

FORT LEWIS MESA FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

June 26, 2021

Board of Directors
Fort Lewis Mesa Fire Protection District
Ignacio, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Lewis Mesa Fire Protection District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Lewis Mesa Fire Protection District as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

June 26, 2021
Fort Lewis Mesa Fire Protection District
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the general fund budgetary comparison (page 24), and the pension information (pages 25 through 28) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Fort Lewis Mesa Fire Protection District

STATEMENT OF NET POSITION

December 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 311,876
Property taxes receivable	506,659
Capital assets (net of accumulated depreciation)	<u>1,624,405</u>
Total assets	2,442,940
DEFERRED OUTFLOWS OF RESOURCES	
Items related to pension plan	<u>100,886</u>
Total deferred outflows of resources	100,886
LIABILITIES	
Accrued liabilities	7,294
Non-current liabilities, due after one year	
Net pension liability	<u>124,373</u>
Total liabilities	131,667
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	506,659
Items related to pension plan	<u>26,381</u>
Total deferred inflows of resources	533,040
NET POSITION	
Net investment in capital assets	1,624,405
Restricted for emergencies	27,099
Unrestricted	<u>227,615</u>
Total net position	<u><u>\$ 1,879,119</u></u>

The accompanying notes are an integral part of this statement.

Fort Lewis Mesa Fire Protection District

STATEMENT OF ACTIVITIES

Year ended December 31, 2020

Function/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Capital Grants and Contributions	
Governmental activities:				
Public safety	\$ 655,564	\$ 100,605	\$ 159,900	\$ (395,059)
Total governmental activities	<u>655,564</u>	<u>100,605</u>	<u>159,900</u>	<u>(395,059)</u>
General revenues:				
				555,635
				8,293
				<u>(21,984)</u>
				<u>541,944</u>
				146,885
				1,743,806
				<u>(11,572)</u>
				<u>1,732,234</u>
				<u>\$ 1,879,119</u>

The accompanying notes are an integral part of this statement.

Fort Lewis Mesa Fire Protection District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020

	General Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 311,876
Property taxes receivable	506,659
Total assets	<u>\$ 818,535</u>
LIABILITIES	
Accrued liabilities	\$ 7,294
Total liabilities	<u>7,294</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	506,659
Fund equity	
Restricted for emergencies	27,099
Committed for capital outlay	230,720
Unassigned	46,763
Total fund equity	<u>304,582</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 818,535</u>

The accompanying notes are an integral part of this statement.

Fort Lewis Mesa Fire Protection District

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2020

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

Total fund balance - governmental funds	\$ 304,582
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,379,257 and the accumulated depreciation is \$1,754,852.	1,624,405
Deferred outflows and inflows as well as the net pension asset related to pensions are not available to pay for current-period expenditures or due and payable in the current period and, therefore, are not reported in the funds.	
Net pension asset (liability)	(124,373)
Deferred outflows: deferred amortization related to the pension plan	100,886
Deferred inflows: deferred amortization related to the pension plan	<u>(26,381)</u>
Total net position - governmental activities	<u>\$ 1,879,119</u>

The accompanying notes are an integral part of this statement.

Fort Lewis Mesa Fire Protection District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

For the year ended December 31, 2020

	<u>General</u>
Revenues	
Taxes	\$ 555,635
Fire assistance to other governments	100,605
Capital grants	159,900
Other	<u>15,493</u>
	Total revenues 831,633
Expenditures	
Public safety	
Fire administration and fire fighting	518,702
Fire stations and buildings	23,544
Fire training	1,393
Capital outlay	<u>359,651</u>
	Total expenditures <u>903,290</u>
	Net change in fund balance (71,657)
Fund balance at beginning of year, previously reported	324,817
Prior period adjustments	<u>51,422</u>
Fund balance at beginning of year, restated	376,239
Fund balance at end of year	<u><u>\$ 304,582</u></u>

The accompanying notes are an integral part of this statement.

Fort Lewis Mesa Fire Protection District

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

December 31, 2020

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

Net change in fund balances - total governmental funds \$ (71,657)

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.

