

***ELK CREEK
FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2019***

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	i
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet – Governmental Fund	5
Reconciliation of the Balance Sheet of the Governmental Fund To the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	8
Notes to Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	33
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios Multiyear – Volunteer Pension Plan	34
Schedule of Contributions Multiyear – Volunteer Pension Plan	35
Schedule of Contribution Multiyear – Statewide Defined Benefit Pension Plan	36
Schedule of Elk Creek's Proportionate Share of the Net Pension Liability Statewide Defined Benefit Pension Fund	37

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Elk Creek Fire Protection District, we offer readers of the Elk Creek Fire Protection District's financial statements this narrative overview and analysis of the financial activities of the Elk Creek Fire Protection District for the year ended December 31, 2019.

The District encompasses 98 square miles and is located primarily in the Conifer area of Jefferson County, Colorado, with a small section in Park County, Colorado. The Elk Creek Fire Department was organized in 1948. In 1981 the Department was reorganized as a Special District under the provisions of the Colorado Special District Act.

Governed by a five member elected board, the mission of the District is to provide fire suppression, emergency medical services, technical rescue, hazardous materials and fire prevention education to the community. District career and volunteer personnel respond to an average of 1,200 calls per year, about 60% of which deal with medical emergencies, including those arising out of motor vehicle accidents. The District provides these services through a combination department under the direction of a full-time Fire Chief with over fifty volunteer firefighter/medics and six career firefighter/medics, supported by a small career technical and administrative staff.

The District charges fees for emergency medical services, ambulance transport, fire prevention permit and inspection fees to offset costs incurred by these services. The District's fire suppression and other emergency response services are funded primarily through real property taxes collected in Jefferson and Park counties, supplemented by acquired grant funding and service charges to other entities.

In addition to property tax and service fee revenues, during 2019 the District participated in the CRRF Agreement administered by the Colorado State Forest Service. Under this State-Federal Interagency Agreement, the District will be reimbursed for the use of personnel and equipment provided for firefighting services beyond the District's geographical boundaries.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements: These 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, deferred inflows of resources, liabilities and deferred outflows of resources (both short-term and long-term), with the difference 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 shows how the District'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 result in cash flows in future fiscal periods (e.g. earned but unpaid salaries and benefits).

Both of the government-wide financial statements distinguish functions of the Elk Creek Fire Protection District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for public safety.

The government-wide financial statements can be found on pages 3-4 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 Elk Creek Fire Protection District, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund, the general fund, which is a governmental fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, however the focus is on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the general fund balance and the general fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the General fund and governmental activities.

The Elk Creek Fire Protection District adopts an annual appropriated budget for the general fund a budgetary comparison statement has been provided to demonstrate compliance with this budget. The fund financial statements can be found on pages 5-8 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9-32 of this report.

GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS

For the period ending December 31, 2019 the value of assets and deferred outflows exceeded liabilities and deferred inflows by \$5,423,087 showing an increase in net position of \$751,086 compared to December 31, 2018.

For the period ending December 31, 2019, total revenues were \$2,839,171 and expenditures, including non-cash items such as depreciation, were \$3,003,086. Total Program Revenues slightly increased by \$2,671 over 2018. Although property taxes increased by \$29,312, specific ownership taxes decreased by \$31,333 from 2018. CRRF Revenue increased \$222,156 for Wildland billings in 2019 compared to 2018. Expenditures decreased by \$426,506 from 2018. The decrease in expenditures were related to emergency medical services, Wildland fire suppression and capital outlays.

Capital lease debt decreased by \$323,789 with the annual payment of principal.

Net Pension activity for the District continues to be positive. The Net Pension asset decreased from \$721,298 to \$467,176 in 2019. Although the asset decreased it is offset by an increase of \$282,388 in deferred outflows of resources related to the pension plans.

STATEMENTS OF NET POSITION

Following is a summary of the District's net position for 2019 and 2018:

	2019	2018
Current and other assets	\$ 4,259,771	\$ 3,317,365
Net pension asset	467,176	721,298
Capital assets	3,428,032	3,468,402
Total assets	<u>8,154,979</u>	<u>7,507,065</u>
Deferred outflow of resources	<u>654,619</u>	<u>372,231</u>
Long-term debt outstanding	75,752	149,865
Other liabilities	207,337	1,075,662
Total liabilities	<u>283,089</u>	<u>1,225,527</u>
Deferred inflows of resources	<u>2,966,377</u>	<u>1,981,768</u>
Net Position:		
Net investment in capital assets	3,278,167	2,994,748
Restricted	84,270	76,850
Unrestricted	1,527,442	1,600,403
Total net position	<u>\$ 5,423,087</u>	<u>\$ 4,672,001</u>

Unrestricted and available net position increased \$751,086 or 14% for the year. We consider this reserve to be adequate as it makes up 50% of 2019 expenses.

STATEMENTS OF ACTIVITIES

Following is a summary of the District's net position for 2019 and 2018:

	2019	2018
<u>Revenues</u>		
Program Revenues:		
Charges for services	\$ 571,764	\$ 506,568
Operating grants and contributions	802,146	25,009
Total Program Revenues	<u>1,373,910</u>	<u>531,577</u>
General Revenues:		
Property taxes	1,753,749	1,724,437
Sales and use taxes	138,110	169,443
Other general revenues	188,119	411,043
Total General Revenues	<u>2,079,978</u>	<u>2,304,923</u>
Total Revenues	<u>3,453,888</u>	<u>2,836,500</u>
Program Expenses:		
Public safety		
Administration	734,831	381,523
Fire operations	940,751	1,200,301
Emergency medical services	691,940	1,227,681
Grants	327,047	100,065
Interest	8,233	23,834
Total Expenses	<u>2,702,802</u>	<u>2,933,404</u>
Increase in Net Position	751,086	(96,904)
Beginning Net Position	4,672,001	4,768,905
Ending Net Position	<u>\$ 5,423,087</u>	<u>\$ 4,672,001</u>

General revenues support 75% of funding for the Fire District in 2019 consistent with the 2019. Program revenues carry the remaining 25% of the burden.

