

Craig Rural Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2020

Table of Contents

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION	6
STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE/ STATEMENT OF ACTIVITIES	7
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - HAZMAT RESPONSE FUND	9
STATEMENT OF PLAN NET POSITION – VOLUNTEER FIREFIGHTERS’ PENSION PLAN	10
STATEMENT OF ACTIVITIES – VOLUNTEER FIREFIGHTERS’ PENSION PLAN	11
NOTES TO FINANCIAL STATEMENTS	12
SUPPLEMENTARY INFORMATION	
VOLUNTEER FIREFIGHTERS’ PENSION PLAN SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN PLAN NET POSITION – BUDGET AND ACTUAL	28
REQUIRED SUPPLEMENTARY INFORMATION	
VOLUNTEER FIREFIGHTERS’ PENSION PLAN SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS	30



REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Craig Rural Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Craig Rural Fire Protection District (the "District"), as of and for the year ended December 31, 2020, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 on the Financial Statements

In our opinion, the financial statements previously referred to, present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Craig Rural Fire Protection District, as of December 31, 2020, and the respective changes in financial position thereof, and the respective budgetary comparisons for the governmental funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Craig Rural Fire Protection District taken as a whole. The supplementary information on page 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements, 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Required Supplementary Information

The Board of Directors has elected to omit the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios on pages 30 and 31 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, which 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 this required supplementary information in accordance with US GAAS, which consist of inquires 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marc, James and Associates, PC

Highlands Ranch, Colorado
May 20, 2021

BASIC FINANCIAL STATEMENTS

Craig Rural Fire Protection District

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2020

	Governmental Funds			Adjustments	Statement of Net Position
	General Fund	Haz Mat Response Fund	Total		
ASSETS					
Cash and cash equivalents	\$ 1,906,533	\$ 69,947	\$ 1,976,480	\$ -	\$ 1,976,480
Property taxes receivable	1,040,120	-	1,040,120	-	1,040,120
Other receivables	70	-	70	-	70
Capital assets, net of accumulated depreciation of \$3,011,024	-	-	-	5,460,563	5,460,563
Net pension asset	-	-	-	320,371	320,371
Total assets	2,946,723	69,947	3,016,670	5,780,934	8,797,604
DEFERED OUTFLOWS					
Volunteer firefighters' pension plan	-	-	-	133,503	133,503
Total assets and deferred outflows of resources	\$ 2,946,723	\$ 69,947	\$ 3,016,670	5,914,437	8,931,107
LIABILITIES					
Accounts payable	\$ 30,013	\$ -	\$ 30,013	-	30,013
Accrued liabilities	8,236	247	8,483	-	8,483
Total liabilities	38,249	247	38,496	-	38,496
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,040,120	-	1,040,120	-	1,040,120
Volunteer firefighters' pension plan	-	-	-	393,548	393,548
Total deferred inflows of resources	1,040,120	-	1,040,120	393,548	1,433,668
FUND BALANCE/NET POSITION					
FUND BALANCE					
Restricted	18,600	-	18,600	(18,600)	-
Committed	-	69,700	69,700	(69,700)	-
Unassigned	1,849,754	-	1,849,754	(1,849,754)	-
Total fund balance	1,868,354	69,700	1,938,054	(1,938,054)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 2,946,723	\$ 69,947	\$ 3,016,670		
NET POSITION					
Investment on capital assets					5,460,563
Net pension asset					320,371
Restricted					18,600
Unrestricted					1,659,409
Total net position					\$ 7,458,943

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year ended December 31, 2020