Depreciation expense	(121,647)
Capital outlay capitalized	356,247
Net book value of assets disposed of during the year	(29,184)

Governmental funds do not record the changes in the net pension asset, deferred outflows related to pension, and deferred inflows related to pension as an adjustment to current year expenditures. However, in the Statement of Activities, this change is shown as an adjustment to expenses.

13,126

Change in net position of governmental activities

\$ 146,885

The accompanying notes are an integral part of this statement.

Fort Lewis Mesa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fort Lewis Mesa Fire Protection District (the District) was formed in 1982 for the purpose of providing fire protection and emergency services to the Fort Lewis Mesa in Southwest Colorado. The District has an elected governing board and levies taxes on the property within the District for operations.

The District's annual financial report includes the accounts of all District operations.

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

Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if 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. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

Government-wide and Fund Financial Statements

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

Government-wide Financial Statements

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

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fort Lewis Mesa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Fund Financial Statements

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

The fund focus is on current available resources and budget compliance.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. At this time the District only uses one governmental fund.

Governmental Fund

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The district reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Measurement Focus and Basis of Accounting

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

Fort Lewis Mesa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Long-Term Economic Focus and Accrual Basis

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

Current Financial Focus and Modified Accrual Basis

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

Estimates

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

Restricted Assets and Classification of Fund Balance

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. It is the District's policy to use restricted assets first when an expense is incurred for which both restricted and unrestricted assets are available.

In the governmental fund financial statements fund balance is reported in five classifications.

Nonspendable: Prepaid expenses and inventories represent fund balance amounts that are not in spendable form. The District does not have any nonspendable fund balance at the end of the year.

Restricted: The Colorado Constitution as amended by TABOR (see separate tax, spending, and debt limitation footnote) requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. It is the District's policy to use restricted fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Committed: Committed is that portion of fund balance that has been committed by the highest level of formal action of the District's Board of Directors and does not lapse at year-end. The District has committed funds held in a separate bank account for its Station 1 expansion. It is the District's policy to use committed fund balance first when an expense is incurred for which both committed and unassigned fund balance are available.

Fort Lewis Mesa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Assigned: Assignments of fund balance are designated by District management. The District does not have any assigned fund balance at year end.

Unassigned: Fund balance that has not been reported in any other classification is reported as unassigned.

Investments

Investments are stated at fair value.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on January 1 and are due and payable February 28 and July 31. In accordance with U.S. generally accepted accounting principles, the District has recorded as taxes receivable, current property taxes, which have been levied and are due within one year but are not yet considered delinquent. Because revenue from taxes receivable will not be available for expenditure until next year, management has deferred recognition of this revenue until next year.

Budgets and Budgetary Accounting

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

1. In accordance with State statutes, prior to October 15, the proposed operating budget is submitted to the District Board for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statutes require a more detailed line item budget be submitted in summary form. In addition, more detailed line item budgets are included for administration control.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. The District bookkeeper is required to present a monthly report to the District Board explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets for the Governmental Fund are adopted on a basis consistent with generally accepted accounting

Fort Lewis Mesa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

principles (GAAP).

7. Appropriations lapse at the end of each calendar year.
8. The District Board may authorize supplemental appropriations during the year.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

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

Buildings	20-40
Machinery and Equipment	8-30

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Statewide Defined Benefit Plan and the Volunteer Pension Plan administered by the Fire and Police Pension Association of Colorado (FPPA) and additions to/deductions from the pension plans' net position have been determined on the same basis as they are reported by FPPA. 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.

CASH AND INVESTMENTS

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) required that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Fort Lewis Mesa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

At December 31, 2020, the bank balances of the District's deposits totaled \$346,662 (compared to the carrying balance of \$311,876 that includes uncleared items at the bank). Total bank balances of \$346,662 were insured or collateralized under PDPA.

The District did not hold any investments at the end of the year.

