

LOS PINOS FIRE PROTECTION DISTRICT  
FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

December 31, 2021

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 8, 2022

To the Board of Directors  
Los Pinos Fire Protection District***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the major fund of the Los Pinos Fire Protection District (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of December 31, 2021, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

April 8, 2022

Los Pinos Fire Protection District

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In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required schedules on pages 26-29, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

 Beckstead & Co., LLC

# Los Pinos Fire Protection District

## Management's Discussion and Analysis December 31, 2021

As management of Los Pinos Fire Protection District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave).

The governmental activity of the District is primarily providing fire protection services for the Town of Ignacio, the areas of the Southern Ute Indian Tribe Reservation and the outlining 325 square miles of the District.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has one fund, the General Fund, which is a governmental fund.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of the fund balance as reported in the governmental funds to the net position reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net position has been provided to facilitate the comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The fund financial statements are contained on pages 9-12 of the report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 25 of this report.

## Condensed Financial Information

The following table shows the District's condensed financial information for 2019, 2020 & 2021:

<b>Assets</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Current and other assets	\$7,027,812	\$7,866,922	\$8,023,536
Non current and capital assets, net	\$4,246,753	\$4,044,248	\$4,393,397
<b>Total assets</b>	\$11,274,565	\$11,913,190	\$12,416,933
Deferred outflows of resources	\$884,565	\$719,363	\$691,787
<b>Liabilities</b>			
Other liabilities	\$109,336	\$100,245	\$128,103
Long-term liabilities outstanding	\$303,277	\$126,018	\$177,859
<b>Total liabilities</b>	\$412,613	\$226,263	\$305,962
Deferred Inflows of resources	\$1,060,885	\$2,562,452	\$2,366,701
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$4,246,753	\$3,959,659	\$4,041,167
Restricted	\$75,549	\$84,171	\$112,086
Unrestricted	\$6,363,330	\$5,797,808	\$6,282,804
<b>Total net assets</b>	\$10,685,632	\$9,841,638	\$10,436,057
<b>Program Revenues</b>			
Operating grants and contributions	\$324,641	\$549,729	\$873,273
Charges for services	\$521,149	\$477,003	\$676,086
Capital grants and contributions			
<b>General revenues</b>			
Property Taxes	\$1,267,218	\$1,176,891	\$2,681,125
Interest Income	\$33,175	\$20,876	-\$939
Gain on sale of capital assets		\$59,900	\$59,900
Transfer from pension trust fund	-		
<b>Total revenues</b>	\$2,146,183	\$2,284,399	\$4,289,445
<b>Expenses</b>			
Public safety	\$2,794,862	\$3,128,393	\$3,695,026
Interest on long-term debt			
Loss on sale of assets			
<b>Total Expenses</b>	\$2,794,862	\$3,128,393	\$3,180,261
<b>Increase in net assets</b>	(\$648,679)	(\$843,994)	\$594,419
Net assets January 1	\$11,334,311	\$10,685,632	\$9,841,638
<b>Net Assets December 31</b>	\$10,685,632	\$9,841,638	\$10,436,057

**Government-wide Financial Analysis.** The fire district continues to be faced with having to use reserve funds to maintain our current level of emergency response capabilities. The decline in gas production has, once again, negatively impacted our funding for 2022. Capital savings will be used this year to add quarters to station 5 to allow us to split the crew for quicker response to that outlying area of the district. In order to maintain our current state of operational readiness, grant funding will be applied for in the upcoming fiscal year to assist the capital budget. This includes hopefully replacing out of certification SCBA equipment.

### **Financial Analysis of the District's Funds**

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$5,891,924.

**Capital assets.** The District's investment in capital assets for its governmental activities as of December 31, 2021 amounts to \$4,041,167 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and vehicles.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Los Pinos Fire Protection District, P.O. Box 319, Ignacio, CO 81137.

