

East Grand Fire Protection District No. 4

Financial Statements

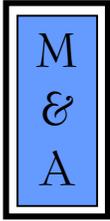
December 31, 2020



**East Grand Fire Protection District No. 4
Financial Report
December 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors East Grand Fire Protection District No. 4

We have audited the accompanying financial statements of the governmental activities and each major fund information of the East Grand Fire Protection District No. 4 (the "District"), as of and for the year ended December 31, 2020, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund information of the East Grand Fire Protection District No. 4 as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B and Budgetary Comparison Schedules in Section E be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B and Budgetary Comparison Schedules in Section E 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.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 16, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



East Grand Fire Protection District No. 4

Management's Discussion and Analysis

December 31, 2020

As management of East Grand Fire Protection District No. 4, (the "District"), we offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2020.

Financial Highlights

- The District's net position increased by \$687,677.
- The District has no long-term debt as of December 31, 2020.

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 financial statements are comprised of two components: 1) financial statements; and 2) Notes to the Financial Statements. These components are discussed below.

Financial statements: The financial statements are designed to provide readers with an overview of the District's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet/Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net position. The Balance Sheet columns present the financial position focusing on short-term available resources and are reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. 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 Revenues, Expenditures and Changes in Fund Balance/Statement of Activities shows how the government's fund balance and net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The District's financial statements can be found in section C of this report.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in section D of this report.

Financial Analysis of the District

East Grand Fire Protection District No. 4's Net Position

	2020	2019
Assets and Deferred Outflows:		
Current assets	\$ 9,678,304	\$ 8,772,308
Capital assets and long-term assets	6,499,083	6,574,273
Deferred outflows	578,469	710,648
Total Assets	<u>16,755,856</u>	<u>16,057,229</u>
Liabilities and Deferred Inflows:		
Current liabilities	18,733	15,001
Long-term liabilities	433,746	613,855
Deferred inflows	2,421,740	2,234,413
Total Liabilities and Deferred Inflows	<u>2,874,219</u>	<u>2,863,269</u>
Net Position:		
Restricted for:		
Investment in capital assets, net of debt	6,469,140	6,574,273
Restricted for TABOR	85,180	85,180
Restricted for pensions	29,943	-
Unrestricted	7,297,374	6,534,507
Total Net Position	<u>\$ 13,881,637</u>	<u>\$ 13,193,960</u>

A significant portion of the District's total assets reflect capital assets, which includes land, fire stations, vehicles, and equipment.

At the end of the 2020, the District is able to report positive balances in all categories of net position. Overall, the District's total assets increased during the most recent fiscal year. Governmental Accounting Standards Board Statement No. 34 requires asset acquisitions to be capitalized and depreciated over their respective estimated useful lives. For 2020, the District reported depreciation expense in the amount of \$477,691 and capitalized assets totaling \$372,558.

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Financial Analysis of the District (continued)

East Grand Fire Protection District No. 4's Change in Net Position

	2020	2019
Revenues:		
Property taxes	\$ 2,134,117	\$ 1,684,413
Specific ownership taxes	159,247	147,236
Fire impact fees	50,716	89,988
Interest	96,240	123,929
Unrealized gain (loss) on investment	131,229	70,392
Miscellaneous	40,014	22,777
Total Revenues	<u>2,611,563</u>	<u>2,138,735</u>
Expenditures/Expenses:		
Public safety	1,923,886	1,798,993
Total Expenditures/Expenses	<u>1,923,886</u>	<u>1,798,993</u>
Change in Net Position	<u>687,677</u>	<u>339,786</u>
Net Position - January 1	13,193,960	12,854,174
Net Position - December 31	<u>\$ 13,881,637</u>	<u>\$ 13,193,960</u>

Property taxes and specific ownership taxes were the most significant sources of revenues. When compared to 2019, overall revenues increased by \$472,828 in 2020. This increase is primarily caused by an increase in property tax revenues. Expenses increased in 2020 by \$124,893. Additional details of revenues and expenses can be found in the E section of the financial statements.

Budget Variances in the General Fund

The District did not amend the budget during the year. The following accounts had significant variances from budget:

	Final Budget	Actual	Variance Positive (Negative)	Reason
Revenues:				
Specific ownership taxes	120,000	159,247	39,247	The District budgets conservatively for SO tax revenues.
Unrealized gain (loss) on inv.	-	131,229	131,229	By nature this is difficult to budget, therefore District budgets conservatively
Expenditures/Expenses:				
Firefighting	1,067,500	922,236	145,264	The District budgets conservatively for payroll expense, payroll benefits, and insurance expenses.
Training	55,000	17,969	37,031	The District budgeted conservatively
Station, buildings & grounds	120,000	83,145	36,855	The District budgets conservatively for repairs and maintenance.

Capital assets: Additional capital asset information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements in section D.

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 information should be addressed to the District's Administrative Offices, 77601 US Highway 40, Winter Park, CO. 80482.

