



DONALD WESCOTT FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2021

ERICKSON, BROWN & KLOSTER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Donald Wescott Fire Protection District
Colorado Springs, Colorado

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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INDEPENDENT AUDITORS' REPORT – CONTINUED

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Auditors' Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures and Change in Fund Balance, Budget and Actual – General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset), and the Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

INDEPENDENT AUDITORS' REPORT – CONTINUED

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supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Erickson, Brown & Klotter LLC

Colorado Springs, Colorado

August 26, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DONALD WESCOTT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

As management of Donald Wescott Fire Protection District (the District) we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$4,013,781 (net position). Of this amount, \$1,325,835 (unrestricted net position) may be used to meet the District's ongoing obligations to its citizens and creditors.
- As of the close of the fiscal year, the General Fund reported an ending fund balance of \$909,163 a decrease of \$312,255 in comparison with the prior year. \$860,486 is either restricted or assigned.
- At the end of the current fiscal year, ending fund balance was 24.52% of total expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented are comprised of three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

This report also contains other supplemental information in addition to the financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances as a whole, in a manner similar to a private-sector business and includes two statements:

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

The *Statement of Activities* presents information showing how the 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 only result in cash flows in future fiscal periods.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Both government-wide financial statements (statement of net position and statement of activities) distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general and administrative activities and fire and emergency medical services.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has only one fund, the General Fund, which is a governmental fund.

Governmental Fund - The District's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the District's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Notes to the Financial Statements - The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the District. The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided to allow for a direct comparison to each budget line item and to demonstrate compliance with the budget.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position - Two-Year Comparison

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets			
Current and Net Pension Assets	\$ 4,650,573	\$ 4,285,277	\$ 365,296
Capital Assets, Net of Accumulated Depreciation	2,575,946	2,694,958	(119,012)
Total Assets	<u>7,226,519</u>	<u>6,980,235</u>	246,284
Deferred Outflows of Resources	729,256	739,332	(10,076)
Total Assets and Deferred Outflows	<u><u>\$ 7,955,775</u></u>	<u><u>\$ 7,719,567</u></u>	<u><u>\$ 236,208</u></u>
Liabilities			
Current Liabilities	\$ 79,305	\$ 131,319	\$ (52,014)
Long-Term Liabilities	269,502	177,894	91,608
Total Liabilities	<u>348,807</u>	<u>309,213</u>	39,594
Deferred Inflows of Resources	3,593,187	2,922,336	670,851
Total Liabilities and Deferred Inflows	<u><u>\$ 3,941,994</u></u>	<u><u>\$ 3,231,549</u></u>	<u><u>\$ 710,445</u></u>
Net Position			
Net Investment in Capital Assets	\$ 2,575,946	\$ 2,694,958	\$ (119,012)
Restricted	112,000	96,000	16,000
Unrestricted	1,325,835	1,697,060	(371,225)
Total Net Position	<u><u>\$ 4,013,781</u></u>	<u><u>\$ 4,488,018</u></u>	<u><u>\$ (474,237)</u></u>

Comments – Current Assets and Net Pension Assets

Current assets changed in 2021 due current liabilities decreasing and long-term liabilities increasing. The Pension assets did well in 2021.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Comments – Capital Assets

Capital assets include land, buildings and improvements, vehicles and equipment. The District's investment in capital assets for its governmental activities at the end of the year was \$2,575,946.

<u>Type</u>	<u>2021</u>	<u>2020</u>
Land	\$ 213,361	\$ 213,361
Land Improvements	45,385	45,385
Buildings	3,460,607	3,460,607
Vehicles	2,395,175	2,395,175
General Equipment	727,825	860,719
Total Capital Assets, Gross	<u>6,842,353</u>	<u>6,975,247</u>
Accumulated Depreciation	<u>(4,266,407)</u>	<u>(4,280,289)</u>
Total Capital Assets, Net	<u><u>\$ 2,575,946</u></u>	<u><u>\$ 2,694,958</u></u>

Comments - Liabilities

The District has no current long-term purchases.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

Condensed Statement of Activities - Two-Year Comparison

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Expenses			
Fire and Emergency Medical Services	\$ 3,223,612	\$ 2,861,748	\$ 361,864
General and Administrative	646,651	667,548	(20,897)
Total Expenses	<u>646,651</u>	<u>667,548</u>	<u>(20,897)</u>
Revenues			
Program Revenues			
Charges for Services	306,837	227,782	79,055
Operating Grants and Contributions	93,561	-	93,561
General Revenues			
Property Taxes	2,670,572	2,656,164	14,408
Specific Ownership Tax	313,438	289,462	23,976
Miscellaneous	10,983	5,780	5,203
Investment Earnings	635	869	(234)
Gain on Involuntary Conversion	-	22,652	(22,652)
Total Revenues	<u>3,396,026</u>	<u>3,202,709</u>	<u>193,317</u>
Change in Net Position	2,749,375	2,535,161	214,214
Net Position - Beginning of Year	<u>7,349,766</u>	<u>4,814,605</u>	<u>2,535,161</u>
Net Position - End of Year	<u>\$ 10,099,141</u>	<u>\$ 7,349,766</u>	<u>\$ 2,749,375</u>

Comments - Expenses

Expenses increased in 2021 due to multiple moving parts. We participated in a feasibility study with the neighboring department to see if it was feasible to merge the two districts due to staffing, fire stations, apparatus, and serve the Northern Colorado Springs community as one. The district also had a retirement, employee turnover, and increased costs of doing business.

