	$ 417,847
District's covered payroll	$ 1,667,388	$ 1,827,813	$ 1,738,688	$ 2,075,625	$ 2,139,450	
District's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered payroll	-20.6%	-25.1%	-0.4%	7.1%	-24.6%	#DIV/0!
Plan fiduciary net position as a percentage of the total pension liability	105.8%	106.8%	100.1%	98.2%	106.3%	95.2%

Notes:

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

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

See the accompanying independent auditors' report.

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
12/31/2019

Years Ended December 31,

	2014	2015	2016	2017	2018	2019
Statutorily required contributions	$ 133,391	$ 146,225	$ 139,095	$ 166,050	$ 171,156	$ -
Contributions in relation to the statutorily required contributions	133,391	146,225	139,095	166,050	171,156	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,667,388	$ 1,827,813	$ 1,738,688	$ 2,075,625	$ 2,139,450	$ 276,000
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%	0.00%

Notes:

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

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes	$ 420,731	$ 420,731	$ 424,387	$ 3,656
Interest	150	150	2,526	2,376
TOTAL REVENUES	420,881	420,881	426,913	6,032
EXPENDITURES				
Current				
General Government	6,600	6,600	7,095	(495)
Debt Service				
Principal	325,000	755,000	755,000	-
Interest	70,619	70,619	72,085	(1,466)
TOTAL EXPENDITURES	402,219	832,219	834,180	(1,961)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,662	(411,338)	(407,267)	4,071
CHANGE IN FUND BALANCE	18,662	(411,338)	(407,267)	4,071
FUND BALANCE, Beginning	439,345	439,345	439,345	-
FUND BALANCE, Ending	$ 458,007	$ 28,007	$ 32,078	$ 4,071

See the accompanying independent auditors' report.

WINDSOR-SEVERENCE FIRE PROTECTION DISTRICT

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2019

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Other	$ -	$ -	$ -
Interest	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES			
Current			
General Government	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In	6,500,000	6,500,000	-
CHANGE IN FUND BALANCE	6,500,000	6,500,000	-
FUND BALANCE, Beginning		-	-
FUND BALANCE, Ending	$ 6,500,000	$ 6,500,000	$ -

See the accompanying independent auditors' report.