GOVERNMENT-WIDE FINANCIAL STATEMENTS



East Grand Fire Protection District
Governmental Funds Balance Sheet/Statement of Net Position
December 31, 2020

	Primary Government				Statement of Net Position
	General Fund	Impact Fee Fund	Total	Adjustments	
Assets:					
Cash and investments	7,068,342	-	7,068,342	-	7,068,342
Restricted cash and investments	-	388,999	388,999	-	388,999
Property taxes receivable	2,185,767	-	2,185,767	-	2,185,767
Other receivable	13,967	-	13,967	-	13,967
Prepaid expenditures	21,229	-	21,229	-	21,229
Net pension asset - employer plan	-	-	-	29,943	29,943
Capital assets, net of accumulated depreciation	-	-	-	6,469,140	6,469,140
Total Assets	9,289,305	388,999	9,678,304	6,499,083	16,177,387
Deferred Outflows of Resources:					
Pension related deferred outflows	-	-	-	578,469	578,469
Total Deferred Outflows	-	-	-	578,469	578,469
Liabilities:					
Accounts payable	14,992	-	14,992	-	14,992
Accrued liabilities	3,741	-	3,741	-	3,741
Net pension liability - volunteer plan	-	-	-	433,746	433,746
Total Liabilities	18,733	-	18,733	433,746	452,479
Deferred Inflow of Resources:					
Unavailable property tax revenue	2,185,767	-	2,185,767	-	2,185,767
Pension related deferred inflows	-	-	-	235,973	235,973
Total Deferred Inflows	2,185,767	-	2,185,767	235,973	2,421,740
Fund Balances / Net Position:					
Fund Balances:					
Non-spendable	21,229	-	21,229	(21,229)	-
Restricted for TABOR	85,180	-	85,180	(85,180)	-
Committed	-	388,999	388,999	(388,999)	-
Unassigned	6,978,396	-	6,978,396	(6,978,396)	-
Total Fund Balances	7,084,805	388,999	7,473,804	(7,473,804)	-
Total Liabilities, Deferred Inflows, and Fund Balances	9,289,305	388,999	9,678,304		
Net Position:					
Net investment in capital assets				6,469,140	6,469,140
Restricted for emergencies				85,180	85,180
Restricted for pensions				29,943	29,943
Unrestricted				7,297,374	7,297,374
Total Net Position				13,881,637	13,881,637

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

**East Grand Fire Protection District
Statement of Revenues, Expenditures and
Changes in Fund Balances/Statement of Activities
For the Year Ended December 31, 2020**

	Primary Government				Statement of Activities
	General Fund	Impact Fee Fund	Total	Adjustments	
Revenues:					
Property taxes	2,134,117	-	2,134,117	-	2,134,117
Specific ownership taxes	159,247	-	159,247	-	159,247
Impact fees	-	50,716	50,716	-	50,716
Investment income	93,283	2,957	96,240	-	96,240
Unrealized gain (loss) on investments	131,229	-	131,229	-	131,229
Miscellaneous	40,014	-	40,014	-	40,014
Total Revenues	<u>2,557,890</u>	<u>53,673</u>	<u>2,611,563</u>	<u>-</u>	<u>2,611,563</u>
Expenditures/Expenses:					
Administration	271,850	-	271,850	20,369	292,219
Pension contribution	64,000	-	64,000	-	64,000
Firefighting	922,236	-	922,236	344,411	1,266,647
Training	17,969	-	17,969	-	17,969
Communications	30,091	-	30,091	-	30,091
Station, buildings & grounds	83,145	-	83,145	169,815	252,960
Capital outlay	282,304	90,254	372,558	(372,558)	-
Total Expenditures/Expenses	<u>1,671,595</u>	<u>90,254</u>	<u>1,761,849</u>	<u>162,037</u>	<u>1,923,886</u>
Changes in Net Position	886,295	(36,581)	849,714	(162,037)	687,677
Fund Balances/Net Position:					
Beginning of Year	6,198,510	425,580	6,624,090		13,193,960
End of Year	<u>7,084,805</u>	<u>388,999</u>	<u>7,473,804</u>		<u>13,881,637</u>

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

NOTES TO THE FINANCIAL STATEMENTS



East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies

The East Grand Fire Protection District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to provide emergency and non-emergency services for the protection of life and property in eastern Grand County, Colorado.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established by GAAP used by the District are discussed below.

A. 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 appoint a voting majority of an organization's governing body and is either 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.

The District has no component units, and it is not a component unit of any other entity.

B. 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. However, the District does not have any business-type activities, only governmental activities.

1. Government-wide Financial Statements

In the Governmental Funds Balance Sheet/Statement of Net Position, the Statement of Net Position 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. 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. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements (continued)

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. The effect of interfund activity has been eliminated from the government-wide financial statements.

2. Fund Financial Statements

The *General Fund* is the District's primary operating fund. It accounts for all financial resources not required to be accounted for in another fund. Resources restricted within this fund relate to TABOR reserve requirements (see Note III.B).