GENERAL FUND HIGHLIGHTS

For the period ending December 31, 2019, total General Fund revenues were \$2,079,978 and expenditures were \$2,702,802.

General fund balance showed a decrease of \$593,092 following an increase of \$174,894 in 2017. For the year ended December 31, 2019, total 2019 general fund revenues increased by \$617,388 as described above and general fund expenditures decreased by \$230,602. In 2019 emergency medical services and fire operations costs decreased significantly.

General Fund expenditures were over budget by \$225,812. The largest dollar variance was for expenditures related to the District's Wildland Fire Suppression, which was directly offset by CRRF reimbursement, but only at the government-wide statements, and Capital Outlay supported by grant funding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At year-end, the District had \$3,428,032 invested in a broad range of capital assets including buildings, vehicles and other equipment. The table below summarizes the capital assets owned by the District which make up approximately 44% of the total assets of the District.

Capital Assets	Governmental Activities	
	2019	2018
Land	\$ 117,654	\$ 117,654
Fire Stations & Equipment	2,913,906	2,800,810
Vehicles	4,209,690	4,088,123
Accumulated Depreciation	(3,813,218)	(3,538,185)
Net Capital Assets	<u>\$ 3,428,032</u>	<u>\$ 3,468,402</u>

Depreciation expense of \$309,997 was recorded and this makes up nearly 12% of expense recorded in the statement of activities.

	2019	2018
Capital Lease Obligations	\$ 149,865	\$ 473,654

Annual lease payments were made in 2019 of \$334,609. This payment, along with the associated interest expense, account for 12% of the expenditures in the General Fund.

Based on the size and operations of the Fire District the activity discussed in this section makes up most of the reconciliation items found on page 8 and therefore is the key factor in the difference between General Fund operating gain and that of the income recorded on the Statement of Activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District showed significant recovery during the year in the economy and expects a brighter outlook in the upcoming years. Tax revenues showed continuous improvement and the District continues to participant in several CRRF events annually. Although the economy is strong future revenue growth will slow in 2020 based on State legislation that limits the percent of property taxes generated by personal and corporate properties. The district will continue to see a decrease in the property tax base by the Gallagher amendment restricting the value of residential property.

CONTACTING THE DISTRICTS ADMINISTRATIVE OFFICE

This Financial Report is designed to provide District citizens, our customers and creditors, and the State of Colorado with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have questions regarding this report or need additional publicly available financial information, please contact the District's Administrative Office at (303) 816-9385, or mail your requests to:

Elk Creek Fire Protection District
P.O. Box 607
Conifer, Colorado 80433.

DRAFT

ELK CREEK FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

<u>ASSETS</u>	<u>2019</u>
Current Assets	
Cash, Deposits, and Investments (Note 2)	\$ 436,422
Property Taxes Receivable	2,826,901
Wildfire Grants Receivable	
Accounts of (\$78,858)	777,111
Fire Prevention & Other Receivables	69,253
User Charges Receivable (Net of Allowance for Doubtful Accounts of \$96,258) (Note 8)	137,689
Prepaid Items	12,395
Total Current Assets	<u>4,259,771</u>
Noncurrent Assets	
Net Pension Asset (Note 6)	467,176
Capital Assets (Note 3)	
Non-depreciable	117,654
Depreciable	7,123,596
Less Accumulated Depreciation	<u>(3,813,218)</u>
Total Noncurrent Assets	<u>3,895,208</u>
Deferred Outflow of Resources	
Deferred outflow pension (Note 6)	654,619
Total Deferred Outflows of Resources	<u>654,619</u>
Total Assets and Deferred Outflows of Resources	<u>8,809,598</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	19,604
Accrued Expenses and Benefits Payable	35,475
Unearned Revenue	47,214
Accrued Compensated Absences (Note 4)	27,619
Accrued Interest	3,312
Current Portion of Capital Leases Payable (Note 5)	74,113
Total Current Liabilities	<u>207,337</u>
Long-Term Liabilities	
Capital Leases Payable (Less Current Portion) (Note 5)	75,752
Net pension liability (Note 6)	137,045
Total Long-Term Liabilities	<u>212,797</u>
Deferred Inflows of Resources	
Unavailable revenue-property taxes	2,826,901
Deferred inflow pension (Note 6)	139,476
Total Deferred Inflows of Resources	<u>2,966,377</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,386,511</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	3,278,167
Restricted for Emergencies (Note 10)	84,270
Restricted for Net Pension Asset	533,208
Unrestricted	<u>1,527,442</u>
Total Net Position	<u>\$ 5,423,087</u>

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

ELK CREEK FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>2019</u>
PROGRAM EXPENSES	
Public Safety - Fire Protection	
Administration	\$ 734,831
Fire Operations	940,751
Emergency Medical Services	691,940
Grant expenditures	327,047
Interest	8,233
	<u>2,702,802</u>
PROGRAM REVENUES	
Charges for Services	571,764
Operating Grants and Contributions	802,146
	<u>1,373,910</u>
Net Program Expense	<u>1,328,892</u>
GENERAL REVENUES	
Property Taxes	1,753,749
Specific Ownership Taxes	138,110
Investment Earnings	17,388
Other Income	170,731
	<u>2,079,978</u>
CHANGE IN NET POSITION	751,086
NET POSITION, January 1,	<u>4,672,001</u>
NET POSITION, December 31,	<u>\$ 5,423,087</u>