CAPITAL ASSETS

A summary of changes in capital fixed assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital asset not being depreciated				
Land	\$ 124,070	\$ -	\$ -	\$ 124,070
Total assets not being depreciated	124,070	-	-	124,070
Capital assets being depreciated				
Buildings	1,032,368	206,962	-	1,239,330
Machinery and equipment	2,119,525	149,285	(252,953)	2,015,857
Total assets being depreciated	3,151,893	356,247	(252,953)	3,255,187
Less accumulated depreciation for:				
Buildings	(633,167)	(18,708)	-	(651,875)
Machinery and equipment	(1,223,807)	(102,939)	223,769	(1,102,977)
Total accumulated depreciation	(1,856,974)	(121,647)	223,769	(1,754,852)
Net capital assets being depreciated	1,294,919	234,600	(29,184)	1,500,335
Net governmental activities capital assets	<u>\$ 1,418,989</u>	<u>\$ 234,600</u>	<u>\$ (29,184)</u>	<u>\$ 1,624,405</u>

PENSION AND RETIREMENT PLANS

The District participates in two defined benefit pension plans. It participates in the Fire and Police Pension Plan (FPPA SWDB) and the Volunteer Fireman's Defined Benefit Pension Plan (VFDBPP). Information regarding these plans is included in this note.

Fort Lewis Mesa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

A summary of amounts reported in the financial statements related to the two defined benefit pension plans of the District follows:

	FPPA SWDB	VFDBPP	Total
Deferred outflows of resources	\$ 55,655	\$ 45,231	\$ 100,886
Deferred inflows of resources	15,595	10,786	26,381
Net pension liability (asset)	(9,768)	134,141	124,373

Defined Benefit, Multiple-Employer Cost Sharing Pension Plan

Plan Description. Full-time firefighters participate in the Statewide Defined Benefit Plan - Fire and Police Pension Plan (FPPA SWDB). The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado (FPPA) that provides normal, early, vested, or deferred retirement and death benefits. Authority for the plan, including benefit and contribution provisions, is derived from Title 31, Articles 30, 30.5, and 31 of the Colorado Revised Statutes. The plan is amended by statute and is accounted for using the economic resources measurement focus and the accrual basis of accounting. FPPA issues a publicly available comprehensive annual financial report that can be obtained at http://fppaco.org/toc_frames.html.

Funding Policy. Statute requires the District contribute 8.00% of base salary and employees make a pre-tax contribution of 10.50% for a total contribution rate of 18.50%. In 2014, employees elected to increase the member contribution rate to the plan beginning in 2015. Employee contribution rates will increase 0.50% annually through 2022 to a total of 12.00% of base salary. Employer contributions will remain at 8.00% resulting in a combined contribution rate of 20.00% in 2022. The District's contributions to the FPPA SWDB for the year ended December 31, 2020, were \$10,347.

Pension Assets, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2020, the District reported a liability (asset) of \$(9,768) for its proportionate share of the net pension asset / liability related to the FPPA SWDB plan. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension asset to December 31, 2019. The District's proportion of the net pension liability was based on District contributions to FPPA SWDB plan for the calendar year 2019 relative to the total contributions of participating employers to the FPPA SWDB plan.

At December 31, 2019, the District's proportion was .017325% At December 31, 2018 the District's proportion was .017235%.

For the year ended December 31, 2020, the District recognized pension expense (income) of \$7,913. The components of the District's proportionate share of the net pension liability (asset) related to FPPA SWDB as of December 31, 2019 (measurement date), are as follows:

Plan fiduciary net position	\$ 515,581
Total pension liability	<u>505,813</u>
Net pension liability (asset)	<u>\$ (9,768)</u>

Fort Lewis Mesa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

A summary of the District’s deferred outflows of resources and deferred inflows of resources related to pensions for FPPA SWDB as of December 31, 2020 is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 33,160	\$ 192
Change in assumptions	18,605	-
Net difference between projected and actual earnings on pension plan investments	-	15,403
Change in porportionate share	(6,457)	-
Contributions subsequent to the measurement date	10,347	-
	\$ 55,655	\$ 15,595

The \$10,347 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase in the net pension asset in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

2021	\$	3,021
2022		3,021
2023		3,021
2024		3,021
2025		3,021
Thereafter		14,608
		\$ 29,713

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Investment rate of return		7.0%
Salary increases	4.25% to 11.25%	
Inflation		2.5%

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

Fort Lewis Mesa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5%). 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, 2019, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global equity	38%	7.00%
Equity long/short	8%	6.00%
Private markets	25%	9.20%
Fixed income	15%	5.20%
Absolute return	8%	5.50%
Managed futures	4%	5.00%
Cash	2%	2.52%
	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. 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 payments to determine the total pension liability.