The *Impact Fee Fund* accounts for the collection of fire impact fees. In 2003, the District entered into agreements with Grand County, the Town of Fraser, and the Town of Winter Park to collect fire impact fees from new developments within the boundaries of the District. The use of impact fees is limited to acquisition or improvement of District facilities and acquisition of new equipment. This fund is considered a major special revenue fund due to its significance to the District.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements and fiduciary fund 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.

2. Current Financial Focus and Modified Accrual Basis

The governmental funds 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 (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exceptions to this general rule are that principal and interest on general long-term debt and expenditures related to accrued compensated absences are recognized when due.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The District's investment policy permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Government Obligations
- U.S. Government Agency Obligations
- U.S. Government Instrumentality Obligations (except for Federal National Mortgage Association)
- Bank/U.S. Repurchase Agreements
- Local Government Investment Pools
- Money Market Mutual Funds
- FDIC-insured Interest-bearing accounts or checking accounts
- FDIC-insured Certificates of Deposit

2. Restricted Cash and Cash Equivalents

Certain deposits held by the District are classified as restricted assets on the balance sheet because their use is limited to the District's station-keeper program.

3. Receivables

Receivables are reported net of any allowance for uncollectible accounts.

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Interfund Receivables and Payables

Balances at year-end between funds are reported as “due (to) / from other fund” in the fund financial statements and are eliminated in the government-wide financial statements.

6. Capital Assets

Capital assets, which include land, fire stations and improvements, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital expenditures for projects are capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the asset.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	40
Mobile Equipment	5-25
Other Fire Fighting / Training Equipment	7-15
Administrative Assets	5-7

7. Compensated Absences

The District’s policy allows for a maximum carryover of 160 hours of vacation to the following year. At December 31, 2020, there were no hours carried forward to 2021. The District’s policy does not allow for payment of sick time upon termination. Therefore, no liability is included in these statements.

8. Accounts Payable and Accrued Liabilities

Accounts payable represent liabilities for goods and services received by the district that remain unpaid at December 31, 2020. All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

9. Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the District's defined benefit pension plan and additions to/deductions from the fiduciary net position of the District's defined benefit pension plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category, the collective deferred outflows of the District's net pension obligation. Pension contributions made after the measurement date, and the net difference between projected and actual earnings will be recognized as a change of the net pension liability or asset in future periods.

In addition to liabilities, the statement of financial position 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. The District has two types of items that qualify for reporting in this category. Unavailable revenue from property taxes, reported in the governmental balance sheet are deferred and recognized as an inflow from resources in the period that the amounts become available. Collective deferred inflows related to the District's net pension obligation are reported on the Statement of Net Position and are amortized over the average service lives of participants.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

11. Fund Balance

Government accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction place upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund balance that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications, refer to Note IV.D.

12. Use of Estimates

The preparation of financial statements to conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of differences between the governmental fund Balance sheet and the government-wide Statement of Net Position

The Governmental Funds Balance Sheet and the government-wide Statement of Net Position include a reconciling column. A number of elements in the reconciling column accounts for capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds. \$11,480,508 represents the cost of capital assets at December 31, 2020. Another adjustment represents the accumulated depreciation on capital assets. The total accumulated depreciation was \$5,011,367. Additional items relate to the net pension asset and liability the District is recognizing of \$29,943 and \$433,746, respectively, along with the associated deferred inflow and outflows of \$235,973 and \$578,469, respectively.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

B. Explanation of difference between the government fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities includes a reconciling column. One element of the reconciliation column accounts for governmental funds reporting capital outlay as expenditures. However, in the Statement of Net Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense totaled \$477,691. In addition to depreciation, the adjustments include capitalized expenses of \$372,558 and net pension changes of \$56,905.

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds and the fiduciary fund are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

- (1) For the 2020 budget, prior to October 15, 2019, the budget office submits to the board a proposed budget for the fiscal year commencing the following January 1. Upon receiving the proposed budget, the District will publish a "Notice of Budget". The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board to obtain taxpayer comments.
- (2) On or before December 15, 2019, the District submits a certification of mill levy to the county commissioners; the budget is approved through passage of a formal resolution prior to the submission of the certification.
- (3) For the 2020 budget, prior to December 15, 2019, the District computed and certified to the County Commissioners a rate of a levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient.
- (5) All appropriations lapse at a year-end.

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in 2019 were collected in 2020 and taxes certified in 2020 will be collected in 2021. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also 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. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service) for the fiscal year ended December 31, 2020. The District has reserved a portion of its December 31, 2020 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$85,180 which is the approximate required reserve at December 31, 2020.