	Governmental Funds			Adjustments	Statement of Activities
	General Fund	Haz Mat Response Fund	Total		
Expenditures/Expenses					
Public safety					
Administration	\$ 194,744	\$ 1,200	\$ 195,944	\$ -	\$ 195,944
Firefighting/HazMat	114,549	3,126	117,675	-	117,675
Training	8,012	-	8,012	-	8,012
Fuel	5,578	-	5,578	-	5,578
Equipment repairs	55,488	-	55,488	-	55,488
Durable equipment	22,652	-	22,652	-	22,652
Stations, buildings and grounds	30,846	-	30,846	-	30,846
Pension	100,000	-	100,000	(164,643)	(64,643)
Depreciation	-	-	-	230,781	230,781
Capital expenditures					
Vehicles	216,799	-	216,799	(216,799)	-
Total expenditures/expenses	748,668	4,326	752,994	(150,661)	602,333
Charges for services					
Response fees	1,980	5,254	7,234	-	7,234
Inspections and other	710	-	710	-	710
Total charges for services	2,690	5,254	7,944	-	7,944
Net expenditures/expenses	745,978	(928)	745,050	(150,661)	594,389
General revenue					
Property taxes	995,124	-	995,124	-	995,124
Specific ownership taxes	95,436	-	95,436	-	95,436
Investment income	18,189	-	18,189	-	18,189
Miscellaneous	1,323	-	1,323	-	1,323
Total general revenues	1,110,072	-	1,110,072	-	1,110,072
Change in fund balance/net position	364,094	928	365,022	150,661	515,683
Fund balance/net position					
Beginning of the year	1,504,260	68,772	1,573,032	5,370,228	6,943,260
End of the year	\$ 1,868,354	\$ 69,700	\$ 1,938,054	\$ 5,520,889	\$ 7,458,943

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year ended December 31, 2020

	Original and Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 994,995	\$ 995,124	\$ 129
Specific ownership taxes	60,000	95,436	35,436
Response and other fees	400	2,690	2,290
Interest income	800	18,189	17,389
Grants and donations	3,000	-	(3,000)
Miscellaneous	500	1,323	823
	<u>1,059,695</u>	<u>1,112,762</u>	<u>53,067</u>
Total revenues			
Expenditures			
Public safety			
Administration	206,857	194,744	12,113
Firefighting/HazMat	109,265	114,549	(5,284)
Training	31,800	8,012	23,788
Fuel	7,140	5,578	1,562
Equipment repairs	54,950	55,488	(538)
Durable equipment	65,897	22,652	43,245
Stations, buildings and grounds	29,840	30,846	(1,006)
Pension contribution	100,000	100,000	-
Capital outlay			
Equipment	216,779	216,799	(20)
	<u>822,528</u>	<u>748,668</u>	<u>73,860</u>
Total expenditures			
CHANGE IN FUND BALANCE	<u>\$ 237,167</u>	364,094	<u>\$ 126,927</u>
FUND BALANCE - beginning of the year		<u>1,504,260</u>	
FUND BALANCE - end of the year		<u>\$ 1,868,354</u>	

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE
BUDGET AND ACTUAL - HAZMAT RESPONSE FUND

For the Year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Response fees	\$ 9,138	\$ 5,254	\$ (3,884)
Total revenues	9,138	5,254	(3,884)
Expenditures			
Public safety			
Administration	2,600	1,200	1,400
HazMat	5,150	3,126	2,024
Durable equipment	500	-	500
Equipment repairs	500	-	500
Training	2,757	-	2,757
Total expenditures	11,507	4,326	7,181
CHANGE IN FUND BALANCE	<u>\$ (2,369)</u>	928	<u>\$ 3,297</u>
FUND BALANCE - beginning of the year		<u>68,772</u>	
FUND BALANCE - end of the year		<u>\$ 69,700</u>	

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF PLAN NET POSITION -
VOLUNTEER FIREFIGHTERS' PENSION FUND

December 31, 2020

ASSETS

Cash and cash equivalents	\$ 62,695
State of Colorado contribution receivable	60,000
Investments, at market value	<u>4,277,692</u>
Total assets	<u>\$ 4,400,387</u>

PLAN NET POSITION

Restricted for pension benefits	<u>\$ 4,400,387</u>
---------------------------------	---------------------