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

ELK CREEK FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2019

	2019
<u>ASSETS</u>	
CURRENT ASSETS	
Cash, Deposits, and Investments (Note 2)	\$ 436,422
Property Taxes Receivable	2,826,901
Wildfire Grants Receivable (Net of Allowance for Doubtful Accounts of (\$78,858))	777,111
Fire Prevention & Other Receivables	69,253
Prepaid Items	12,395
User Charges Receivable (Net of Allowance for Doubtful Accounts of (\$96,258) (Note 8))	137,689
	4,259,771
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>	
CURRENT LIABILITIES	
Accounts Payable	19,604
Accrued Expenses and Benefits Payable	35,475
Unearned Revenue	47,214
	102,293
DEFERRED INFLOWS OF RESOURCES	
Unavailable Property Tax Revenue	2,826,901
Unavailable EMS Revenue	59,736
Unavailable CRFF Revenue	554,981
	3,441,618
FUND BALANCE	
Nonspendable	12,395
Restricted - TABOR (Note 9)	84,270
Assigned to Capital Equipment and Other	36,260
Unassigned	582,935
	715,860
Total Fund Balance	715,860
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,259,771

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

ELK CREEK FIRE PROTECTION DISTRICT

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

December 31, 2019

	<u>2019</u>
Total Governmental Fund Balance	<u>\$ 715,860</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Cost of Capital Assets	7,241,250
Less Accumulated Depreciation	<u>(3,813,218)</u>
	<u>3,428,032</u>
Pension plan accounts such as deferred inflows/outflows and net pension asset are not receivable or payable in the current period and, therefore are not reported in the funds	
Net Pension Asset	467,176
Net Pension Liability	(137,045)
Deferred Outflow of Resources	654,619
Deferred Inflow of Resources	<u>(139,476)</u>
	<u>845,274</u>
Liabilities, including amounts for retirement of assets, are not due in the current period and therefore are not reported in the governmental funds:	
Capital Lease Payable	(149,865)
Interest Payable	(3,312)
Compensated Absences	<u>(27,619)</u>
	<u>(180,796)</u>
Grant Contributions and Other Services shown as deferred inflow of resources at the Governmental Fund Level	<u>614,717</u>
Net Position of Governmental Activities	<u>\$ 5,423,087</u>

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

ELK CREEK FIRE PROTECTION DISTRICT

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

For the Year Ended December 31, 2019

	<u>2019</u>
PROGRAM REVENUES	
Property Taxes	\$ 1,753,749
Specific Ownership Taxes	138,110
Investment Earnings	17,388
Charges for Services	512,028
CRRF Reimbursement	247,165
Other Income	<u>170,731</u>
Total Program Revenues	<u>2,839,171</u>
EXPENDITURES	
Administration	734,831
Emergency Medical Services	658,962
Wildland Fire Suppression	214,290
Fire Prevention	58,698
Training	179,740
Maintenance	106,365
Facilities	68,247
Pension Contribution	50,670
Grant Expenditures	327,047
Capital Outlays	269,627
Debt Service	<u>334,609</u>
Total Expenditures	<u>3,003,086</u>
NET CHANGE IN FUND BALANCE	(163,915)
FUND BALANCE, January 1,	<u>879,775</u>
FUND BALANCE, December 31,	<u><u>\$ 715,860</u></u>

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

ELK CREEK FIRE PROTECTION DISTRICT

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

For the Year Ended December 31, 2019

	<u>2019</u>
Net Changes In Fund Balance - Total Governmental Fund	<u>\$ (163,915)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost is allocated over the estimated useful lives of the assets as depreciation expense. The following is the amount by which depreciation expense and exceeded capital outlays in the current period:	
Depreciation Expense	(309,997)
Capital Outlays	<u>269,627</u>
	<u>(40,370)</u>
Pension expense does not use current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	<u>(4,872)</u>
Deferred inflow of resources not recognized as revenues in the governmental funds	<u>614,717</u>
Repayment of long-term capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	323,789
Change In Compensated Absences	19,150
Change in Accrued Interest	<u>2,587</u>
	<u>345,526</u>
Change In Net Position Of Governmental Activities	<u><u>\$ 751,086</u></u>

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

DRAFT

NOTES TO FINANCIAL STATEMENTS

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Elk Creek Fire Protection District (District) was organized in 1981 as a special district under the provisions of the Colorado Special District Act. The function of the District is to provide fire protection and rescue services to residents in the area through its combination fire department located in Conifer, Colorado. In addition to the volunteer fire fighters, the District employs paid firefighters, including the Chief and Fire Marshal. The accounting policies of the District conform to U.S. generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant policies.

Definition of Reporting Entity

The District applies the criteria set forth in Governmental Accounting Standards Board (GASB) Statements No. 61 to determine which governmental organizations should be included in the reporting entity. The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization or (2) the District is legally entitled to, or can otherwise access, the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the District in that the District approves the budget, levies their taxes or issues their debt.

The District does not exercise oversight responsibility over any other entity, nor is the District a component unit of any other governmental entity.

Government-Wide and Fund Financial Statements

The government-wide statements (statement of net position and statement of activities) report information on all activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment. Other items not included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For purposes of Wildland reimbursement the District considers revenue if they are collected within 360 days.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources of funds and uses the 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

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

and deferred inflows of resources and liabilities and deferred outflows 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. 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.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end. For purposes of Wildland reimbursement the District considers revenue if they are collected within 360 days. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving value in return, include taxes, grants, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include: timing requirements, which specify the year when the resource is required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor's Office, generally as of January 1 of the following year. The County Treasurer's Office collects the determined taxes during the ensuing calendar year.