The initial base for local government spending and revenue limits is December 31, 1992, fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

On May 5, 1998, the District's electorate approved the following ballot question:
Shall the East Grand County Fire Protection District No. 4 be authorized to collect, retain, and spend, for fire protection, emergency medical and rescue purposes, all revenues collected from the District's existing property tax rate of 3.070 Mills, and from all other funds and sources, commencing January 1, 1997, and continuing thereafter as a voter-approved revenue change, offset and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution, Section 29-1-301, C.R.S. or any other law.

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

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The District had the following deposits and investments with the following maturities as of December 31, 2020:

	Standard & Poors Rating	Carrying Amounts	Maturities	
			Less than one year	One to five years
<i>Petty cash and other</i>	Not rated	\$ 15,211	\$ 15,211	\$ -
<i>Deposits:</i>				
Checking and depository	Not rated	262,184	262,184	-
<i>Investments:</i>				
Certificates of Deposit	Not rated	4,515,914	185,101	4,330,813
Colorado Pools	AAAm	2,664,032	2,664,032	-
		<u>\$ 7,457,341</u>	<u>\$ 3,126,528</u>	<u>\$ 4,330,813</u>

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1:* Quoted prices for identical investments in active markets;
- Level 2:* Observable inputs other than quoted market prices; and,
- Level 3:* Unobservable inputs.

At December 31, 2020, the District had unrealized gains of \$131,229. The District had the following recurring fair value measurements:

Investments Measured at Fair Value	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Certificates of deposits	\$ 4,515,914	\$ -	\$ 4,515,914	\$ -
Money Market	71,070	71,070	-	-
Total	<u>\$ 4,586,984</u>	<u>\$ 71,070</u>	<u>\$ 4,515,914</u>	<u>\$ -</u>

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments Measured at Net Asset Value	Total
Colotrust	\$ 2,664,032
Total	\$ 2,664,032

Investments classified in Level 1 are valued using prices quoted in active markets for those investments. Investments classified in Level 2 are valued using the following approaches:

U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;

The Investment Pool represents investments in COLOTRUST. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2020, the District's investments in COLOTRUST were 36% and government securities were 0% of the District's investment portfolio.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length on maturities, the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's investment policy is to follow statutes which is to apply the prudent-person rule: Investments are made as a prudent person would expect to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative statements.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are implicitly insured by the U.S. Federal Government and meet the AA+ rating. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible depository.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Receivables

The District has the following receivables, net of applicable uncollectible accounts:

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Total</u>
Property taxes, net	\$ 2,185,767	-	\$ 2,185,767
Other Receivables	13,967	-	13,967
Gross receivables on fund(s)	<u>2,199,734</u>	<u>-</u>	<u>2,199,734</u>
Less: Allowance for uncollectible	-	-	-
Net receivables on fund(s)	<u>\$ 2,199,734</u>	<u>-</u>	<u>\$ 2,199,734</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 175,070	-	-	\$ 175,070
Total capital assets, not being depreciated	<u>175,070</u>	<u>-</u>	<u>-</u>	<u>175,070</u>
Capital assets, being depreciated:				
Buildings and improvements	5,388,612	130,372	(10,435)	5,508,549
Vehicles	5,760,025	180,496	(682,848)	5,257,673
Equipment	491,476	61,690	(13,950)	539,216
Total capital assets being depreciated	<u>11,640,113</u>	<u>372,558</u>	<u>(707,233)</u>	<u>11,305,438</u>
Less accumulated depreciation:	<u>(5,240,910)</u>	<u>(477,691)</u>	<u>707,233</u>	<u>(5,011,368)</u>
Total capital assets, being depreciated, net	<u>6,399,203</u>	<u>(105,133)</u>	<u>-</u>	<u>6,294,070</u>
Total Capital Assets, Net	<u>\$ 6,574,273</u>	<u>(105,133)</u>	<u>-</u>	<u>\$ 6,469,140</u>

Depreciation expense was charged to functions of the District as follows:

General and administrative	\$ 20,369
Fire and rescue services	287,506
Station, buildings, & grounds	169,816
Total Depreciation Expense	<u>\$ 477,691</u>

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Fund Balance Disclosure

The District classified governmental fund balances as follows:

Non-spendable – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, etc.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The General Fund had funds restricted by law for emergencies under Colorado’s TABOR amendment.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of the District.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of the District or its management designees.

Unassigned – includes residual positive fund balance within the General Fund, which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as grant agreements that require dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts when expenditures are made. The District does not have an adopted minimum fund balance policy, however, the District’s budget includes calculations of targeted reserve positions, which is reported annually to the Board of the District.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

1. FPPA Statewide Defined Benefit Plan

Plan Description The FPPA SDBP is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided they are not already covered by a statutorily exempt plan. As of August 1, 2003, the SDBP may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The plan became effective January 1, 1980.

The plan assets are included in the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Director Investment Fund (for Deferred Retirement Option Plan ("DROP") assets and Separate Retirement Account assets from eligible retired members).

Contributions. Determined by state statute or by election of the members, contributions are set at a level that enables all benefits to be fully funded at the retirement date of all members. Effective January 1, 2021, contribution rates may be increased by the FPPA Board of Directors upon approval through an election by both the employers and members.