Los Pinos Fire Protection District

STATEMENT OF NET POSITION

December 31, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,889,190
Investments	2,580,011
Prepaid expenses	1,481,193
Receivables	
Property taxes receivable	2,003,509
Patient receivables, net of estimated uncollectible amounts of \$104,451	69,633
Capital assets (net of accumulated depreciation)	
Land (non-depreciable)	522,717
Construction in progress	120,506
Buildings	2,051,927
Vehicles and equipment	1,326,258
Office furniture and equipment	527
Other improvements	19,232
Net pension asset	352,230
Total assets	<u>12,416,933</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Items related to pension plan	691,787
Total deferred outflows of resources	<u>691,787</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 34,620
Accrued liabilities	93,483
Non-current liabilities, due after one year	
Compensated absences	177,859
Total liabilities	<u>305,962</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	2,003,509
Items related to pension plan	363,192
Total deferred inflows of resources	<u>2,366,701</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,041,167
Restricted for emergencies	112,086
Unrestricted	6,282,804
Total net position	<u><u>\$ 10,436,057</u></u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

STATEMENT OF ACTIVITIES

Year ended December 31, 2021

Function/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Public safety	\$ 3,695,026	\$ 676,086	\$ 873,273	\$ -	\$ (2,145,667)
Total governmental activities	<u>3,695,026</u>	<u>676,086</u>	<u>873,273</u>	<u>-</u>	<u>(2,145,667)</u>
General revenues:					
					2,681,125
					(939)
					59,900
					<u>2,740,086</u>
					594,419
					9,841,638
					<u>\$10,436,057</u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General Fund
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,889,190
Investments	2,580,011
Prepaid expenses	1,481,193
Receivables	
Property taxes receivable	2,003,509
Patient receivables, net of estimated uncollectible amounts of \$104,451	69,633
Total assets	<u>\$ 8,023,536</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 34,620
Accrued liabilities	93,483
Total liabilities	<u>128,103</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	2,003,509
<b>Fund equity</b>	
Restricted for emergencies	112,086
Nonspendable	1,481,193
Unassigned	4,298,645
Total fund equity	<u>5,891,924</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 8,023,536</u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

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

December 31, 2021

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

Total fund balance - governmental funds	\$ 5,891,924
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$9,888,653 and the accumulated depreciation is \$5,847,486.	4,041,167
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)	352,230
Deferred outflows: deferred amortization related to the pension plan	691,787
Deferred inflows: deferred amortization related to the pension plan	(363,192)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	<u>(177,859)</u>
Total net position - governmental activities	<u><u>\$ 10,436,057</u></u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

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

For the year ended December 31, 2021

	<u>General</u>
Revenues	
Taxes	\$ 2,681,125
Patient fees, net	676,086
Intergovernmental	232,189
Other local sources	700,984
Investment earnings	(939)
	<u>4,289,445</u>
	Total revenues
	4,289,445
Expenditures	
Public safety	
Fire administration and fire fighting	3,180,261
Fire stations and buildings	77,997
Fire training	11,266
Fire prevention	375
Capital outlay	466,299
	<u>3,736,198</u>
	Total expenditures
	3,736,198
	Net change in fund balance
	553,247
Fund balance at beginning of year	<u>5,338,677</u>
Fund balance at end of year	<u>\$ 5,891,924</u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

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

December 31, 2021

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

Net change in fund balances - total governmental funds	\$ 553,247
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	(302,876)
Capital outlay capitalized	384,384
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.	11,505
In the governmental funds, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid to employees), whereas in the statement of activities, they are measured as the benefits are earned by employees during the year. This is the amount the liability for compensated absences changed during the year.	<u>(51,841)</u>
Change in net position of governmental activities	<u><u>\$ 594,419</u></u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Los Pinos Fire Protection District (the District) was formed in 1985 for the purpose of providing fire protection and emergency services for the Town of Ignacio and areas of the Southern Ute Indian Tribe Reservation. The District has an elected governing board and levies taxes on the property within the District for operations and debt service.

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.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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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.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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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 represent fund balance amounts that are not in spendable form.