Comments - Revenues

Revenues increased primarily due to an increase in property tax and specific ownership tax. Specific Ownership tax is always budgeted on a very conservative level. Baptist road saw multiple multi-family units and commercial space being built out in 2021 adding to plan review fees.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

GENERAL FUND FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District accounts for all activity in a single general fund.

As discussed on page ii, the General Fund is the operating fund of the District. The ending fund balance was \$909,163, as reflected on page 6 of the financial statements. Of this amount \$112,000 was TABOR restricted as a required reserve fund.

BUDGETARY HIGHLIGHTS

The District deployed firefighters to ten(10) fires total. We went to three (3) in California, two (2) in Montana, two (2) in Arizona, and one (1) in Maryland, Wyoming, and Oregon. By participating in these national incident deployments, our firefighters gained valuable experience in fighting wild fires as well as interfacing with agencies from all over the country. The District generated \$306,837 in revenue from these wildland deployments in 2021. All District stations maintained staffing and operational during the deployments.

We received several donations from High Forest Ranch totaling \$ 619.00.

As a benefit to our firefighters, the District established a Health Reimbursement Account (HRA) in 2013 to help defray the health costs incurred by our members. This program allows the District flexibility with providing cost effective health insurance to its members. This year we chose a higher deductible with a lower monthly premium. The District spent \$88,371.

The District's 2021 final budget had total revenue of \$3,001,348. The District ended the year with total actual revenue of \$3,396,026, representing a favorable variance of \$394,678. This variance was caused due to unbudgeted reimbursements from wildland fire deployments, more plan review/inspections than anticipated, COVID Relief Fund reimbursements, \$57,438 in additional special ownership taxes, and final insurance recovery payments for the roof at the station.

The District's final budget had total expenditures of \$3,257,765. The District ended the year with actual audited expenditures of \$3,708,281. Actual expenditures had an unfavorable variance against budgeted expenditures of \$450,516. At the beginning of 2021 Fire Chief Vincent Burns retired and the Board of Directors hired Interim Fire Chief Warren Jones. Chief Jones worked with Tri-Lakes Monument Fire Chief in helping with a third party feasibility study to see if the fire districts should combine. Between third-party study fees, legal fees, retirements, and two paid Fire Chief's we had a year of unforeseen expenses come up.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

Schedule of Revenues, Expenditures, & Change in Fund Balance, Budget & Actual - General Fund

	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues			
General Property Tax	\$ 2,669,048	\$ 2,670,572	\$ 1,524
Specific Ownership Tax	256,000	313,438	57,438
Fire and Emergency Medical Services	50,000	400,398	350,398
Miscellaneous	26,000	10,983	(15,017)
Investment Earnings	300	635	335
Total Revenues	<u>3,001,348</u>	<u>3,396,026</u>	<u>394,678</u>
Expenditures			
General and Administrative	574,670	646,651	(71,981)
Fire and Emergency Medical Services	2,683,095	3,061,630	(378,535)
Total Expenditures	<u>3,257,765</u>	<u>3,708,281</u>	<u>(450,516)</u>
Net Change in Fund Balance	(256,417)	(312,255)	(55,838)
Beginning Fund Balance, January 1	<u>845,996</u>	<u>1,221,418</u>	<u>375,422</u>
Ending Fund Balance, December 31	<u>\$ 589,579</u>	<u>\$ 909,163</u>	<u>\$ 319,584</u>

ECONOMIC FACTORS

With merging two fire districts the two departments along with the third party saw value in saving costs on building more fire stations and hiring new fire chiefs. With an every growing population it is important to limit costs and provide more service by adding more firefighters.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Donald Wescott Fire Protection District, 15415 Gleneagle Drive, Colorado Springs, CO 80921.

FINANCIAL STATEMENTS

DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 878,895
Cash Held by County Treasurer	24,749
Grants Receivable	5,100
Prepaid Expenses	79,724
Property Tax Receivable	3,014,225
Capital Assets, Net of Accumulated Depreciation	2,575,946
Net Pension Asset - SWDB	434,399
Net Pension Asset - Volunteer Pension	213,481
Total Assets	\$ 7,226,519
 Deferred Outflows of Resources	
Pension - SWDB	\$ 699,909
Pension - Volunteer	29,347
Total Deferred Outflows of Resources	\$ 729,256
 Liabilities	
Accounts Payable	\$ 17,580
Wages and Compensated Absences Payable	61,725
Compensated Absences - Due in More Than One Year	269,502
Total Liabilities	\$ 348,807
 Deferred Inflows of Resources	
Property Taxes	\$ 3,014,225
Pension - SWDB	485,671
Pension - Volunteer	93,291
Total Deferred Inflows of Resources	\$ 3,593,187
 Net Position	
Net Investment in Capital Assets	\$ 2,575,946
Restricted	112,000
Unrestricted	1,325,835
Total Net Position	\$ 4,013,781