In 2014, the members elected to increase the member contribution rate 0.5% annually from 2015 through 2022 to a total of 12% of base salary. Employer contributions will increase 0.5% annually beginning in 2021 through 2030 to a total of 13%. In 2019, employees and employers are contributing at a rate of 10.5% and 8%, respectively, of base salary for a total contribution rate of 18.5%.

Contributions from members and employers of plans reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 22.5% of base salary in 2019. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry group will also have their required member and employer contribution rates increase 0.5% annually. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the additional 4% contribution to the plan for reentry contributions.

The contribution rate for members and employers of affiliated social security employers is 5.25% and 4% of base salary for a total contribution rate of 9.25% in 2019. Per the 2014 member election, the affiliated social security group will also have their required member contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will increase 0.25% annually beginning in 2021 through 2030 to a total of 6.5% of base salary.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

1. FPPA Statewide Defined Benefit Plan (continued)

Benefits On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the SDBP to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983, such that any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50.

The annual normal retirement benefit is 2% 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% 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% or the Consumer Price Index.

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited 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% 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% of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

Net Pension Liability At December 31, 2020, the District reported a balance of \$29,943 for its proportionate share of the net pension asset. The SDBP's fiduciary net position currently is greater than the total pension liability, resulting in an asset reported by the District. The net pension was measured as of December 31, 2019, and the total pension used to calculate the net pension was determined by an actuarial valuation as of January 1, 2020. The District proportion of the net pension was based on District contributions to the SDBP for the calendar year 2019 relative to the total contributions of participating employers to the SDBP.

At December 31, 2020, the District proportion was, 0.053720% as compared to 0.052944% at December 31, 2019.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

1. FPPA Statewide Defined Benefit Plan (continued)

For the year ended December 31, 2020, the District recognized pension revenue of \$26,391. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources</u>	
Changes in pension assumptions	\$ 56,854
Changes in pension actual and reported contribution	\$ 130,125
Changes in pension experience difference	\$ 101,333
Changes in proportionate share of contributions	\$ 27,654
Contributions subsequent to measurement date	\$ 30,147
<u>Deferred Inflows of Resources</u>	
Differences between proportionate share	\$ 12,216
Differences between actual and expected experience	\$ 587

Contributions subsequent to the measurement date of December 31, 2019, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2021	\$ 30,106
2022	26,030
2023	41,343
2024	21,480
2025	41,503
Thereafter	95,630
	<u>\$ 256,092</u>

Actuarial assumptions: The actuarial valuations for the SDBP were used to determine the total pension liability and actuarially determined contributions. The valuations used the following actuarial assumption and other inputs:

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

1. FPPA Statewide Defined Benefit Plan (continued)

Actuarial assumptions: The actuarial valuations for the SDBP were used to determine the total pension liability and actuarially determined contributions. The valuations used the following actuarial assumption and other inputs.

	<u>Total Pension Liability</u>	<u>Actuarial Determined Contributions</u>
Actuarial Valuation Date	January 1, 2020	January 1, 2019
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % Payroll, Open
Amortization Period	N/A	30 Years
Long-term investment rate *	7.0%	7.0%
Projected Salary Increases	4.25% to 11.25%	4.0% - 11.25%
Cost of Living Adjustments	0.0%	0%
* includes inflation at	2.5%	2.5%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rate 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.

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.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

1. FPPA Statewide Defined Benefit Plan (continued)

Actuarial Assumptions (continued). 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 Rate of Return</u>
Global Equity	38%	7.00%
Equity Long/Short	8%	6.00%
Illiquid Alternatives	25%	9.20%
Fixed Income	15%	5.20%
Absolute Return	8%	5.50%
Managed Futures	4%	5.00%
Cash	2%	2.52%
	<u>100%</u>	

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.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00%.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

1. FPPA Statewide Defined Benefit Plan (continued)

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1 % Increase (8.0%)
Collective net pension liability (asset)	\$ 342,913,305	\$ (56,556,341)	\$ (387,863,540)
Proportionate share of net pension liability (asset)	\$ 181,551	\$ 29,943	\$ (205,349)

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

There were no contributions payable by the District at December 31, 2020.

2. Volunteer Fire and Police Pension Plan

Plan Description The District is trustee of a single-employer defined benefit pension plan available to provide retirement income for all volunteer firefighters in recognition of their service to the District. The Plan is administered FPPA. FPPA administers an agent multiple-employer Public Employee Retirement System ("PERS") represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for administration and investment only.

The Plan provides retirement benefits, survivor benefits, and funeral benefits. The normal age and service requirement is the latest date a volunteer reaches 50 years of age and 20 years of service. Firefighters with 10 to 20 years of service are eligible for partial retirement benefits. Upon death, the surviving spouse receives a monthly pension equal to 50% of the benefit previously received, payable until death. As of January 1, 2019, the latest actuarial valuation date, there were 18 active members, 47 retirees and beneficiaries, and 3 inactive, non-retired members.