Fort Lewis Mesa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Sensitivity of the District’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.

The following table presents the District’s proportionate share of the net pension liability (asset), calculated using a discount rate of 7.00%, as well as what the District’s proportionate share of plan's net pension asset would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher:

	1% Decrease 6.0%	Single Discount Rate Assumption 7.0%	1% Increase 8.0%
District’s proportionate share of the net pension liability (asset)	\$ 59,409	\$ (9,768)	\$ (67,111)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FPPA financial reports found at <http://fppaco.org>.

Volunteer Fireman’s Defined Benefit Pension Plan

Plan Description: The District contributes to a defined benefit pension plan which is affiliated with the Fire and Police Pension Association of Colorado (FPPA) to provide retirement income for all its volunteer fire fighters in recognition of their service to the District. FPPA administers an agent multiple-employer Public Employee Retirement System (“PERS”). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The 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://fppaco.org>.

The plan provides normal retirement benefits. The following benefit provisions were used to determine the District’s pension liability at the measurement date of December 31, 2019.

Normal retirement benefit at age 50 with 20 years of service (monthly):	
Regular	\$ 300
Vested retirement benefit (monthly):	
With 10 to 20 years of service amount per year of service per minimum vesting years.	\$ 15
Minimum vesting years	10
Disability retirement benefit (monthly):	
Short-term disability for line of duty injury, payable for not more than one year	\$ 150
Long-term disability for line of duty injury, lifetime benefit	\$ 300
Survivor benefits (monthly):	
Following death before retirement eligible; due to death in line of duty as a volunteer firefighter	\$ 150
Following death after normal retirement	\$ 150
Following death after vested retirement with 10-20 years of service; amount per year of service per minimum vesting years	\$ 7.50
Following death after disability retirement	\$ 150
Funeral benefits (required benefit):	

Fort Lewis Mesa Fire Protection District
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Funeral benefit lump sum, one time only \$ 100

As of January 1, 2019, the latest actuarial valuation date, there were 22 active, 16 retirees and beneficiaries and 4 inactive, non-retired members.

Funding Policy: The funding of the plan by the District is authorized by the Board of Trustees and is intended to satisfy the actuarially determined required contributions. The contribution by the State of Colorado (the “State) toward fire pension funds has been a fixed dollar amount established by the legislature and allocated pro rata to all fire pension funds in the State who apply for State matching funds, based upon the amounts contributed by the employer up to a maximum of one half (1/2) mill on the assessed valuation or 90% of District contributions, whichever is less.

Net Pension Liability: At December 31, 2020, the volunteer pension fund reported a net pension liability of \$134,141. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019.

Actuarial Assumptions: Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2019, determines the contribution amounts for 2019 and 2020.

Methods and Assumptions Used to Determine Contribution Rates:

<p>Actuarial Cost Method Amortization Method Remaining Amortization Period Asset Valuation method Inflation Salary Increases Investment Rate of Return Retirement Age Mortality</p>	<p>Entry Age Normal Level Dollar, Open* 20 Years* 5-Year smoothed fair value 2.50% N/A 7.00% 50% per year of eligibility until 100% at age 65. Pre-retirement: 2006 central rates from the RP-2014 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.</p>
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Fort Lewis Mesa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

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

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) the long-term expected rate of return on pension plan investments (7.00%), and (2) tax-exempt municipal bond rate based on an index of 20 year obligation bonds with an average AA credit rating as of the measurement date (3.71%) to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits. The resulting Single Discount Rate is 7.00%.