See Notes to Financial Statements

DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Program Revenues			Net Program Expense
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs				
Governmental Activities				
Fire and Emergency Medical Services	\$ 3,223,612	\$ 93,561	\$ -	\$ (2,823,214)
General and Administrative	646,651	-	-	(646,651)
Total Governmental Activities	<u>\$ 3,870,263</u>	<u>\$ 93,561</u>	<u>\$ -</u>	<u>\$ (3,469,865)</u>

General Revenues

General Property Tax	2,670,572
Specific Ownership Tax	313,438
Miscellaneous	10,983
Investment Earnings	635
Total General Revenues	<u>2,995,628</u>

Change in Net Position

(474,237)

Net Position - Beginning

4,488,018

Net Position - Ending

\$ 4,013,781

See Notes to Financial Statements

**DONALD WESCOTT FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
DECEMBER 31, 2021**

ASSETS

Assets

Cash and Cash Equivalents	\$	878,895
Cash Held by County Treasurer		24,749
Grants Receivable		5,100
Prepaid Expenses		79,724
Property Tax Receivable		<u>3,014,225</u>
Total Assets	\$	<u><u>4,002,693</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$	17,580
Wages and Compensated Absences Payable		<u>61,725</u>
Total Liabilities		<u>79,305</u>

Deferred Inflow of Resources

Property Tax		<u>3,014,225</u>
Total Deferred Inflow of Resources		<u>3,014,225</u>

Fund Balance

Nonspendable		79,724
Restricted		112,000
Assigned		748,486
Unassigned		<u>(31,047)</u>
Total Fund Balance		<u>909,163</u>

Total Liabilities, Deferred Inflow of Resources, and Fund Balance	\$	<u><u>4,002,693</u></u>
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**DONALD WESCOTT FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Total Fund Balance - Governmental Fund \$ 909,163

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

The net pension asset and related deferred items are not available for current period expenditures and are therefore not reported in the funds.

Net Pension Asset	647,880
Deferred Outflows of Resources - Pension	729,256
Deferred Inflows of Resources - Pension	(578,962)

Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.

Capital Assets	6,842,353
Accumulated Depreciation	(4,266,407)

Long-term liabilities, including compensated absences and capital leases, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.

(269,502)

Total Net Position - Governmental Activities	\$ <u><u>4,013,781</u></u>
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**DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

Revenues

General Property Tax	\$ 2,670,572
Fire and Emergency Medical Services	400,398
Specific Ownership Tax	313,438
Miscellaneous	10,983
Investment Earnings	635
Total Revenues	3,396,026

Expenditures

Current	
Fire and Emergency Medical Services	2,963,058
General and Administrative	646,651
Capital Outlay	98,572
Total Expenditures	3,708,281

Net Change in Fund Balance (312,255)

Fund Balance - Beginning 1,221,418

Fund Balance - Ending \$ 909,163

**DONALD WESCOTT FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2021**

Total Net Change in Fund Balance - Governmental Funds \$ (312,255)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.

Depreciation Expense	(217,582)
Capital Outlay	98,572

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Pension Expenses - SWDB	33,091
Pension Expenses - Volunteer	15,547

Long-term assets (liabilities) and related items are not due and payable in the current year and, therefore, are not reported in

Compensated Absences - Due in More Than One Year	(91,610)
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Change in Net Position - Governmental Activities	\$ (474,237)
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NOTES TO FINANCIAL STATEMENTS

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Donald Wescott Fire Protection District (District) was organized under the laws of the State of Colorado to operate and maintain a special district for the purpose of providing fire and emergency paramedical services to its residents.

The accounting policies of the District conform to generally accepted accounting principals (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting Entity – The District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the governmentwide financial statements. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Fund Financial Statements - The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major fund:

Governmental Fund

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Financial Statements - 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 - 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 period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

General Budget - In accordance with the State Budget Law, the District's Board of Directors hold a public hearing in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget line item within the total appropriation without notification.

Budgets are required by the state for all funds. Under Colorado Revised Statutes, the counties that reside in the District's judicial district shall pay necessary expenses of maintaining an office for the transaction of official business. A formal budget is adopted each calendar year with the respective counties.

During the year ended December 31, 2021, the General Fund had excess expenditures over appropriations of approximately \$450,500.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. Budgets are required by State law for all funds. By October 15, the District Manager submits to the District's Board of Directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end. Prior to December 31, the budget is adopted by formal resolution.
- B. Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- C. Expenditures may not legally exceed appropriations at the fund level.
- D. Revisions that alter the total expenditures of any fund must be approved by the District's Board of Directors.
- E. Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District's Board of Directors.

Budget Basis of Accounting - The modified accrual basis of accounting is used for budget purposes as well as financial reporting in the General Fund, except for capital lease refinancing. If the refinance does not generate or use cash proceeds, the refinances are not budgeted.