The taxes are payable in full by April 30, or in equal installments, at the taxpayers election, in February and June. Sales of tax liens on delinquent property are held in November or December. The County Treasurer's Office remits the taxes collected monthly to the District.

Property taxes receivable not collected within 60 days of year-end have been recorded as a deferred inflow of resources. Since property taxes are levied in December for the next calendar year's operations, the total levy is reported as taxes receivable and deferred inflows of resources.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

Taxes are collected and remitted to the District by the Treasurer's offices of Jefferson and Park Counties.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Fund Equity

The District follows GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, in accordance with GASB 54, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Directors, the Districts' highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Directors.

Assigned – includes amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. For the year ended December 31, 2019, the Board of Directors designated the Fire Chief to determine amounts that may be assigned using the authority derived from the execution of daily operational responsibilities.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Although not included in a formal policy, the District considers decreases to fund balance to first reduce, restricted, then committed, then assigned, and then unassigned balances, in that order.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the statement of net position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Budgets

In accordance with the Colorado Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget and appropriation resolutions upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year-end.

Budgets for the governmental fund types are adopted on a basis consistent with U.S. generally accepted accounting principles. This is in accordance with Colorado Budget Law.

Cash and Cash Equivalents

The District considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

Investments are measured at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, with the exception of the local government investment pool which is stated at the net asset value of the shares owned.

User Charges Receivable

The receivables for emergency medical services (EMS) operations are shown net of an allowance for doubtful accounts.

Capital Assets

Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are recorded at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value on the date donated. Capital assets are depreciated over their estimated useful lives, which range from 5 to 40 years, using the straight-line method. The District maintains a capitalization threshold of \$5,000.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed as incurred.

Leasing agreements, for which the economic substance is a financing arrangement, are recorded as capital leases. As the lessee, the District records the asset and corresponding obligation in the statement of net position.

Deferred inflows/outflows of resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 (GASB 68) and GASB Statement No. 71 Pension Transition for contributions made subsequent to the measurement date (GASB 71).

In addition to liabilities, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Property tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. The District also has deferred inflow of resources in the General Fund related to EMS and Wildland revenues. The District has recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68 and GASB Statement No. 71 Pension Transition for contributions made subsequent to the measurement date (GASB 71).

Pensions

For the purposes of measuring the net pension asset or liability, 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 Elk Creek Volunteer Pension plan and additions to/deductions from fiduciary 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. GAAP requires that direct on-behalf of payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

the employer government. The District has recorded on-behalf payments received by FPPA during 2019.

Compensated Absences

District employees are granted personal time off (PTO) in varying amounts. The District policy is such that a maximum amount (generally 360 hours) of time accrued may be carried forward. In the event of termination an employee is paid for the accumulated PTO. PTO is accrued in the government wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured as a result of employee terminations.

Fund Balance

Portions of the fund balance have been restricted for amounts that are legally segregated, or are not subject to future appropriation.

Tax, Spending, and Debt Limitations

The Taxpayer Bill of Rights (TABOR) establishes revenue and spending limits and imposes other specific requirements on state and local governments. Effective January 1, 1998, the District's voters approved a ballot issue that removed the revenue and spending limits imposed by TABOR. As a result, the District is permitted to retain all revenues from all resources. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance.

Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, deferred inflow of resources, revenues and expenses at the date of the financial statements. Actual results could differ from those estimates. The District believes the techniques and assumptions used in establishing these estimates are appropriate.

NOTE 2: CASH, DEPOSITS, AND INVESTMENTS

Custodial Credit Risk - Cash Deposits

Custodial credit risk for deposits and investments is the risk that, in the event of failure of the custodian, the District may not be able to recover the value of deposits that are in the possession of a third party. The Federal Deposit Insurance Corporation (FDIC) covers up to \$250,000 on accounts maintained at federally insured banks. As of December 31, 2019, the District did not have bank balances that exceeded the insured amount of FDIC.

ELK CREEK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits.

The State Regulatory Commission for banks is required by statute to monitor the naming of eligible depositors and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2019, the District's cash and cash equivalents had a book balance and corresponding bank balances, as follows:

Insured Bank Balances:		
Year Ended		
<u>December 31,</u>	<u>Book Balance</u>	<u>Bank Balance</u>
2019	<u>\$58,573</u>	<u>\$135,238</u>

The District had cash deposits and cash investments as follows:

Year Ended			
<u>December 31,</u>	<u>Cash Deposits</u>	<u>Investments</u>	<u>Total</u>
2019	<u>\$58,573</u>	<u>\$377,849</u>	<u>\$436,422</u>

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. At December 31, 2019, the District did not have any investments that meet the definition to be in the hierarchy.

Colorado statutes specify investment instruments in which local governments may invest, which includes:

- Obligations of the United States, certain U.S. government agency securities and World Banks
- Certain international agency securities
- General obligation and revenue bonds of U.S. local governmental entities
- Bankers' acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

- Guaranteed investment contracts
- Local government investment pools

Investment Risk Factors

There are many factors that can affect the value of investments, some of which are custodial credit risk, credit risk, interest rate risk, and foreign currency risk. The District has established a cash and investment policy to minimize the District's exposure to these risks. The District has no investment policies but follows State statute.

The District had the following investments at December 31,

COLOTRUST PLUS +	<u>2019</u> <u>\$ 377,849</u>
------------------	----------------------------------

As of December 31, 2019, the District had funds invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local governmental entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund, and each share is equal in value to \$1.00.

COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS +. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PRIME is rated AAAM by Standard and Poor's. COLOTRUST PLUS+ is rated AAAM by Standard and Poor's and Fitch and Moody's. A designated custodial bank serves as custodian for COLOTRUST's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the COLOTRUST. Financial statements for COLOTRUST may be obtained at www.colotruster.com. COLOTRUST does not have any unfunded commitments, redemption restrictions or redemption notice periods.

The District has interest rate risk related to its investments in COLOTRUST. At December 31, 2019, COLOTRUST had a weighted average maturity of 34 days to reset and 94 days to final maturity at December 31, 2019 COLOTRUST funds are valued at NAV rather by level.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 3: CAPITAL ASSETS

The following sets forth the changes in general fund capital assets during 2019:

	Balance at 1/1/2019	Additions	Disposals	Balance at 12/31/2019
Capital Assets Not Depreciated:				
Land	\$ 117,654	\$ -	\$ -	\$ 117,654
Subtotal	117,654	-	-	117,654
Capital Assets Being Depreciated:				
Fire Stations and Equipment	2,800,810	148,060	(34,964)	2,913,906
Vehicles	4,088,123	121,567	-	4,209,690
	6,888,933	269,627	(34,964)	7,123,596
Less Accumulated Depreciation:				
Fire Stations and Equipment	(1,355,330)	(89,245)	34,964	(1,409,611)
Vehicles	(2,182,855)	(220,752)	-	(2,403,607)
Total Accumulated Depreciation	(3,538,185)	(309,997)	-	(3,813,218)
Net Capital Assets Being Depreciated	3,350,748	(40,370)	\$ (34,964)	3,310,378
Total Net Capital Assets:	\$ 3,468,402	\$ (40,370)	\$ -	\$3,428,032

Depreciation expense was charged to functions of the primary government as follows:

	December 31, 2019
Fire Operations	\$ 277,019
Emergency Medical Services	32,978
	<u>\$ 309,997</u>

NOTE 4: COMPENSATED ABSENCES

The following presents changes in compensated absences during 2019:

Compensated Absences	Balance 1/1/2019	Accrued	(Used)	Balance 12/31/2019	Current
	<u>\$ 46,769</u>	<u>\$ 87,823</u>	<u>\$ (106,973)</u>	<u>\$ 27,619</u>	<u>\$ 27,619</u>

NOTE 5: CAPITAL LEASES

The District has entered into lease agreements for financing the acquisition of fire rescue equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

ELK CREEK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

The District entered into a capital lease agreement with Sun Trust Equipment Finance and Leasing Corporation in January of 2014. The original amount of the lease was for \$487,076 over a period of 84 months, accruing interest at a rate of 2.2%, with annual payments of \$77,425 beginning in January of 2015.

The District entered into a capital lease agreement with Sun Trust Equipment Finance and Leasing Corporation in November of 2014. The original amount of the lease was for \$1,285,920 over a period of 60 months, accruing interest at a rate of 2.35%, with annual payments of \$257,184 beginning in November of 2015.

The following is a summary of leasing transactions of the District for the years ended December 31, 2019:

	Balance 1/1/19	Borrowings	Payments	Balance 12/31/19	Current
Capital Lease Obligation	\$473,654	\$ -	\$ 323,789	\$ 149,865	\$ 74,113

The assets acquired through capital leases as of December 31 are as follows:

	<u>Fire Operations</u>
Asset:	<u>2019</u>
Vehicles and Equipment	\$2,106,150
Less: Accumulated Depreciation	(\$747,122)
Total	\$1,479,667

Amortization expense is included in depreciation expense. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, are as follows:

2020	77,425
2021	77,425
Total minimum lease payments	154,850
Less: amount representing interest	(4,985)
Present value of minimum lease payments	149,865
Current Portion	74,113
Long Term Lease	\$ 75,752

The District incurred \$10,821 in interest expense in 2019.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 6: RETIREMENT PLANS

The District provides retirement and disability benefits for covered personnel and a summary of the plans and benefits follows:

Other Than Volunteer Firefighters

Statewide Defined Benefit Plan

The statewide, cost-sharing, multi-employer defined benefit plan (Plan) is administered by the Fire and Police Pension Association (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website www.fppaco.org. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Statewide Defined Benefit Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. . The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of FPPA.

Benefits

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

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

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

Contributions

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

Members of this Plan and their employers are contributing at the rate of 10.5 and 8 percent; respectively, of base salary for a total contribution rate of 18.5 percent in 2017. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 21.5 percent of base salary in 2017. It is a local decision on who pays the additional 4 percent contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent. For 2019, the District contributed \$52,333 to the Plan on behalf of the employees.

The contribution rate for members and employers of affiliated social security employers is 4.75 percent and 4 percent, respectively, of based salary for a total contribution rate of 8.75 percent in 2017. Per the 2014-member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

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

At December 31, 2019 the District reported a liability of \$137,045 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The District's proportion of the net pension liability was based on a projection of the SWDB plan's long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating fire and police participants actuarially determined. At December 31, 2018, the District's proportion was .1084% a decrease of .0018 from its proportion measured as of December 31, 2017.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

As a result of its requirement to contribute to SWDB plan, the District recognized revenue of \$40,139 for the year ended December 31, 2019. The District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to the SWDB plan.