The District closed the Plan to new volunteer firefighters as of December 31, 2016.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

2. Volunteer Fire and Police Pension Plan (continued)

Benefits Provided The normal retirement benefit is \$600 per month at age 50 with 20 years of service, and an additional \$30.00 extended service amount per year of service after 20 years. After at least 10 years of service, the monthly retirement benefit is \$30.00 per year of service up to 20 service years. The monthly survivor benefits are \$300 following death in normal retirement. The monthly survivor benefit after at least 10 years of service is \$15.00 per year of service up to 20 service years. The funeral benefit is a one-time only \$500.

Contributions The funding of the Plan by the District and members is authorized by the Board of Trustees. The contribution by the State of Colorado (the "State") toward fire pension funds has been a fixed dollar amount established by the legislature and allocated pro rata to all fire pension funds in the State who apply for State matching funds, based upon the amounts contributed by the employer up to a maximum of one half (1/2) mill on the assessed valuation or 90% of District contributions, whichever is less. Since the District currently offers maximum retirement benefits in excess of \$500 per month, the State will match at the level determined above but no greater than the maximum of : (1) the amount necessary to fund a pension of \$300 per month on an actuarially sound basis, and (2) the amount of State contributions provided in the prior year.

Net Pension Liability At December 31, 2020, the District reported a net pension liability of \$-433,746 for its volunteer pension fund. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions The following table sets forth the methods and assumptions used to determine contribution rates:

Actuarial method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	20 years
Asset valuation method	5-Year Smoothed Market
Includes inflation at	2.50%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement; RP-2014 Mortality Tables for Blue Collar Employees projected with scale BB, 55% multiplier for off-duty mortality Post-retirement: for ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

2. Volunteer Fire and Police Pension Plan (continued)

Actuarial Assumptions (continued) The long-term expected rate of return on pension plan investments was determined using a building-block in which best estimate ranges of expected future real rates of return (expected return, net of 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 weighting the expected future real rates of return by the target asset allocation percentage and then 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 December 31, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real 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	<u>100.00%</u>	

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

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

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

2. Volunteer Fire and Police Pension Plan (continued)

Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	Current Single Discount Rate Assumption		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1 % Increase (8.0%)
Proportionate share of net pension liability (asset)	\$ 763,994	\$ 433,746	\$ 161,613

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

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions In connection with the Plan, for the year ended December 31, 2020, the District recognized pension expense of \$80,968. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Net differences between projected and actual earnings on pension plan investments	\$ 104,165
Net differences between expected and actual pension expense	\$ 13,257
Contributions subsequent to measurement date	\$ 64,000
Change in actuarial assumptions	\$ 50,934

Deferred Inflows of Resources

Pension change in proportionate share	\$ 176,099
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East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

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

2. Volunteer Fire and Police Pension Plan (continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued) Contributions subsequent to the measurement date of December 31, 2019, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the subsequent years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:		
2021	\$	25,691
2022		(5,180)
2023		1,864
2024		(30,118)
	\$	(7,743)

Following an experience study in 2018, the Board adopted a new assumption set for first use in the January 1, 2019 valuations.

Investment
Rate of Return 7.00%

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

East Grand Fire Protection District No. 4
Notes to the Financial Statements
December 31, 2020
(Continued)

V. Other Information

A. Risk Management

The District is exposed to various risks of loss related to workers compensation; general liability, unemployment, torts, theft of, damage to, and destruction of assets; and errors and omissions. The District has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance coverage.

B. Statewide Death and Disability Plan

Plan Description – Firefighters of the District contribute to the Statewide Death and Disability Plan (“SWDD”). The SWDD is a cost-sharing multiple-employer defined benefit death and disability plan administered by FPPA. Contributions to the SWDD are used solely for the payment of death and disability benefits. The SWDD was established in 1980 pursuant to Colorado Revised Statutes.

SWDD benefits provide 24-hour coverage, both on-duty and off-duty for members not eligible for normal retirement under a defined benefit plan, or under a money purchase plan.

In the case of an on-duty death, benefits may be payable to the surviving spouse or dependent children of active members who were eligible to retire, but were still working. Death and disability benefits are free from state and federal taxes in the event that a member’s disability is determined to be the result of an on-duty injury or an occupational disease.

Funding Policy – Prior to 1997, the SWDD was primarily funded by the State of Colorado (the “State”), whose contributions were established by Colorado state. In 1997 the State made a one-time contribution of \$39,000,000 to fund past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated.

The SWDD is funded by voluntary member contributions. Members hired on or after January 1, 1997, began contributing 2.4 percent of base salary to the SWDD. Contributions may be increased 0.1 percent biennially by the FPPA Board. As of January 1, 2019, the contribution rate is 2.8 percent of base salary. This percentage can vary depending on actuarial experience. All contributions are made by member or on behalf of members. The 2.7 percent contribution may be paid entirely by the District or member, or it may be split between the District and the member as determined at the local level. The District made \$9,088 employer contributions to the SWDD at December 31, 2020.