Cash and Cash Equivalents - Cash and cash equivalents are considered to be cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Taxes Receivable - Taxes receivable include current year property taxes, which become payable January 1 of the following year.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Capital assets, which include land, buildings, vehicles, and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level is \$2,000. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Buildings, vehicles, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Land Improvements	5 to 40 years
Vehicles	5 to 10 years
Equipment	3 to 15 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

Pensions - Donald Wescott Fire Protection District participates in the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado. 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 SWDB 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.

Long-term Liabilities - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position Classifications

Net position classification in the Government-Wide financial statements are as follows:

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, loans, notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

Restricted Net Position - Consists of net position with constraints placed on the use either by external groups, such as creditors, or laws or regulations of other governments.

Unrestricted Net Position - Includes all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Net Position Flow Assumption - The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balances - The governmental fund reports fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Fund balance descriptions are presented below:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Assigned - This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

As of December 31, 2021, the District had nonspendable, restricted, assigned, and unassigned fund balances.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Program Revenues - Amounts reported as *program revenues* include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Property Taxes - Property taxes attach as an enforceable lien on real property and are levied as of January 1. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. The El Paso County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate for the year ended December 31, 2021 was 7.00 mills and an assessed valuation for 2021 of \$128,443,600. The District also has a Subdistrict with a tax rate for the year ended December 31, 2021 of 14.90 mills and an assessed valuation for 2021 of \$118,788,090.

Compensated Absences - It is the District's policy to permit employees to accumulate earned by unused paid time off. All paid time off is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee resignations and retirements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information

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

1. In the fall, a proposed operation budget is submitted to the Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the District to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of a resolution. This authorizes a lumpsum expenditure budget by fund for the District. This aggregate expenditure budget, by fund, then becomes the level of control upon which expenditures cannot legally exceed appropriations. An appropriation ordinance is also adopted which allocates the total budget by fund.
4. Any revisions that alter the budget of any fund must be approved by the Board by passage of a resolution.
5. Formal budgetary integration is employed as a management control device during the year for the general and pension funds.
6. Budgets for the general and pension funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board.
7. All annual appropriations lapse at the end of the year.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - 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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by the financial institution. The eligible collateral is determined by the PDPA.

The PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution and held in trust for all the uninsured public deposits as a group. Colorado State Statutes require the market value of the collateral to be at least 102 percent of the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS – Continued

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure the District's deposits will not be returned to it. The District does not currently have a policy related to custodial credit risk. As of December 31, 2021, deposits with a bank balance of \$389,560 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution through the PDPA.

Credit Risk - The District has not adopted a formal investment policy; however, the District follows State Statutes regarding investments.

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest include:

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

Interest Rate Risk - Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with the debt service reserve or sinking fund requirements. As of December 31, 2021, the District held no investment securities.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – CAPITAL ASSETS

Capital assets consist of:

Type	Cost	Accumulated Depreciation	Net Book Value	Useful Lives
Land	\$ 213,361	\$ -	\$ 213,361	Undefined
Land Improvements	45,385	(36,987)	8,398	7 - 20 years
Buildings	3,460,607	(1,551,557)	1,909,050	5 - 40 years
Vehicles	2,395,175	(2,084,867)	310,308	5 - 10 years
General Equipment	727,825	(592,996)	134,829	3 - 15 years
	<u>\$ 6,842,353</u>	<u>\$ (4,266,407)</u>	<u>\$ 2,575,946</u>	

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 213,361	\$ -	\$ -	\$ 213,361
Capital Assets, Being Depreciated				
Land Improvements	45,385	-	-	45,385
Buildings	3,460,607	-	-	3,460,607
Vehicles	2,395,175	-	-	2,395,175
General Equipment	860,717	98,572	(231,464)	727,825
Total Capital Assets, Being Depreciated	6,761,884	98,572	(231,464)	6,628,992
Less: Accumulated Depreciation	(4,280,289)	(217,582)	231,464	(4,266,407)
Capital Assets, Being Depreciated, Net	2,481,595	(119,010)	-	2,362,585
Total Capital Assets, Net	<u>\$ 2,694,956</u>	<u>\$ (119,010)</u>	<u>\$ -</u>	<u>\$ 2,575,946</u>

Depreciation expense for the year ended December 31, 2021, was \$217,582, and was allocated to fire and emergency medical services.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2021 were as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
Compensated Absences	\$ 177,894	\$ 101,422	\$ (9,814)	\$ 269,502

NOTE 5 – NET POSITION AND FUND BALANCES

The District has a net position consisting of three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the District had net investment in capital assets as follows:

Net Investment in Capital Assets	
Capital Assets, Net of Depreciation	\$ 2,575,946
Net Investment in Capital Assets	\$ 2,575,946

The *restricted* component of net position includes net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2021, the District had restricted net position as follows:

Restricted Net Position	
TABOR Emergency Reserve (See NOTE 12)	\$ 112,000

The *unrestricted* component of net position is the net amount of assets that do not meet the definition of net investment in capital assets or restricted net position. The District's unrestricted net position as of December 31, 2021, totaled \$1,325,835.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – NET POSITION AND FUND BALANCES – Continued

As of December 31, 2021, the fund balances were comprised of the following amounts:

Nonspendable		
Prepaid Insurance	\$	79,724
Restricted		
Emergency (TABOR)		112,000
Assigned		
3-Month O&M Reserve		748,486
Unassigned		(31,047)
		\$ 909,163
		\$ 909,163

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN

Plan Description - Eligible employees of the Donald Wescott Fire Protection District are provided with pensions through the Statewide Defined Benefit Plan (SWDB) – 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 that they are not already covered by a statutorily exempt plan. As of August 5, 2003, the Plan 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 Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Separate Retirement Account assets from eligible retired members). The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.FPPAco.org>.

Benefits Provided - The SWDB provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan which is also administered by FPPA.

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. 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 (Rule of 80).

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' pensionable earnings 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 covered under Statewide Defined Benefit Social Security Component will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefit adjustments paid to retired members are evaluated annually 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 for Urban Wage Earners and Clerical Workers (CPI-W).

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 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' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

A member may elect to participate in the Deferred Retirement Option Plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into DROP.

The monthly payments that begin at entry into DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in DROP, the member continues to make pension contributions that are credited to DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds. The DROP balance invested with the asset custodian at December 31, 2020 was \$90,612,444. This amount was not included in the SWDB Plan Net Position.

Contributions - Through December 31, 2020, contribution rates for the SWDB 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 election of the membership. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions are 8.0 percent and 8.50 percent in 2020 and 2021, respectively. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13.0 percent of pensionable earnings. In 2020, members of the SWDB plan and their employers are contributing at the rate of 11.0 percent and 8.0 percent, respectively, of pensionable earnings for a total contribution rate of 19.0 percent.

Contributions from members and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 23.0 percent and 23.5 percent of pensionable earnings in 2020 and 2021, respectively. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. The member and employer contribution rates will increase through 2030 as described above for the non-reentering departments. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the additional 4 percent contribution, to reflect the actual cost of reentry by department, to the plan for reentry contributions. Each reentry department is responsible to remit contributions to the plan in accordance with their most recent FPPA Board of Directors approved resolution.

The contribution rate for members and employers of affiliated social security employers is 5.5 percent and 4 percent, respectively, of pensionable earnings for a total contribution rate of 9.50 percent in 2020 and 9.75 percent in 2021. Per the 2014 member election, members of the affiliate social security group had their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of pensionable earnings. Employer contributions are 4.0 percent and 4.25 percent in

2020 and 2021, respectively. Employer contributions will increase 0.25 percent annually beginning in 2021 through 2030 to a total of 6.5 percent of pensionable earnings.

Actuarial Assumptions - The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2020. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2021	January 1, 2020
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*	7.00%	7.00%
Projected Salary Increases*	4.25% - 11.25 %	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0.00%	0.00%
*Includes Inflation at	2.50%	2.50%

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

For determining the total pension liability and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the M P-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The preretirement 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.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	39.00%	8.23%
Equity Long/Short	8.00%	6.87%
Private Markets	26.00%	10.63%
Fixed Income - Rates	10.00%	4.01%
Fixed Income - Credit	5.00%	5.25%
Absolute Return	10.00%	5.60%
Cash	2.00%	2.32%
Total	100.00%	

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 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.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

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 percent; the municipal bond rate is 2.00 percent (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 percent.

Sensitivity of the Donald Wescott Fire Protection District Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate - Regarding the sensitivity of the net pension liability/(asset) to changes in the single discount rate, the following presents the plan's net pension liability/(asset), calculated using a single discount rate of 7.00 percent, as well as what the plan's net pension liability/(asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

1% Decrease 6.00%	Single Discount Rate Assumption 7.00%	1% Increase 8.00%
\$ 437,154	\$ (434,399)	\$ (1,156,153)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2021, the Donald Wescott Fire Protection District reported an asset of \$699,909 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2020. The Donald Wescott Fire Protection District proportion of the net pension asset was based on District contributions to the SWDB for the calendar year 2020 relative to the total contributions of participating employers to the SWDB. At December 31, 2020, the Donald Wescott Fire Protection District's proportion was 0.200091181 percent.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

For the year ended December 31, 2021, the District recognized pension expense of \$113,649. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 368,413	\$ 1,728
Changes of Assumptions or Other Inputs	184,756	-
Net Difference Between Projected & Actual Earnings	-	446,190
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share Contributions	-	37,753
Contributions Subsequent to the Measurement Date	146,740	-
Total	\$ 699,909	\$ 485,671

Of the deferred outflows of resources related to pensions, \$146,740 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31,	Amortization
2022	\$ (52,269)
2023	5,605
2024	(69,461)
2025	6,449
2026	76,248
Thereafter	94,718
Total	\$ 61,290