	Deferred Outflows	Deferred Inflows
Differences between projected and actual investment earnings	\$ 107,809	\$ -
Differences between expected and actual experience	176,094	1,464
Change in assumptions	132,726	-
Change in proportionate share	3,530	21,917
Contributions subsequent to measurement date	52,333	-
	<u>\$ 472,492</u>	<u>\$ 23,381</u>

\$52,333 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the District's requirement to contribute to SWDB plan will be recognized as expense as follows:

Year ended December 31	Amount
2020	\$ 75,716
2021	53,210
2022	44,864
2023	76,217
2024	35,550
Thereafter	111,221
Total	<u>\$ 396,778</u>

ELK CREEK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

Actuarial Assumptions

The actuarial valuation for the Statewide Defined Benefit Plan was used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2019. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2019	January 1, 2018
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-term Investment Rate of Return	7.0%	7.5%
Projected Salary Increases	4.25% -11.25%	4.0% - 14.0%
Cost of Living Adjustments (COLA)	0.0%	0.0%
Included Inflation at	2.5%	2.5%

Effective January 1, 2019, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

At least every five years, the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries Gabriel, Roeder, Smith & Co. based upon their analysis of past experience and expectations for the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019 and were used in the roll-forward 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

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
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%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determine rates based on the Board’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all the projected future benefit payments of the current plan. 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 asset.

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

ELK CREEK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

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

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

Regarding the sensitivity of the net pension (asset)/liability to changes in the Single Discount Rate, the following presents the plan’s net pension asset, calculated using a Single Discount Rate of 7.00%, as well as what the plan’s net pension asset (liability) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

1% Decrease 6.00%	Single Discount Rate Assumption 7.00%	1% Increase 8.00%
\$ 531,453	\$ 137,045	\$ (190,105)

Volunteer Firefighters

Plan Description

The District has adopted a defined benefit retirement plan (Pension Fund), for the benefit of its volunteer firefighters as authorized by State of Colorado statute, which is administered by FPPA. Under FPPA administration, the District’s Pension Plan is an “affiliated local plan” that is part of an agent multiple-employer Public Employee Retirement System (PERS). Under FPPA administration, the assets of participating “Affiliated Local Plans” are pooled for investment purposes. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Statewide Defined Benefit Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of FPPA.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

Membership as of January 1, 2019

Number of

- Retirees and Beneficiaries	58
- Inactive, Nonretired Members	3
- Active Members	<u>26</u>
- Total	<u>87</u>

Benefits Provided

The Pension Fund provides retirement benefits for members and beneficiaries according to provisions enacted and governed by the Board of Trustees. By Colorado state statute, the Board of Trustees is comprised of the District's Board of Directors and two active participants in the District's volunteer program. The Pension Board of Trustees has the authority to establish or amend benefit provisions. A participant who has completed at least 10 years of active service with the District, has reached the age of 50, and has met all other requirements imposed by Colorado state law and the District, is eligible to receive prorated monthly retirement benefits under the Pension Fund, not to exceed \$400 per month, based on a full 20 years of active service. The Plan also allows benefits for Death and Disability of its participants.

Availability of Financial Statements for Affiliated Local Plans

The Pension Fund does not issue stand-alone financial statements. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the participating Affiliated Local Plans. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111, or by visiting the web site at www.fppaco.org.

Contributions

Contributions are made by the District (actuarially determined and approved by the Board of Trustees) and annually by the State of Colorado in an amount determined by State statute. The State contributed \$24,000 in 2019. Volunteer firefighters do not contribute to the Pension Fund.

As a result of its requirement to contribute to the Volunteer Pension plan, the District recognized expense of \$25,574 for the year ended December 31, 2019. The District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to Volunteer Pension plan.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

	Deferred Outflows	Deferred Inflows
Differences between projected and actual investment earnings	\$ 106,911	\$ -
Differences between expected and actual experience	116	116,095
Change in assumptions	75,100	-
	<u>\$ 182,127</u>	<u>\$ 116,095</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the District's requirement to contribute to the plan will be recognized as expense/(Income) as follows:

Year ended December 31	Amount
2020	\$ 37,265
2021	(6,623)
2022	(5,587)
2023	40,977
Total	<u>\$ 66,032</u>

Actuarial Assumptions

The January 1, 2019 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2019. The valuation used the following actuarial assumption and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level \$ of Payroll, Open
Amortization Period	20 Years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-term Investment Rate of Return	7.5%
Projected Salary Increases	N/A
Cost of Living Adjustments (COLA)	0.0%
Included Inflation at	2.5%

Assumption Changes for 2020 Valuation

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

Inflation 2.50%

Mortality Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Police experience. Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables

ELK CREEK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

are projected with Scale BB. Disabled: RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits). The discount rate is 7.0%

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>
Global Equity	37%	8.03%
Equity Long/Short	9%	6.45%
Private Markets	24%	10.00%
Fixed Income	15%	2.90%
Absolute Return	9%	5.08%
Managed Futures	4%	5.35%
Cash	2%	2.52%
Total	100%	

Regarding the sensitivity of the net pension asset to changes in the Single Discount Rate, the following presents the plan's net pension asset, calculated using a Single Discount Rate of 7.00%, as well as what the plan's net pension asset would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

1% Decrease 6.00%	Single Discount Rate Assumption 7.00%	1% Increase 8.00%
\$ (234,654)	\$	(467,176) \$ (661,378)

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

The projection of cash flows used to determine the discount rate assumed that, where applicable, employer, employee and state contributions will be made at the current contribution rate and will also be made at the current statutorily required or actuarially determined rates.