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash	2.00%	2.52%
Fixed Income	15.00%	2.90%
Managed Futures	4.00%	5.35%
Absolute Return	9.00%	5.08%
Equity Long/short	9.00%	6.45%
Global Equity	37.00%	8.03%
Private Markets	24.00%	10.00%
Total	100.00%	

Regarding the sensitivity of the net pension liability/ (asset) to changes in the Single Discount Rate, the following represent the plan's net pension liability/ (asset), calculated using a Single Discount Rate of 7.0%, 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 <u>6.0%</u>	Current Single Discount Rate Assumption <u>7.0%</u>	1% Increase <u>8.0%</u>
Net Pension Liability	\$ 185,730	\$ 134,141	\$ 91,150

Fort Lewis Mesa Fire Protection District
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In connection with the District's Volunteer Fire and Police Protection Retirement Plan, the following deferred outflow of resources and deferred inflows of resources were reported at December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 853
Change in assumptions	1,877	-
Net difference between projected and actual earnings on pension plan investments	18,354	9,933
Contributions subsequent to the measurement date	25,000	-
	\$ 45,231	\$ 10,786

Contributions subsequent to the measurement date of December 31, 2019, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in subsequent years. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized as a component of pension expense in future years as follows:

2021	\$ 3,234
2022	623
2023	5,588
	\$ 9,445

Deferred Compensation Plan

The District participates in a deferred compensation plan (the 457 Plan) created in accordance with IRC Section 457. The 457 Plan is administered by FPPA. The 457 Plan is available to all paid staff and permits participants to defer a portion of their salary to future years. All compensation deferred under the 457 Plan together with all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the participants and their designated beneficiaries. Compensation deferred under the 457 Plan is not available to participants until termination, retirement, death, or unforeseeable emergency.

Employees may elect or defer any percentage of their annual compensation provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. For 2020 the neither the District nor its employees contributed to the 457 Plan.

The individual participants determine investment decisions. The District has the duty of care required of an ordinary prudent investor, but has no liability for losses under the 457 Plan.

Fort Lewis Mesa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

TAX, SPENDING AND DEBT LIMITATIONS

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 governments. The amendment is complex and subject to judicial interpretation.

The amendment requires emergency reserves of 3% of fiscal year spending. Voter approval is required for tax increases and spending above inflation and the growth factor specified in the amendment. On November 6, 2001, an election was held that authorized the District to retain and spend all revenues and other funds collected from any source, effective January 1, 2002 and thereafter. The District also received a permanent waiver of the 5.5% growth limitation.

The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

RISK OF LOSS

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries insurance. The District is insured for property, general liability, miscellaneous property and public official liability through membership in the Colorado Special District Property and Liability Insurance Pool (CSDPLP). The CSDPLP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. The CSDPLP has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the years such excess occurs, although it is not legally require to do so. Ultimate liability to the District resulting from claims not covered by CSDPLP is not presently determinable. There were no material reductions in insurance coverage provided to the District and any amounts of settlements have not exceeded insurance coverage for the past three years.

CSDPLP has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. CSDPLP's summary audited financial information as of December 31, 2019, is as follows:

Assets	<u>\$ 55,602,023</u>
Liabilities	<u>\$ 33,163,342</u>
Surplus	<u>22,438,681</u>
	<u>\$ 55,602,023</u>
Revenues	\$ 23,610,572
Expenses	<u>25,355,739</u>
Net Income (Loss)	<u>\$ (1,745,167)</u>

Fort Lewis Mesa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

PRIOR PERIOD ADJUSTMENTS

During the year the District determined that the following adjustments to previously reported balances at December 31, 2019 were required:

Entry to adjust various receivables balances	\$ (23,072)
Entry to adjust prepaid expenses	(3,304)
Entry to adjust accounts payable	4,754
Entry to adjust grants receivable	<u>73,044</u>
Net impact on fund balance of the general fund	51,422
Entries to adjust pension balances	<u>(62,994)</u>
Net impact on government-wide net position	<u><u>\$ (11,572)</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