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District

STATEMENT OF ACTIVITIES -
VOLUNTEER FIREFIGHTERS' PENSION FUND

For the Year ended December 31, 2020

Additions	
District contribution	\$ 100,000
State of Colorado contribution	60,000
Net investment income	<u>407,107</u>
Total additions	567,107
Deductions	
Administrative expenses	8,898
Pension benefits payments	<u>254,490</u>
Total deductions	<u>263,388</u>
CHANGE IN PLAN NET POSITION	303,719
PLAN NET POSITION - beginning of the year	<u>4,096,668</u>
PLAN NET POSITION - end of the year	<u><u>\$ 4,400,387</u></u>

The accompanying notes are an integral part of these financial statements

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Craig Rural Fire Protection District (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was established in 1921 under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act. The District’s service area includes western Routt County, eastern Moffat County and the City of Craig, Colorado. The District provides firefighting and HazMat services to the residents and visitors of the District. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Measurement Focus and Financial Reporting Framework

Government-Wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on the *governmental-type activities* of the District, which rely to a significant extent on property taxes, charges for services and grants for support. The Statement of Activities demonstrates the degree to which expenses of the *governmental-type activities* are supported by property taxes, charges for services and grants.

Governmental Fund Financial Statements

The governmental fund financial statements are prepared using the current financial 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 if the revenues are collectible within the current period or soon thereafter to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Governmental Funds

For 2020, the District had two major Governmental Funds.

- The *General Fund*, is the general operating fund of the District which accounts for all of the financial resources of the District not accounted and reported in another fund,
- The *Special Revenue Fund* is used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District accounts for the HazMat Response activities as a special revenue fund. The revenues associated with the operation of the HazMat Response include response fees.

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Reporting Framework*

Fiduciary Funds

Fiduciary funds account for the assets held by the District in a Trustee capacity or as an agent on behalf of others. The District has one Fiduciary Fund, the Volunteer Firefighters' Pension Plan.

- *Expendable Trust Fund* – These funds are accounted for using the flow of economic resources measurement focus and use the accrual basis of accounting. Expendable Trust Funds account for assets where both the principal and investment income may be spent.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

4. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and deferred inflow of resources. The District estimates that the fair value of these financial instruments as of December 31, 2020 do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

5. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

6. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Routt County and Moffat County bill and collect the property taxes on behalf of the District and remit the collections, less the Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes.

As of December 31, the District has recorded the levied property taxes and the related deferred inflow of resources.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

7. *Restricted Net Position*

The restriction of net position represents amounts that may not be appropriated or are legally segregated for a specific purpose.

8. *Capital Assets*

The District's capital assets which consist of land, buildings and improvements, trucks and other equipment, are reported in the government-wide financial statements. The District's capital assets are recorded at cost, if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District has a capitalization policy of \$10,000. The District's Board of Directors has the option to capitalize certain items less than \$10,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets. Depreciation is provided under the straight-line method, with estimated service lives of ten to seventy-five years.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

9. *Investments*

The investments of the Expendable Trust Fund ("Pension Plan") are reported at market value, determined by quoted market prices.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund, Special Revenue Fund, and Fiduciary Fund. An annual appropriated budget is adopted for the Funds. All annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

Prior to October 15, the District's Treasurer submits a proposed operating budget for the subsequent fiscal year to the District's Board of Directors. The Board of Directors may change the proposed budget prior to the publication of the notice of budget. Within ten days of the submission, a notice of the proposed budget is published. The operating budget includes proposed expenditures and the means of financing the expenditures.

Public hearings are held at the regular District Board of Director's meetings to obtain taxpayer input on the proposed operating budget.