Total Pension Asset

The total pension asset is determined by an actuarial valuation as of January 1, 2019, and a measurement date of December 31, 2018. The changes in the total pension asset for the year ended December 31, 2019 are summarized as follows:

	Increase(Decrease)		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liability [a]-[b]
Volunteer Plan			
Balance, December 31, 2018	\$ 2,265,931	\$ 2,828,690	\$ (562,759)
Changes for the year:			
Service Cost	34,702	-	34,702
Interest	164,517	-	164,517
Net investment income	-	1,482	(1,482)
Contributions-employer	-	26,670	(26,670)
Difference between expected and actual experience of the Total Pension Liability	(163,344)	-	(163,344)
Changes in assumption	86,286	-	86,286
Benefit payments including refunds of employee contributions	(182,100)	(182,100)	-
Administrative expense	-	(25,574)	25,574
State of Colorado supplemental discretionary payment	-	24,000	(24,000)
Net changes	<u>(59,939)</u>	<u>(155,522)</u>	<u>95,583</u>
Balance, December 31, 2019	<u>\$ 2,205,992</u>	<u>\$ 2,673,168</u>	<u>\$ (467,176)</u>

IRS Section 457 Plan

The District has adopted a deferred compensation plan (457 Plan) as defined under Internal Revenue Code Section 457. The 457 Plan allows District employees to make an elective deferral of a portion of their earned compensation to the 457 Plan. The District matches 50% of the employee contribution, up to a maximum of 2% of total wages as established by Colorado State statute. The 457 Plan is a multi-employer plan administered by FPPA. The 457 Plan trustee may amend the 457 Plan. For the year ended December 31, 2019, the District made contributions to the 457 Plan of \$26,670. Participating employees contributed \$52,333 to the 457 Plan during 2019.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

Statewide Death and Disability Plan

Disability and death benefits are provided by the District under the Statewide Death and Disability Plan (SD&D Plan), which is administered by FPPA. SD&D benefits and obligations to contribute are established, and may be amended, by Colorado State statute. The SD&D plan is a multi-employer, cost-sharing plan that is primarily funded by the State of Colorado for firefighters hired prior to January 1, 1997. For firefighters hired after this date currently pay 2.4% of their payroll to the SD&D Plan, which is covered by the District. The percentage contribution amount varies depending on actuarial experience. The SD&D plan solely provides death and disability payments to eligible participants. In 2019, the District contributed \$12,007 to the SD&D Plan.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to others; and natural disasters. The District funds its outside insurance purchases, deductibles, and uninsured losses through the general fund. The District carries commercial insurance for all risks of loss, including errors and omissions and property. Settled claims resulting from these risks have not exceeded coverage for the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

NOTE 8: ACCOUNTS RECEIVABLE

The amounts to be collected for charges for services relating to emergency medical service billings are a significant estimate. In 2019, the District used not only the direct write-off method, but also the allowance method to assess uncollectible emergency medical service charges.

During 2019, total uncollectible amounts written-off were \$64,828 all related to Medicare and Medicaid adjustments. The amounts shown on the statement of net position and the governmental fund balance sheet are net of the allowance for additional doubtful accounts of \$96,258.

ELK CREEK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

NOTE 9: TAXPAYER BILL OF RIGHTS (TABOR)

Amendment 1 to Article X, Section 20, of the Colorado Constitution (TABOR) requires the District to establish an emergency reserve in the amount of 3% of its fiscal year spending (as defined in TABOR) for the years ended December 31, 2019. District policy is to reserve 3% of the fiscal year resources or spending, whichever is greater. On the statement of net position and balance sheet for the governmental fund, the restricted amount for the TABOR reserve for 2019 is \$84,270. These amounts are based on fiscal year spending and are shown as “Restricted for Emergencies” in the Statement of Net Position and “Restricted-TABOR” in the balance sheet of the governmental fund.

NOTE 10: LEASE REVENUE

The District entered into an agreement to lease certain land to an unrelated third party on August 31, 2010. The lease requires monthly payments of \$1,800 over the five-year initial lease term ending August 31, 2015. At the end of the initial lease term, the lessee renewed the first of two five-year terms ending August 31, 2020.

Future minimum lease revenues are:

For years ending December 31,	
2020	<u>\$ 28,465</u>

NOTE 11: SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the District, COVID-19 may impact various parts of its 2020 operations and financial results, but the effects are currently unknown. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

In May 2020, the District received loan proceeds in the amount of \$291,900 under the Paycheck Protection Program (“PPP”). The PPP established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), enacted March 27, 2020, provides for loans up to 2.5 times of the average monthly payroll expense. The loans and accrued interest are forgivable after eight weeks as long as the District uses the loan proceeds for eligible purposes, including payroll, benefits and utilities. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. The District intends to use the proceeds for

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

purposes consistent with the PPP. The District currently believes that its use of the loan proceeds will meet the conditions for forgiveness as described in the CARES Act.

DRAFT

Required Supplementary Information

ELK CREEK FIRE PROTECTION DISTRICT

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

For the Year Ended December 31, 2019

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes:			
Property Taxes	\$ 1,738,315	\$ 1,753,749	\$ 15,434
Specific Ownership Taxes	111,000	138,110	27,110
Investment Earnings	25,250	17,388	(7,862)
Charges for Services	375,000	512,028	137,028
CRRF Reimbursement	740,000	247,165	(492,835)
Grants	76,000	-	(76,000)
Other Income	52,000	170,731	118,731
Total Revenues	<u>3,117,565</u>	<u>2,839,171</u>	<u>(278,394)</u>
EXPENDITURES			
Current:			
Administration	372,427	734,831	(362,404)
Emergency Medical Services	665,553	658,962	6,591
Wildland Fire Suppression	390,575	214,290	176,285
Fire Prevention	45,095	58,698	(13,603)
Training	140,980	179,740	(38,760)
Maintenance	85,029	106,365	(21,336)
Facilities	61,960	68,247	(6,287)
Pension Contributions	26,670	50,670	(24,000)
Grant Expenditures	820,000	327,047	492,953
Capital Outlays	206,000	269,627	(63,627)
Uncollectible Debt	80,000	-	80,000
Debt Service	334,609	334,609	-
Total Expenditures	<u>3,228,898</u>	<u>3,003,086</u>	<u>225,812</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (111,333)</u>	<u>(163,915)</u>	<u>\$ (52,582)</u>
FUND BALANCE, January 1,		<u>879,775</u>	
FUND BALANCE, December 31,		<u>\$ 715,860</u>	

Notes to Required Supplementary Information:
 The basis of budgeting is the same as GAAP.
 This schedule is presented on a GAAP basis.