FPPA issues a publicly available comprehensive annual financial report which includes additional information on the Statewide Death and Disability Plan. That report can be obtained at <https://www.fppaco.org/annual-reports.html>.

C. Subsequent Event

Management has evaluated subsequent events through June 16, 2021, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION



East Grand Fire Protection District
General Fund
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2020
With Comparative Actual Amounts for 2019

	<u>2020</u>		<u>2019</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Property taxes	2,133,217	2,134,117	900	1,684,413
Specific ownership taxes	120,000	159,247	39,247	147,236
Interest income	95,000	93,283	(1,717)	115,737
Unrealized gain (loss) on federal bonds	-	131,229	131,229	70,392
Miscellaneous	22,000	40,014	18,014	22,777
Total Revenues	<u>2,370,217</u>	<u>2,557,890</u>	<u>187,673</u>	<u>2,040,555</u>
Expenditures/Expenses:				
Administration	282,261	271,850	10,411	277,173
Pension contribution	64,000	64,000	-	60,000
Firefighting	1,067,500	922,236	145,264	895,569
Training	55,000	17,969	37,031	24,874
Communications	21,550	30,091	(8,541)	30,087
Station, buildings & grounds	120,000	83,145	36,855	70,640
Community wildlife protection	5,000	-	5,000	-
Capital outlay	386,000	282,304	103,696	885,042
Contingency	7,121,327	-	7,121,327	-
Total Expenditures/Expenses	<u>9,122,638</u>	<u>1,671,595</u>	<u>7,451,043</u>	<u>2,243,385</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,752,421)	886,295	7,638,716	(202,830)
Other Financing Sources (Uses):				
Gain (loss) on disposition of assets	150,000	-	(150,000)	10,544
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>10,544</u>
Changes in Net Position	<u>(6,602,421)</u>	886,295	<u>7,488,716</u>	(192,286)
Fund Balances/Net Position:				
Beginning of Year		6,198,510		6,390,796
End of Year		<u>7,084,805</u>		<u>6,198,510</u>

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

**East Grand Fire Protection District
Special Revenue - Impact Fee Fund
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2020
With Comparative Actual Amounts for 2019**

	2020		Final Budget Variance Positive (Negative)	2019
	Original and Final Budget	Actual		Actual
Revenues:				
Impact fees	100,000	50,716	(49,284)	89,988
Interest income	6,200	2,957	(3,243)	8,192
Total Revenues	106,200	53,673	(52,527)	98,180
Expenditures/Expenses:				
Capital outlay	-	90,254	(90,254)	-
Contingency	517,164	-	517,164	-
Total Expenditures/Expenses	517,164	90,254	426,910	-
Changes in Net Position	(410,964)	(36,581)	374,383	98,180
Fund Balances/Net Position:				
Beginning of Year		425,580		327,400
End of Year		388,999		425,580

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

East Grand Fire Protection District
Schedule of the District's Proportionate Share of Net Pension Liability (Asset)
Fire and Police Pension Association of Colorado - Volunteer Pension Fund
Last 10 Fiscal Years *