On or before December 15, the operating budget is legally adopted through passage of a budget resolution. Upon adoption, the District's Treasurer is authorized to transfer the budgeted amounts within the function and objects of the Fund(s). The District's Board of Directors must approve revisions that change the total expenditures of the Fund(s). Appropriations are controlled and the budget can be only amended in accordance with the State of Colorado Revised Statutes that allows the District to amend the budget and adopt a supplemental appropriation, if funds for a specific purpose, other than ad valorem taxes, become available.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE B – BUDGET INFORMATION – *continued*

The State of Colorado Statutes requires a balanced budget. For 2020 the District's budgeted revenues exceeded budgeted expenditures in the General Fund by \$237,167. The District's Board of Directors anticipates the use of the surplus to fund future capital asset expenditures.

In addition, in the District's 2020 HazMat Response Fund, the budgeted expenditures exceeded budgeted revenues by \$2,369. The District's Board of Directors anticipated the use of prior years' surplus to fund the budgeted excess expenditures.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2020, the District maintained deposits that were either insured by the FDIC or held in eligible depositories. The District also holds funds at an investment company in money market accounts and certificates of deposit. These funds are held in the District's name and are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 per customer.

In addition, State of Colorado Statute specifies investments that meet defined rating and risk criteria in which local governments may invest including; obligations of the United States and certain United States government agency securities; certain international agency securities; general obligation and revenue bonds of the United States, state and local government entities; banker's acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts.

Throughout the year and at December 31, 2020, the District's cash on deposit and securities held with its investment company exceeded the \$500,000 per customer SIPC insurance limit. The District has not experienced any losses and believes it is not exposed to any significant credit risk on its cash on deposit and securities held.

Under Colorado statutes, the Volunteer Firefighters' Pension Plan (Expendable Trust Fund) Trustees have complete discretionary authority to invest and reinvest funds, subject to certain limitations. The District has adopted a formal investment policy.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE C – CASH AND INVESTMENTS - *continued*

The District Volunteer Firefighters' Pension Fund investments are represented by specific identifiable securities that are held in trust by the District's investment advisory company in the District's name.

As of December 31, 2020, the Volunteer Firefighters' Pension Plan investments consisted of the following:

Investment Type	Cost	Fair Value
Asset and mortgage backed securities	\$ 54,684	\$ 58,485
Municipal bonds	468,432	494,996
Exchange traded funds	198,293	140,907
Mutual funds	3,048,361	3,583,304
	<u>\$ 3,769,770</u>	<u>\$ 4,277,692</u>

The District Volunteer Firefighters' Pension Fund investments categorize the fair value measurements within the fair value hierarchy established by US GAAP. The District Volunteer Firefighters' Pension Fund has the following recurring fair value measurements as of December 31, 2020:

	Investments as of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Asset and mortgage backed securities	\$ 58,485	\$ -	\$ 58,485	\$ -
Municipal bonds	494,996	-	494,996	-
Equity securities				
Exchange traded funds	140,907	140,907	-	-
Mutual funds	3,583,304	3,583,304	-	-
Total investments – fair value	<u>\$ 4,277,692</u>	<u>\$ 3,724,211</u>	<u>\$ 553,481</u>	<u>\$ -</u>

Exchange traded funds and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based upon the securities' relationship to benchmark quoted prices.

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE C – CASH AND INVESTMENTS - *continued*

As of December 31, 2020 the District had the following investments and maturities:

Investment Type	Market Value	Investment Maturities (in Years)			
		<1	1-5	6-10	>10
Asset and mortgage backed securities	\$ 58,485	\$ -	\$ -	\$ -	\$ 58,485
Municipal bonds	494,996	101,324	179,976	103,207	110,489
Exchange traded funds	140,907	-	-	-	140,907
Mutual funds	3,583,304	-	-	-	3,583,304
Total investments	\$ 4,277,692	\$ 101,324	\$ 179,976	\$ 103,207	\$ 3,893,185

The exchange traded and mutual funds held by the District's Volunteer Firefighters' Pension Fund do not have a final maturity date and as such, have been included in the over 10 year category. The District at its option, may sell any investments prior to the final maturity date.