Subsequent Event - During 2020, legislation was passed effective January 1, 2021 that amended the Statewide Defined Benefit Plan. Amendments to the related contribution rates and benefits of this plan are described in Notes 2 and 3 above. Additionally, the stabilization reserve accounts (SRA) of the Defined Benefit System became self-directed accounts with assets of \$123.6 million transferred to the FPPA Members' Self-Directed Investment Fund after the January 1, 2021 actuarial valuation date. This transfer does not impact the net pension liability/(asset) of the plan as the transfer of assets will reduce both the total pension liability and the plan fiduciary net position.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS

Plan Description - Effective January 1, 2002, the District affiliated with the Fire and Police Pension Association of Colorado (FPPA) to administer its Volunteer Firefighter Pension Plan and to manage the plan’s assets and activities. The Volunteer Firefighter Pension Plan is included in an agent multiple employer Public Employee Retirement System (PERS) maintained in trust by FPPA. The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. It operates under rules consistent with the enabling legislation in Title 31, Article 30, Part 11 of the Colorado Revised Statutes. While the District’s plan is pooled with other plans by FPPA, it is a separate plan and is administered by a board of trustees composed of District board members and volunteer firefighters, selected in accordance with Colorado state statutes. FPPA issues a publicly available comprehensive annual financial report that can be obtained at FPPAco.org. That report also includes the District’s Volunteer Firefighter Pension Plan.

Benefits Provided - A volunteer firefighter electing to retire on or after the normal retirement date (the date on which he/she has attained fifty years of age and completed twenty years of active service) is eligible for a monthly pension approved by the board, in accordance with state statute. The monthly pension benefit for volunteer retirees is \$400. The plan also provides benefits for short and long term disability, survivors, and a one-time death benefit.

Memberships as of January 1, 2021 - Number of:

Retirees and Beneficiaries	16
Active Members	15
Total	<u>31</u>

Actuarial Assumptions and Methods - Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2019 determines the contribution amounts for 2020 and 2021.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS -
Continued**

Methods and assumptions used to determine contribution rates for the Fiscal Year Ended December 31, 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 years*
Asset Valuation Method	5-Year Smoothed Fair Value
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.00%
Retirement Age	50.00% per year of eligibility until 100.00% at age 65
Mortality	<p>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.</p> <p>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.</p> <p>Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.</p>

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

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS –
Continued**

Assumption Changes - The global assumption set for the Old Hire Plans and the Volunteer Firefighter plans administered by FPPA was changed in the 2018 Actuarial Experience Study. Effective with the January 1, 2020 valuation, the Old Hire Plans reduced their investment return from 7.5% to either 6.5% for those in the Glide-Path Pool or 4.5% for those in the Short-Term Pool. Effective with the January 1, 2019 valuations, significant changes affecting the Volunteer Firefighter plans valuations include 1) Reduce investment return from 7.5% to 7.0%. 2) Update base mortality tables and projection scales. 3) Increase withdrawal rates by 10%.

Single 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 long-term expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.00% (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%.

Long-term Rate of Return - 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 nominal rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Cash	2.00%	2.32%
Fixed Income - Rates	10.00%	4.01%
Fixed Income - Credit	5.00%	5.25%
Absolute Return	10.00%	5.60%
Long/Short	8.00%	6.87%
Global Equity	39.00%	8.23%
Private Markets	26.00%	10.63%
Total	<u>100.00%</u>	

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS –
Continued**

Sensitivity of the Donald Wescott Fire Protection District Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate - Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan’s net pension liability/(asset), calculated using a Single Discount Rate of 7.00%, as well as what the plan’s net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

1% Decrease 6.00%	Single Discount Rate Assumption 7.00%	1% Increase 8.00%
\$ (128,879)	\$ (213,481)	\$ (284,114)

Pension Plan Fiduciary Net Position - Detailed information about the fiduciary net position is available in FPPA’s comprehensive annual financial report which can be obtained at www.fppaco.org.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2021, the District reported an asset of \$213,481 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2020.

For the year ended December 31, 2021, the District recognized pension income of \$15,547. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,855	\$ -
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected & Actual Earnings	27,492	93,291
Total	\$ 29,347	\$ 93,291

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS –
Continued**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31,	Amortization
2022	\$ (20,338)
2023	(9,632)
2024	(23,380)
2025	(10,594)
Total	\$ (63,944)

NOTE 8 – SECTION 457 DEFERRED COMPENSATION PLAN

The District offers its paid responder personnel an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457 (“457 Plan”). All compensation deferred under the 457 Plan, together with all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are to be held in trust for exclusive benefit of the participants and their designated beneficiaries. Compensation deferred under the 457 Plan is not available to participants until termination, retirement, death, or unforeseeable emergency. The 457 Plan is administered by FPPA.

Employees may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. The District does not contribute to the 457 Plan. For the year ended December 31, 2021, employee contributions totaled \$45,369.

The individual participants determine investment decisions within the 457 Plan and, therefore, the 457 Plan’s investment concentration varies between the participants. The District, as trustee of the 457 Plan, has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the 457 Plan. Consequently, the 457 Plan is not part of the District’s financial statements.