<u>Employer Plan:</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's portion of the net pension asset	0.052944%	0.053720%	0.060223%	0.065453%	0.066933%	0.062911%	0.065031%
District's proportionate share of the net pension liability (asset)	(29,943)	67,917	(86,640)	23,647	(1,180)	(71,000)	(58,150)
District's covered payroll	390,213	359,850	\$ 352,263	\$ 334,975	\$ 324,475	\$ 282,912	\$ 282,458
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-8%	19%	-25%	7%	0%	-25%	-21%
Plan fiduciary net position as a percentage of the total pension asset	101.90%	95.20%	106.30%	98.21%	100.10%	106.80%	105.80%
 <u>Volunteer Plan:</u>							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Total Pension Liability							
Service Cost	39,968	36,950	\$ 36,950	\$ 33,228	\$ 33,228	\$ 30,612	
Interest on the Total Pension Liability	181,071	179,106	175,421	172,443	169,263	169,017	
Benefit Changes							
Difference between Expected and Actual Experience	-	31,193	-	(56,358)	-	-	
Assumption Changes	-	119,842	-	47,279	-	(39,714)	
Benefit Payments	(170,470)	(169,259)	(157,440)	(159,940)	(160,217)	155,720	
Net Change in Total Pension Liability	<u>50,569</u>	<u>197,832</u>	<u>54,931</u>	<u>36,652</u>	<u>42,274</u>	<u>315,635</u>	
Total Pension Liability - Beginning	<u>2,650,872</u>	<u>2,453,040</u>	<u>2,398,109</u>	<u>2,361,457</u>	<u>2,319,183</u>	<u>2,314,988</u>	
Total Pension Liability - Ending (a)	<u>\$ 2,701,441</u>	<u>\$ 2,650,872</u>	<u>\$ 2,453,040</u>	<u>\$ 2,398,109</u>	<u>\$ 2,361,457</u>	<u>\$ 2,319,183</u>	
Plan Fiduciary Net Position							
Employer Contributions	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	
Pension Plan Net Investment Income	293,443	1,370	285,264	102,855	35,280	127,392	
Benefit Payments	(170,470)	(169,259)	(157,440)	(159,940)	(160,217)	(155,720)	
Pension Plan Administrative Expense	(20,212)	(18,661)	(15,611)	(4,536)	(4,974)	(4,727)	
State of Colorado supplemental discretionary payment	-	36,000	36,000	36,000	36,000	36,000	
Net Change in Plan Fiduciary Net Position	<u>162,761</u>	<u>(90,550)</u>	<u>208,213</u>	<u>34,379</u>	<u>(33,911)</u>	<u>62,945</u>	
Plan Fiduciary Net Position - Beginning	<u>2,104,934</u>	<u>2,195,484</u>	<u>1,987,271</u>	<u>1,952,892</u>	<u>1,986,803</u>	<u>1,923,858</u>	
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,267,695</u>	<u>\$ 2,104,934</u>	<u>\$ 2,195,484</u>	<u>\$ 1,987,271</u>	<u>\$ 1,952,892</u>	<u>\$ 1,986,803</u>	
Net Pension Liability - Ending (a) - (b)	<u>\$ 433,746</u>	<u>\$ 545,938</u>	<u>\$ 257,556</u>	<u>\$ 410,838</u>	<u>\$ 408,565</u>	<u>\$ 332,380</u>	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.94%	79.41%	82.87%	82.87%	82.70%	85.67%	
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014 for employer plan, and fiscal year 2015 for Volunteer Plan.

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

**East Grand Fire Protection District
Schedule of District Contributions
Fire and Police Pension Association of Colorado - Statewide Defined Benefit Plan
Last 10 Fiscal Years ***

Employer Plan:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	31,217	28,788	28,181	26,798	25,958	22,633	22,597
Contributions in relation to the contractually required contribution	<u>(31,217)</u>	<u>(28,788)</u>	<u>(28,181)</u>	<u>(26,798)</u>	<u>(25,958)</u>	<u>(22,633)</u>	<u>(22,597)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
District's covered payroll	390,213	359,850	352,263	334,975	324,475	282,913	282,463
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Volunteer Plan:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 70,485	\$ 70,485	\$ 67,147	\$ 67,147	\$ 77,586	\$ 77,586
Actual contribution, including State of Colorado discretionary payment	<u>(60,000)</u>	<u>(96,000)</u>	<u>(96,000)</u>	<u>(96,000)</u>	<u>(96,000)</u>	<u>(96,000)</u>
Contribution deficiency (excess)	<u>\$ 10,485</u>	<u>\$ (25,515)</u>	<u>\$ (28,853)</u>	<u>\$ (28,853)</u>	<u>\$ (18,414)</u>	<u>\$ (18,414)</u>

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014 for employer plan, and fiscal year 2015 for Volunteer Plan.

SUPPLEMENTAL INFORMATION



East Grand Fire Protection District
Notes to the Required Supplementary Information
December 31, 2020

I. Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset) – Volunteer Pension Fund

A. Changes of assumptions or other inputs

1. Changes Since January 1, 2019 Actuarial Valuation are as Follows:

- No changes.

2. Changes Since January 1, 2018 Actuarial Valuation are as Follows:

- The global assumption set for plans administered by FPPA was changed in the 2018 Experience Study and effective as of January 1, 2019. Significant changes affecting this valuation include:
 - Reduce investment return from 7.5% to 7.0%.
 - Update base mortality tables and projection scales.
 - Increase withdrawal rates by 10%.

A. Changes of benefit terms

No changes during the years presented.

B. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

II. Notes to the Schedule of District Contributions – Volunteer Pension Fund

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

East Grand Fire Protection District
Notes to the Required Supplementary Information
December 31, 2020

III. Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset) – Statewide Defined Benefit Plan

A. Changes of assumptions or other inputs

1. Changes Since January 1, 2019 Actuarial Valuation are as Follows:

- No changes.

2. Changes Since January 1, 2018 Actuarial Valuation are as Follows:

- For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rate 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.

3. Changes Since January 1, 2017 Actuarial Valuation are as Follows:

- No changes

4. Changes Since January 1, 2016 Actuarial Valuation are as Follows:

- No changes

5. Changes Since January 1, 2015 Actuarial Valuation are as Follows:

- Effective January 1, 2016, 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 that 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.

**East Grand Fire Protection District No. 4
Notes to the Required Supplementary Information
December 31, 2020**

III. Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset) – Statewide Defined Benefit Plan (continued)

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

IV. Notes to the Schedule of District Contributions – Statewide Defined Benefit Plan

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.