In accordance with Colorado Statutes, the District may invest in a variety of mortgage-backed securities, corporate bonds, United States and State government agency securities, and mutual funds. In addition, the District maintains a certain amount of funds in money markets. The investments in corporate bonds, United States government agency securities and state and local bonds are rated as to their credit risk by Standard & Poor's and by Moody Investor Service. As of December 31, 2020, those ratings were as follows:

	Standard & Poor's	Moody Investor Services
Municipal bonds	AA- to AA+	Aa1 to Aa3

As of December 31, 2020, the following investments exceeded 5% of the District's Volunteer Firefighters' Pension Plan fiduciary net position:

Investment	Cost	Fair Value
American Balanced Fund Class A	\$ 363,214	\$ 429,352
American Growth Fund	178,932	271,241
American Moderate Growth and Income	187,920	232,041
MFS Conservative Allocation Fund	421,438	517,988
MFS Moderate Allocation Fund	361,124	430,846
Cohen & Steers Pfd Security and Income	241,859	251,794

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE D – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2020 are as follows:

	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Capital assets				
Non-depreciable				
Land	\$ 174,463	\$ -	\$ -	\$ 174,463
Depreciable				
Buildings and improvements	3,832,050	-	-	3,832,050
Land improvements	29,259	-	-	29,259
Apparatus	3,453,607	216,799	-	3,670,406
Equipment	579,062	-	-	579,062
HazMat equipment	186,347	-	-	186,347
Total	8,254,788	216,799	-	8,471,587
Accumulated depreciation				
Buildings and improvements	(662,873)	(67,064)	-	(729,937)
Land improvements	(21,103)	(1,835)	-	(22,938)
Apparatus	(1,526,787)	(146,525)	-	(1,673,312)
Equipment	(444,995)	(1,869)	-	(446,864)
HazMat equipment	(124,485)	(13,488)	-	(137,973)
Total	(2,780,243)	(230,781)	-	(3,011,024)
Net capital assets	\$ <u>5,474,545</u>	\$ <u>(13,982)</u>	\$ <u>-</u>	\$ <u>5,460,563</u>

Total depreciation expense for 2020 was \$230,781 of which \$9,426 was charged to the administrative function and \$221,355 was charged to the firefighting function.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE E – FUND BALANCES/NET POSITION

Fund Balance

The District utilizes a fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact,

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

Committed – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the District’s Board of Directors. Committed resources cannot be used for any other purpose unless the District’s Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

Assigned – represents amounts that the District intends to use for specific purposes as expressed by the District’s Board of Directors or an official delegated the authority to assign amounts,

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

	General Fund	HazMat Response Fund	Total
Fund balances			
Restricted			
TABOR reserve	18,600	-	18,600
Committed			
HazMat	-	69,700	68,772
Unassigned	1,851,744	-	1,851,744
Total fund balances	\$ 1,870,344	\$ 69,700	\$ 1,940,044

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE E – FUND BALANCES/NET POSITION - *continued*

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

NOTE F – VOLUNTEER FIREFIGHTERS’ PENSION PLAN

Description of the Plan and Benefits Provided

The District is trustee of a single employer defined benefit pension plan (the “Plan”) for all of the District’s volunteer firefighters. The Plan is administered by a five-member Board of Trustees and is included as an Expendable Trust Fund in the District’s financial statements. Firefighters who have attained both the age of 50 and completed 20 years of active service in any fire department in the State of Colorado are eligible for a monthly pension according to the Plan provisions as enacted and governed by the Pension Fund Board of Trustees.

A summary of the Plan’s status as of January 1, 2020, most recently completed actuarial valuation, and December 31, 2020, the Plan’s current year end date (measurement and reporting date) is as follows:

Total pension liability			
Active members (30)	January 1, 2020	\$	1,206,466
Inactive, non-retired members (2)	January 1, 2020		89,682
Retirees and beneficiaries (29)	January 1, 2020		<u>2,783,868</u>
Total pension liability	January 1, 2020	\$	<u><u>4,080,016</u></u>
Total pension liability	December 31, 2020	\$	4,080,016
Fiduciary net position	December 31, 2020		<u>4,400,387</u>
Net pension asset	December 31, 2020	\$	<u><u>(320,371)</u></u>
Fiduciary net position as % of total pension liability			<u><u>107.85%</u></u>