NOTE 9 – FIRE & POLICE STATEWIDE DEATH & DISABILITY PLAN

Plan Description - The District contributes to Fire & Police Pension Association Statewide Death & Disability Plan (D&D Plan), which is a cost-sharing, multiple-employer, defined benefit death and disability plan administered by the FPPA. The D&D Plan provides death and disability benefits for those new hires employed after January 1, 1997 and their beneficiaries. Title 31, Article 30 of the CRS, as amended, assigns the authority to establish benefit provisions to the state legislature. The FPPA issues a publicly available financial report that may be obtained at www.fppaco.org.

The D&D Plan assets are included in the Fire & Police Members' Benefit Investment Fund Long-Term Pool. The Long-Term Pool is designed primarily for open plans with a longer time horizon, higher risk tolerance, and lower liquidity needs. The investment return assumption is 7.0%. D&D Plan benefits provide 24-hour coverage, both on- and off-duty and are available for members not eligible for normal

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – FIRE & POLICE STATEWIDE DEATH & DISABILITY PLAN – Continued

retirement under a defined benefit plan, or members who have not met 25 years of accumulated service and age 55 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.

Benefits Provided – Benefits are established by Colorado statute.

If a member dies prior to normal retirement eligibility while off-duty, the surviving spouse shall receive a benefit equal to 40 percent of the monthly base salary paid to the member prior to death. An additional 10 percent of base salary is payable if a surviving spouse has two or more dependent children. If there is no surviving spouse, but the member had one or two dependent children, the benefit payable is 40 percent of the member's monthly base salary. If there is no spouse but three or more dependent children, the benefit equals 50 percent of the member's monthly base salary.

As of October 15, 2002, if a member dies prior to retirement while on-duty; the surviving spouse shall receive a benefit equal to 70 percent of the member's monthly base salary regardless of the number of dependent children. If there is no spouse but one or more dependent children living in the member's household the benefit equals 70 percent of the member's monthly base salary. If there are dependent children without a surviving spouse, and they do not live in the household, the benefit is 40 percent for the first child and 15 percent for each additional child, but not greater than 70 percent in total of the member's monthly base salary. Benefits will be paid to the spouse until death and to dependent children until age 23, death, marriage or other termination of dependency. Benefits may be extended for an incapacitated child.

For purposes of this D&D Plan, a spouse includes a partner in a civil union. These benefits are offset by Money Purchase account balances, Stabilization Reserve Accounts (SRA) and Deferred Retirement Option Plan (DROP) accounts, converted to annuities.

The D&D Plan provides the members with two types of disability: occupational and total.

Occupational Disability means a member is unable to perform their assigned duties due to a medical condition that is expected to last at least one year. Assigned duties are those specific tasks or job duties that a member is required to regularly perform. Within the Occupational Disability category, there are two sub-categories: Temporary Occupational Disability and Permanent Occupational Disability.

Temporary Occupational Disability is an occupational disability for which there is prognosis for improvement or recovery through surgical treatment, counseling, medication, therapy or other means.

Permanent Occupational Disability is an occupational disability caused by a condition that is permanent or degenerative and for which there is no prognosis for improvement or recovery through surgical treatment, counseling, medication, therapy or other means.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – FIRE & POLICE STATEWIDE DEATH & DISABILITY PLAN – Continued

Total Disability means the member is unable to engage in any substantial gainful activity due to a medically determined physical or mental impairment that may be expected to result in death or that has lasted or is expected to last at least 1 year.

A member who becomes disabled prior to normal retirement eligibility shall be eligible for disability benefits.

If the member is totally disabled, the member shall receive 70 percent of their base salary preceding disability.

If the member is occupationally disabled and their disability is determined to be a permanent occupational disability, the member shall receive 50 percent of their base salary preceding disability regardless of their family status. If the member is occupationally disabled and the disability is determined to be a temporary occupational disability, the member shall receive 40 percent of their base salary preceding disability regardless of their family status for up to five years.

Total disability and permanent occupational disability benefits are offset by the Money Purchase, SRA or DROP balances, converted to annuities. For member's who also participate in Social Security, disability benefits are reduced by Social Security disability benefits derived from employment as a member, if applicable.

Temporary Occupational Disability benefits are payable for a maximum of five years. Permanent Occupational and Total Disability benefits are payable as long as the member remains disabled.

A benefit adjustment of up to 3 percent may be granted to members and spouses by the Fire & Police Pension Association Board of Directors annually. Totally disabled members and their beneficiaries receive an automatic benefit adjustment each year of 3 percent. The benefit adjustment is effective October 1. A benefit adjustment may begin after receiving benefits for at least 12 calendar months prior to October 1.

Contributions – Prior to 1997, the D&D Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. 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.