See the accompanying independent auditors' report.

ELK CREEK FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER PENSION PLAN

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS MULTIYEAR
Last 10 Fiscal Years (prospectively since 2015)

Measurement period ending December 31,	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost	\$ 35,224	\$ 34,219	\$ 34,219	\$ 34,702	\$ 34,702
Interest on the Total Pension Liability	156,445	156,306	156,938	163,430	164,517
Benefit Changes	-	-	-	-	-
Difference between Expected and Actual Experience	(7,728)	-	659	-	(163,344)
Assumption Changes	-	-	77,535	-	86,286
Benefit Payments	(187,360)	(183,160)	(181,000)	(185,120)	(182,100)
Net Change in Total Pension Liability	<u>(3,419)</u>	<u>7,365</u>	<u>88,351</u>	<u>13,012</u>	<u>(59,939)</u>
Total Pension Liability - Beginning	<u>2,160,622</u>	<u>2,157,203</u>	<u>2,164,568</u>	<u>2,252,919</u>	<u>2,265,931</u>
Total Pension Liability - Ending	<u>\$ 2,157,203</u>	<u>\$ 2,164,568</u>	<u>\$ 2,252,919</u>	<u>\$ 2,265,931</u>	<u>\$ 2,205,992</u>
Plan Fiduciary Net Position					
Employer Contributions	\$ 26,670	\$ 26,670	\$ -	\$ 53,340	\$ 26,670
Pension Plan Net Investment Income	178,186	49,032	135,607	371,441	1,482
Benefit Payments	(187,360)	(183,160)	(181,000)	(185,120)	(182,100)
Pension Plan Administrative Expense	(27,623)	(11,791)	(12,727)	(30,059)	(25,574)
State of Colorado supplemental discretionary payment	24,000	24,000	24,000	24,000	24,000
Net Change in Plan Fiduciary Net Position	<u>13,873</u>	<u>(95,249)</u>	<u>(34,120)</u>	<u>233,602</u>	<u>(155,522)</u>
Plan Fiduciary Net Position - Beginning	<u>2,710,584</u>	<u>2,724,457</u>	<u>2,629,208</u>	<u>2,595,088</u>	<u>2,828,690</u>
Plan Fiduciary Net Position - Ending	<u>2,724,457</u>	<u>2,629,208</u>	<u>2,595,088</u>	<u>2,828,690</u>	<u>2,673,168</u>
Net Pension (Asset)	<u>(567,254)</u>	<u>(464,640)</u>	<u>(342,169)</u>	<u>(562,759)</u>	<u>(467,176)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Asset	126.3%	121.5%	115.2%	125.00%	121.18%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Asset as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

See the accompanying independent auditors' report.

ELK CREEK FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER PENSION FUND
SCHEDULE OF CONTRIBUTIONS MULTIYEAR
 Last 10 Fiscal Years (prospectively since 2014)

Fiscal Year Ending, December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ -	\$ 50,670 *	\$ (50,670)	N/A	N/A
2016	-	50,670	(50,670)	N/A	N/A
2017	-	24,000	(24,000)	N/A	N/A
2018	-	77,340	(77,340)	N/A	N/A
2019	-	53,340	(53,340)	N/A	N/A

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, 2017 determines the contribution amounts for 2018 and 2019.

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

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

See the accompanying independent auditors' report.

ELK CREEK FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEWIDE DEFINED BENEFIT PENSION FUND
SCHEDULE OF CONTRIBUTIONS MULTIYEAR
 Last 10 Fiscal Years (prospectively since 2015)

Fiscal Year Ending, December 31,	2015	2016	2017	2018	2019
Statutorily required contribution	\$ 58,368	\$ 44,156	\$ 51,566	\$ 58,089	\$ 52,333
Contributions in relation to the statutorily required contribution	58,368	44,156	51,566	58,089	52,333
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 729,600	\$ 551,950	\$ 644,588	\$ 726,113	\$ 654,164
District's contribution as a percentage of its covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%

See the accompanying independent auditors' report.

ELK CREEK FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
STATEWIDE DEFINED BENEFIT PENSION FUND

SCHEDULE OF ELK CREEK'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY

Last 10 Fiscal Years (prospectively since 2014)

	2014	2015	2016	2017	2018
District's proportion of the net pension Liability (Asset)	0.0983%	0.0000%	0.17800%	0.11000%	0.10840%
District's proportionate share of the collective net pension Liability (Asset)	\$ 110,969	\$ 1,486	\$ (38,970)	\$ 158,539	\$ 137,045
Plan fiduciary net position as a percentage of the total pension Liability (Asset)	106.8%	100.1%	98%	106%	95%
District's covered payroll	\$794,522	\$729,600	\$551,950	\$644,588	\$726,113
District's proportionate share of the net pension Liability (Asset) as a percentage of its covered payroll	14.3%	0.20%	-7.06%	24.60%	18.87%

See the accompanying independent auditors' report.