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F – VOLUNTEER FIREFIGHTERS' PENSION PLAN - *continued*

Description of the Plan and Benefits Provided - continued

The Plan provides retirement benefits for Plan participants and beneficiaries according to the Plan provisions as enacted and governed by the Plan Board of Directors as follows:

Normal Retirement Benefit at Age 50 with 20 years of service (monthly)	\$	850
Vested Retirement Benefit with 10 to 20 years of service per year (monthly)		42
Disability Retirement Benefit (monthly)		
Long-term disability for line of duty injury, lifetime benefit		850
Survivor Benefits (monthly)		
Death after normal retirement		425
Death after normal retirement with extended service		21
Funeral Benefit, lump sum, one-time only		100

Net Pension Liability and Change in the Net Pension Liability

As defined within GASB 68, the Net Pension Liability ("NPL") is the difference between the Total Pension Liability ("TPL") and the Plan's Net Position. This is analogous to the Plan's accrued liability less the market value of the Plan's assets. The TPL is based upon the Plan's actuarial valuation performed as of January 1, 2020 and the measurement date of December 31, 2020.

The change in the Plan's NPL consists of the following:

Service costs	\$	41,493
Interest on the Total Pension Liability		255,617
District contribution		(100,000)
State of Colorado supplemental discretionary contribution		(60,000)
Net plan investment income		(407,107)
Plan administrative expenses		8,898
		(261,099)
Change in the Net Pension Liability		(261,099)
Net Pension Asset – Beginning of the Year		(59,272)
Net Pension Asset – End of the Year	\$	(320,371)

The Plan's Net Pension Liability was calculated using a Single Discount Rate of 6.50%. The Plan's Net Pension Liability/(Asset) using the 6.50% Single Discount Rate and Single Discount Rate of one percent lower or one percent higher is as follows:

1% Decrease 5.50%	Current 6.50%	1% Increase 7.50%
\$ 200,564	\$ (320,371)	\$ (748,112)

Craig Rural Fire Protection District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F – VOLUNTEER FIREFIGHTERS’ PENSION PLAN - *continued*

Basis for Determining the District and Actuarial Calculated Contributions

The District makes contributions based upon the District's established benefits, as previously presented and funding requirements based upon the actuarial study. Plan Participants do not make contributions. The State of Colorado also may make a supplementary discretionary contribution to the Plan in an amount established by statute.

The actuarial assumptions and methods related to the Plan as of January 1, 2020, are as follows:

Valuation date	January 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount open
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return (single discount rate)	6.5%
Inflation	2.5%
Projected salary increases	N/A
Cost of living adjustments	None
Retirement age	50% probability for ages 50-64; 100% probability at age 65
Mortality	RP-2014 Mortality Tables for annuitants, adjusted back to 2006 with Scale MP-2014 and projected forward to 2018 with Scale MP-2017, fully generational using the ultimate rates from Scale MP-2017
Cost-of-Living Adjustment	None

The actuarially determined contribution rates are calculated as of December 31 of even numbered years and used for two fiscal years. For the year ended December 31, 2020, the actuarially determined and actual District, including the State of Colorado Supplemental Discretionary Payment of \$60,000, contributions was as follows:

\$	Actuarially Determined Contribution	\$	Actual District Contribution	\$	Contribution Excess
\$	40,328	\$	160,000	\$	119,672

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F – VOLUNTEER FIREFIGHTERS’ PENSION PLAN - *continued*

Deferred Outflows and Deferred Inflows of Resources

The deferred inflows and outflows of resources, as applicable, related to the Plan are amounts used under GASB 68 in developing the government-wide pension expense. The deferred inflows and outflows of resources arise from differences between the expected and actual experiences of the Plan and changes, as applicable, of Plan assumptions. The portions of these amounts which are not included in the current government-wide reported pension expense are reflected as deferred outflows of resources and consist of:

Deferred Outflows of Resources

Deferred outflow of resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income to be amortized under a 5 year period	\$	133,504
Total Deferred Outflows of Resources	\$	133,504

Deferred Inflows of Resources

Deferred inflow of resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPL/NPA to be amortized over the remaining estimated service lives of the participants	\$	43,787
Deferred inflow of resources to be recognized in future pension expense resulting from the change in assumptions to be amortized over the remaining estimated service lives of the participants		16,789
Deferred inflows of resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income to be amortized under a 5 year period		332,973
Total Deferred Inflows of Resources		393,549
Net Deferred Outflows and Inflows of Resources	\$	(260,045)

The deferred outflows and inflows of resources by year to be recognized in the future pension expense as of December 31, 2020 are as follows:

Year ended December 31,

2021	\$	(89,261)
2022		(52,487)
2023		(89,470)
2024		(28,827)
Total	\$	(260,045)

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE G – INTERGOVERNMENTAL AGREEMENT

The District, by virtue of an intergovernmental agreement (the “Agreement”) with Moffat County (the “County”) and the City of Craig, Colorado (the “City”), has been designated as the emergency response authority for the City and County and is thus responsible for emergency response to hazardous substance incidents. The District deploys its Hazardous Substance Response Team upon request, to the site of hazardous substance incidents within its designated area.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent insurance brokers. The District also carries commercial insurance for its employee health and accident insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

In 1999, the electors of the District authorized the District to collect and spend all revenue received in 1999 and subsequent years, notwithstanding the limitations of TABOR, without increasing its mill levy above current levels without further voter approval.

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

NOTE J - CONCENTRATION OF REVENUE

For 2020, property and specific ownership taxes accounted for 98% of the District's revenue of which a significant portion is attributed to the Craig Station (coal-powered electricity generating plant) located within the District.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE K – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column which reconciles the differences between the government-wide and fund financial statements as follows:

Capital assets, net of accumulated depreciation, reflected in the Statement of Net Position are not financial resources in the governmental funds and accordingly are not reported in the governmental funds, \$ 5,460,563

The net pension asset reflected in the Statement of Net Position is not an asset in the general fund and is not reflected in the general fund. 320,371

Deferred outflows associated with the recording of the net pension liability in the Statement of Net Position are not resources in the general fund and are not reflected in the general fund. 133,503

Deferred inflows associated with the recording of the net pension liability in the Statement of Net Position are not liabilities in the general fund and are not reflected in the general fund. 393,548

The Statement of Governmental Funds Revenues, Expenditures and Change in Fund Balance/Statement of Net Activities includes an adjustment column which reconciles the differences between the government-wide and fund financial statements as follows:

Depreciation expense on capital assets is reported in the Statement of Activities. However, it does not use current financial resources, as such, depreciation expense is not recorded as an expenditure in the governmental funds, \$ 230,781

The difference between the pension expense as reflected in the Statement of Activities as calculated under GASB 68 and the actual District pension contribution as reflected in the general fund, 164,643

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those capital assets is allocated over the estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current year. 216,799

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE L – CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread world-wide, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

COVID-19 has adversely affected the economies and financial markets of the United States, including Colorado, resulting in a world-wide economic downturn, operational closures, and social restrictions that impacted the operations of the District during 2020 and beyond.

The District continues to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

NOTE M– MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through May 20, 2020 which is the date the financial statements and accompanying footnotes were available for issuance.