Fort Lewis Mesa Fire Protection District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Taxes				
General property	\$ 492,737	\$ 492,737	\$ 505,352	\$ 12,615
Specific ownership tax	40,000	40,000	50,283	10,283
	<u>532,737</u>	<u>532,737</u>	<u>555,635</u>	<u>22,898</u>
Fire assistance to other governments	-	-	100,605	100,605
Capital grants	260,500	260,500	159,900	(100,600)
Other				
Interest	2,000	2,000	1,720	(280)
Sale of capital assets	2,500	2,500	7,200	4,700
Donations	700	700	5,970	5,270
Other	150,000	150,000	603	(149,397)
	<u>155,200</u>	<u>155,200</u>	<u>15,493</u>	<u>(139,707)</u>
Total revenues	<u>948,437</u>	<u>948,437</u>	<u>831,633</u>	<u>(116,804)</u>
Expenditures				
Current				
Public safety				
Fire administration and fire fighting				
Salaries and benefits	315,150	315,150	314,006	(1,144)
Purchased services	70,550	70,550	64,527	(6,023)
Other operating expenditures	106,367	106,367	140,169	33,802
	<u>492,067</u>	<u>492,067</u>	<u>518,702</u>	<u>26,635</u>
Fire training				
Purchased services	5,500	5,500	1,393	(4,107)
Fire stations and buildings				
Supplies and repairs	41,600	41,600	23,544	(18,056)
Capital outlay	409,270	409,270	359,651	(49,619)
Total expenditures	<u>948,437</u>	<u>948,437</u>	<u>903,290</u>	<u>(45,147)</u>
Excess (deficit) of revenues over expenditures	-	-	(71,657)	(71,657)
Fund balance at beginning of year	324,817	324,817	324,817	-
Prior period adjustments	51,422	51,422	51,422	-
Fund balance at beginning of year, restated	<u>376,239</u>	<u>376,239</u>	<u>376,239</u>	<u>-</u>
Fund balance at end of year	<u>\$ 376,239</u>	<u>\$ 376,239</u>	<u>\$ 304,582</u>	<u>\$ (71,657)</u>

Fort Lewis Mesa Fire Protection District

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATEWIDE DEFINED BENEFIT PLAN - FIRE AND POLICE PENSION PLAN**

Measurement Dates as of December 31,

	2019	2018
District's porportion of the net pension liability	0.017325%	0.017235%
District's propotionate share of the net pension (asset) liability	\$ (9,768)	\$ 21,790
District's covered payroll	\$ 127,688	\$ 115,450
District's propotionate share of the net pension (asset) liability as a percentage of its covered payroll	-7.65%	18.87%
Plan fiduciary net position as a percentage of the total pension liability	101.94%	95.23%

Fort Lewis Mesa Fire Protection District

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
STATEWIDE DEFINED BENEFIT PLAN - FIRE AND POLICE PENSION PLAN

December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 10,347	\$ 10,215	\$ 9,236
Contributions in relation to the contractually required contributions	(10,347)	(10,215)	(9,236)
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 129,338	\$ 127,688	\$ 115,450
Contributions as a percentage of covered payroll	8%	8%	8%

Fort Lewis Mesa Fire Protection District

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
VOLUNTEER PENSION PLAN

Measurement Periods as of December 31,

	2019	2018
Total pension liability		
Service cost	\$ 12,330	\$ 5,503
Interest	34,573	35,658
Difference in experience levels	-	(9,373)
Changes in assumptions	-	20,649
Benefit payments	(38,841)	(37,110)
Net change in total pension liability	8,062	15,327
Total pension liability, beginning	506,288	490,961
Total pension liability, ending	514,350	506,288
Plan fiduciary net position		
Contributions - District	12,600	4,760
Contributions - State	4,284	11,951
Net investment income	51,269	343
Benefit payments	(38,841)	(37,110)
Administrative expense	(13,012)	(9,250)
Other	1,501	-
Net change in plan fiduciary net position	17,801	(29,306)
Plan fiduciary net position, beginning	362,408	391,714
Plan fiduciary net position, ending	380,209	362,408
Net pension liability	<u>\$ 134,141</u>	<u>\$ 143,880</u>
Plan fiduciary net position as a percentage of the total pension liability	73.92%	71.58%

Covered payroll and net pension liability as a percentage of covered payroll for this plan are not applicable.

Fort Lewis Mesa Fire Protection District

SCHEDULE OF PENSION CONTRIBUTIONS
VOLUNTEER PENSION PLAN

December 31,

	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$32,798	\$32,798
Contributions in relation to the actuarially determined contribution	36,240	16,884
Contribution deficiency (excess)	<u>\$ (3,442)</u>	<u>\$15,914</u>

Contributions as a percentage of covered payroll and employee payroll are not applicable.

Valuation date:

Actuarially determined contributions rates are calculated as of January 1 of odd numbered years and used for two years.