**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 does not have any committed fund balance at year end. 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.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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**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 principles (GAAP).

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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- 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 \$2,500 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	40
Equipment	8-30
Vehicles and software	7
Computer and office equipment	5

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 administered by the Fire and Police Pension Association of Colorado (FPPA) and additions to/deductions from the pension plan's 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.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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The composition of all cash held by the District at December 31, 2021 is as follows:

Cash on hand	\$	92
Cash held with treasurer		2,081
Cash deposited with banks		1,887,017
		<u>\$ 1,889,190</u>

At December 31, 2021, the bank balances of the District's deposits totaled \$1,950,826 of which \$500,000 was insured and the remainder was collateralized under PDPA.

Investments

Colorado statutes specify investments meeting defined rating and risk criteria in which local governments may invest, which include:

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

Investments are reported at fair value or at amortized cost which approximates fair value.

At December 31, 2021, the District had \$510,292 invested in the Wells Fargo Government Money Market Mutual Fund. The fund invests in short-term U.S. government debt and repurchase agreements collateralized by U.S. government obligations. The fund seeks to maintain, but does not guarantee a NAV of \$1 per share. The fund records its investments at amortized cost and the District records its investment in the fund using the amortized cost method, which approximates fair value.

At December 31, 2021, the District had \$2,069,719 held in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. Plus+ and Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+

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portfolios are rated AAAm by Standard and Poor’s and the EDGE portfolio is rated AAAf/S1 by Fitch Ratings.

As of December 31, 2021, the District had \$0 invested in Prime, \$0 invested in Plus+, and \$2,069,719 invested in Edge.

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus is equal in value to \$1.00 and the redemption frequency is daily with no redemption notice period. Edge's net asset value is managed to approximate a \$10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than \$10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

Investments of the District at December 31, 2021 are as follows:

	Standard & Poor's Rating	Balance
General Fund		
Wells Fargo Government Money Market Funds	AAAm	\$ 510,292
Colorado Local Governmental Liquid Asset Trust	AAAm	2,069,719
		\$ 2,580,011

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The credit ratings received from Standard & Poor’s are disclosed above.

Custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of a custodial entity, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the District’s name, and are held by either the counterparty to the investment purchase or are held by the counterparty’s trust department or agent but not held in the District’s name. None of the District’s investments owned at December 31, 2021, were subject to custodial credit risk.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Colorado statutes limit authorized investments to those having a maturity of five years or less, unless the entity's governing body specifically authorizes longer maturities.

**CAPITAL ASSETS**

A summary of changes in capital fixed assets follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital asset not being depreciated				
Land	\$ 522,717	\$ -	\$ -	\$ 522,717
Construction in progress	143,299	120,506	(143,299)	120,506
Total assets not being depreciated	666,016	120,506	(143,299)	643,223
Capital assets being depreciated				
Buildings	3,500,409	-	-	3,500,409
Equipment	5,734,865	263,878	(395,745)	5,602,998
Furniture and office equipment	38,159	-	-	38,159
Other improvements	103,864	-	-	103,864
Total assets being depreciated	9,377,297	263,878	(395,745)	9,245,430
Less accumulated depreciation for:				
Buildings	(1,360,590)	(87,892)	-	(1,448,482)
Equipment	(4,604,557)	(211,227)	539,044	(4,276,740)
Furniture and office equipment	(37,056)	(576)	-	(37,632)
Other improvements	(81,451)	(3,181)	-	(84,632)
Total accumulated depreciation	(6,083,654)	(302,876)	539,044	(5,847,486)
Net capital assets being depreciated	3,293,643	(38,998)	143,299	3,397,944
Net governmental activities capital assets	<u>\$ 3,959,659</u>	<u>\$ 81,508</u>	<u>\$ -</u>	<u>\$ 4,041,167</u>

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**CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance
Future compensated absences	\$ 126,018	\$ 51,841	\$ -	\$ 177,859
Total long-term liabilities	\$ 126,018	\$ 51,841	\$ -	\$ 177,859

**NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE**

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payments arrangements include:

*Medicare.* Services rendered to Medicare program beneficiaries are paid based on a combination cost-reimbursement methodology and fee schedules.