SUPPLEMENTARY INFORMATION

Craig Rural Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN PLAN NET POSITION
 BALANCE - BUDGET AND ACTUAL

For the Year ended December 31, 2020

	Original and Final Budget	Actual	Variance
	<u> </u>	<u> </u>	<u> </u>
Revenues			
District contribution	\$ 100,000	\$ 100,000	\$ -
State of Colorado supplemental discretionary payment	60,000	60,000	-
Net investment income	150,000	407,107	257,107
	<u> </u>	<u> </u>	<u> </u>
Total revenues	310,000	567,107	257,107
Expenditures			
Pension benefit payments	263,160	254,490	8,670
Administrative expenses	500	8,898	(8,398)
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	263,660	263,388	272
Change in plan net position	<u>\$ 46,340</u>	303,719	<u>\$ 257,379</u>
PLAN NET POSITION - beginning of the year		<u>4,096,668</u>	
PLAN NET POSITION - end of the year		<u>\$ 4,400,387</u>	

REQUIRED SUPPLEMENTARY INFORMATION

Craig Rural Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS

Year 7 (prospectively since 2014)

Measurement period ended December 31.	2014	2015	2016	2017	2018	2019	2020
Total Pension Plan Liability							
Service cost	\$ 40,583	\$ 40,583	\$ 39,989	\$ 39,989	\$ 54,777	\$ 54,777	\$ 41,493
Interest on the total pension liability	224,395	226,002	236,831	239,144	256,896	260,331	255,617
Difference between expected and actual experience	-	140,010	-	101,127	-	(88,325)	-
Assumption changes	-	-	-	135,748	-	(33,865)	-
Benefit payments	(240,805)	(239,700)	(239,700)	(242,783)	(257,794)	(263,160)	(254,490)
Net change in total pension liability	24,173	166,895	37,120	273,225	53,879	(70,242)	42,620
Total pension plan liability - beginning	3,552,346	3,576,519	3,743,414	3,780,534	4,053,759	4,107,638	4,037,396
Total pension plan liability - ending	\$ 3,576,519	\$ 3,743,414	\$3,780,534	\$ 4,053,759	\$4,107,638	\$ 4,037,396	\$ 4,080,016
Pension Plan Fiduciary Net Position							
District contributions	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Pension plan net investment income	207,116	8,781	209,291	405,558	(86,645)	537,908	407,107
Benefit payments	(240,805)	(239,700)	(239,700)	(242,783)	(257,794)	(263,160)	(254,490)
Pension Plan administrative expenses	(5,700)	-	(5,700)	(213)	(7,481)	(615)	(8,898)
State of Colorado supplemental discretionary contribution	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Net change in Pension Plan fiduciary net position	120,611	(70,919)	123,891	322,562	(191,920)	434,133	303,719
Pension plan fiduciary net position - beginning	3,358,310	3,478,921	3,408,002	3,531,893	3,854,455	3,662,535	4,096,668
Pension plan fiduciary net position - ending	\$ 3,478,921	\$ 3,408,002	\$3,531,893	\$ 3,854,455	\$3,662,535	\$4,096,668	\$ 4,400,387
Net Pension (Liability) Asset	\$ (97,598)	\$ (335,412)	\$ (248,641)	\$ (199,304)	\$ (445,103)	\$ 59,272	\$ 320,371
Pension Plan Fiduciary Net Position as a % of Total Pension Plan Liability	97.27%	91.04%	93.42%	95.08%	89.16%	101.47%	107.85%

Craig Rural Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN
 SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS

Year 7 (prospectively since 2014)

Measurement period ended December 31.	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net Pension Plan Liability as % of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Schedule of Contributions							
Actuarially determined contribution	\$ 57,656	\$ 57,656	\$ 69,501	\$ 69,501	\$ 72,313	\$ 72,313	\$ 40,328
Actual contributions	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ 160,000</u>
Contribution deficiency (excess)	<u>\$ (102,344)</u>	<u>\$ (102,344)</u>	<u>\$ (90,499)</u>	<u>\$ (90,499)</u>	<u>\$ (87,687)</u>	<u>\$ (87,687)</u>	<u>\$ (119,672)</u>
Schedule of Investment Returns							
	<u>6.25%</u>	<u>0.26%</u>	<u>6.22%</u>	<u>11.62%</u>	<u>-2.42%</u>	<u>-2.42%</u>	<u>-2.42%</u>