*Medicaid.* Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services and defined capital costs related to Medicaid beneficiaries are paid based on a cost-reimbursement methodology.

The Balanced Budget Act of 1997 changed how the Medicare and Medicaid programs pay the District for certain services and overall reduces payments.

The District provides services to the Native American tribes that live in the district. The District's policy is to charge for services for those that have commercial insurance and the rest are not charged. The District has received contributions in the past from the Southern Ute Tribe to offset the costs of providing services to this group. During 2021, the Southern Ute Tribe contributed \$0. After adjustments for deferrals of revenues related to this contract at the beginning and end of the year, \$0 is recognized as revenue in the current period.

**PENSION AND RETIREMENT PLANS**

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

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issues a publicly available comprehensive annual financial report that can be obtained at [http://fppaco.org/toc\\_frames.html](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 11.50% for a total contribution rate of 19.50%. 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, 2021, were \$132,815.

**Pension Assets, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** At December 31, 2021, the District reported a liability (asset) of \$(352,230) 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, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension asset to December 31, 2020. The District's proportion of the net pension liability was based on District contributions to FPPA SWDB plan for the calendar year 2020 relative to the total contributions of participating employers to the FPPA SWDB plan.

At December 31, 2020, the District's proportion was .162243%. At December 31, 2019 the District's proportion was .149566%.

For the year ended December 31, 2021, the District recognized pension expense (income) of \$140,659. The components of the District's proportionate share of the net pension liability (asset) related to FPPA SWDB as of December 31, 2020 (measurement date), are as follows:

Plan fiduciary net position	\$ 5,593,467
Total pension liability	<u>5,241,237</u>
Net pension liability (asset)	<u>\$ (352,230)</u>

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, 2021 is as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 298,726	\$ 1,401
Change in assumptions	149,809	-
Net difference between projected and actual earnings on pension plan investments	-	361,791
Change in proportionate share	110,437	-
Contributions subsequent to the measurement date	<u>132,815</u>	<u>-</u>
	<u>\$ 691,787</u>	<u>\$ 363,192</u>

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The \$132,815 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

2022	\$	29,102
2023		29,102
2024		29,102
2025		27,051
2026		23,625
Thereafter		<u>57,798</u>
	\$	<u>195,780</u>

The total pension liability in the December 31, 2020 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.

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. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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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, 2020, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global equity	39%	8.23%
Equity long/short	8%	6.87%
Private markets	26%	10.63%
Fixed income - rates	10%	4.01%
Fixed income – credit	5%	5.25%
Absolute return	10%	5.60%
Cash	2%	2.32%
	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.

**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)	\$ 354,416	\$ (352,230)	\$ (937,462)

**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>.

Los Pinos Fire Protection District

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**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 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; injuries to employees and natural disasters for which the government carries commercial insurance for vehicles, property and general, and management liability through McNeil & Company, Inc. and workmen's compensation coverage with Colorado Special District Property and Liability.

**INTERGOVERNMENTAL SERVICES**

The District provides fire protection services to property belonging to the Southern Ute Indian Tribe (the Tribe). During 2021, the Tribe contributed \$0 to the District. After adjustments for deferrals of revenues related to this contract at the beginning and end of the year, \$0 is recognized as revenue in the current period.

REQUIRED SUPPLEMENTAL INFORMATION

Los Pinos Fire Protection District

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

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Taxes				
General property	\$ 2,432,820	\$ 2,432,820	\$ 2,420,373	\$ (12,447)
Specific ownership tax	200,000	200,000	260,752	60,752
Interest and penalty on tax	-	-	-	-
	<u>2,632,820</u>	<u>2,632,820</u>	<u>2,681,125</u>	<u>48,305</u>
Intergovernmental				
Wildfire	100,000	100,000	232,189	132,189
	<u>100,000</u>	<u>100,000</u>	<u>232,189</u>	<u>132,189</u>
Charges for services				
Patient fees and tribal contributions	210,000	210,000	706,117	496,117
Bad debts	-	-	(30,031)	(30,031)
	<u>210,000</u>	<u>210,000</u>	<u>676,086</u>	<u>466,086</u>
Other local sources				
Investment earnings	15,000	15,000	(939)	(15,939)
Other	90,000	90,000	700,984	610,984
	<u>105,000</u>	<u>105,000</u>	<u>700,045</u>	<u>595,045</u>
Total revenues	3,047,820	3,047,820	4,289,445	1,241,625
Expenditures				
Current				
Public safety				
Fire administration and fire fighting				
Salaries and benefits	2,481,000	2,481,000	2,344,848	(136,152)
Purchased services	198,100	198,100	196,684	(1,416)
Supplies and repairs	205,500	205,500	532,516	327,016
Wildfire fighting expense	120,000	120,000	76,103	(43,897)
Other	28,000	28,000	30,110	2,110
	<u>3,032,600</u>	<u>3,032,600</u>	<u>3,180,261</u>	<u>147,661</u>
Fire training				
Purchased services	25,000	25,000	11,266	(13,734)
Fire prevention				
Supplies and repairs	2,000	2,000	375	(1,625)

Los Pinos Fire Protection District

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

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Over (Under) Budget
Fire stations and buildings				
Purchased services	72,000	72,000	68,364	(3,636)
Supplies and repairs	-	-	9,633	9,633
	<u>72,000</u>	<u>72,000</u>	<u>77,997</u>	<u>5,997</u>
Capital outlay	3,437,500	3,437,500	466,299	(2,971,201)
Contingency	100,000	100,000	-	(100,000)
Total expenditures	<u>6,669,100</u>	<u>6,669,100</u>	<u>3,736,198</u>	<u>(2,932,902)</u>
Excess (deficit) of revenues over expenditures	(3,621,280)	(3,621,280)	553,247	4,174,527
Fund balance at beginning of year	<u>5,338,677</u>	<u>5,338,677</u>	<u>5,338,677</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,717,397</u>	<u>\$ 1,717,397</u>	<u>\$ 5,891,924</u>	<u>\$ 4,174,527</u>

Los Pinos 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,									
	2020	2019	2018	2017	2016	2015	2014	2013		
District's proportion of the net pension liability	0.162243%	0.149566%	0.176741%	0.204486%	0.240307%	0.244978%	0.244978%	0.306969%		
District's proportionate share of the net pension (asset) liability	\$ (352,230)	\$ (84,589)	\$ 223,449	\$ (294,185)	\$ 86,832	\$ (4,319)	\$ (226,948)	\$ (274,487)		
District's covered payroll	\$ 1,362,362	\$ 1,062,575	\$ 1,176,425	\$ 1,244,088	\$ 1,229,862	\$ 1,140,225	\$ 1,143,938	\$ 1,179,800		
District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	-25.85%	-7.96%	18.99%	-23.65%	7.06%	-0.38%	-19.84%	-23.27%		
Plan fiduciary net position as a percentage of the total pension liability	106.72%	101.94%	95.23%	106.34%	98.21%	100.10%	106.83%	105.83%		

Los Pinos Fire Protection District

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

	December 31,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Contractually required contribution	\$ 132,815	\$ 108,989	\$ 85,006	\$ 94,114	\$ 99,527	\$ 98,389	\$ 91,218	\$ 91,515	\$ 106,182	
Contributions in relation to the contractually required contributions	(132,815)	(108,989)	(85,006)	(94,114)	(99,527)	(98,389)	(91,218)	(91,515)	(106,182)	
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 1,660,188	\$ 1,362,362	\$ 1,062,575	\$ 1,176,425	\$ 1,244,088	\$ 1,229,862	\$ 1,140,225	\$ 1,143,938	\$ 1,179,800	
Contributions as a percentage of covered payroll	8%	8%	8%	8%	8%	8%	8%	8%	9%	