Members hired on or after January 1, 1997, began contributing 2.4 percent of base salary to this D&D Plan as of January 1, 1997. Through December 31, 2020, contributions could be increased 0.1 percent biennially by the FPPA Board. The contribution rate increased to 2.8 percent of base salary as of January 1, 2019. Effective January 1, 2021, the contribution rate increased to 3.0 percent of base salary and may be increased 0.2 percent annually by the FPPA Board. This percentage can vary depending on actuarial experience. All contributions are made by members or on behalf of members. The contribution may be paid entirely by the employer or member, or may be split between the employer and the member as determined at the local level. Contributions to the D&D Plan were \$25,895 for the year ended December 31, 2021.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during any of the last three fiscal years.

NOTE 11 – CONTINGENCIES

Reduction of Assessed Valuation for Property Taxes - The tax boundaries of the District include certain areas that have been annexed into the City of Colorado Springs (the City) over time. In past years, the District and the City entered into a plan to transfer this property from the District but had not set a specific date as to when this transfer would occur.

In 2016, the District was notified that the City will be annexing the remaining dual jurisdiction areas within the District. As a result, the total assessed valuation of the District decreased about 66% beginning in 2018.

Management of the District sought voter approval to increase the mill levy to replace revenue lost as a result of the annexation. In 2017, voters approved a 14.900 mill increase within the northern subdistrict beginning in 2018 (See Note 12).

NOTE 12 – AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The entity's activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

On November 4, 1997, District voters approved an increase in the mill levy and authorized the District to collect, retain and spend for fire protection purposes all revenue from such tax levy and all other District revenue as a voter approved revenue change and an exception to the limits which otherwise

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 – AMENDMENT TO COLORADO CONSTITUTION – Continued

apply, effective January 1, 1998 and continuing thereafter. This vote effectively removed the District from some provisions of TABOR.

On November 5, 2002, District voters approved a mill levy increase to 7 mills, effective January 1, 2003, in order to provide for District operations after the exclusion of various properties from the District.

On November 7, 2017, northern subdistrict voters approved a 14.900 mill levy increase, beginning in levy year 2017 (for collection in calendar year 2018) to be used for the continuing provision of services, programs and facilities within the Northern Subdistrict.

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service) in 2021. Emergency reserves as of December 31, 2021 totaling \$112,000 have been presented as a reservation of fund balance. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations in the amendment’s language in order to determine its compliance.

NOTE 13 – RISKS AND UNCERTAINTIES

Coronavirus (COVID-19) Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., have declared a state of emergency.

Potential impacts to the District include disruptions or restrictions on our ability to provide services. We cannot anticipate all of the ways in which health pandemics such as COVID-19 could adversely impact the District. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on the District, the ultimate impact of the COVID-19 outbreak or a similar health pandemic is highly uncertain and subject to change.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditors’ report, the date on which the financial statements were available to be released.

In 2022 the District will be working towards unification with Tri-Lakes Monument Fire Protection District. We cannot anticipate all of the ways in which the unification could adversely impact the District. Although we are continuing to monitor and assess the effects of the unification on the District, the ultimate impact of the unification is highly uncertain and subject to change.

REQUIRED SUPPLEMENTAL INFORMATION

**DONALD WESCOTT FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE,
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General Property Tax	\$ 2,669,048	\$ 2,669,048	\$ 2,670,572	\$ 1,524
Specific Ownership Tax	256,000	256,000	313,438	57,438
Fire and Emergency Medical Services	50,000	50,000	400,398	350,398
Miscellaneous	26,000	26,000	10,983	(15,017)
Investment Earnings	300	300	635	335
Total Revenues	<u>3,001,348</u>	<u>3,001,348</u>	<u>3,396,026</u>	<u>394,678</u>
Expenditures				
General and Administrative Fire and Emergency Medical Services	574,670	574,670	646,651	(71,981)
	<u>2,683,095</u>	<u>2,683,095</u>	<u>3,061,630</u>	<u>(378,535)</u>
Total Expenditures	<u>3,257,765</u>	<u>3,257,765</u>	<u>3,708,281</u>	<u>(450,516)</u>
Net Change in Fund Balance	(256,417)	(256,417)	(312,255)	(55,838)
Beginning Fund Balance, January 1	<u>845,996</u>	<u>845,996</u>	<u>1,221,418</u>	<u>375,422</u>
Ending Fund Balance, December 31	<u>\$ 589,579</u>	<u>\$ 589,579</u>	<u>\$ 909,163</u>	<u>\$ 319,584</u>

See Independent Auditors' Report and Notes to Required Supplemental Information

**DONALD WESCOTT FIRE PROTECTION DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY/(ASSET)
 FIRE POLICE STATEWIDE DEFINED BENEFIT PLAN
 AS OF DECEMBER 31,**

	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability/(Asset)	0.11%	0.11%	0.12%	0.14%	0.15%	0.15%	0.15%
District's Proportionate Share of the Net Pension Liability/(Asset)	\$ (64,072)	\$ 142,393	\$ (173,760)	\$ 51,767	\$ (2,656)	\$ (168,362)	\$ (127,075)
District's Covered Payroll	\$ 835,000	\$ 754,000	\$ 706,000	\$ 733,000	\$ 730,000	\$ 653,000	\$ 617,000
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	-7.67%	18.89%	-24.61%	7.06%	-0.36%	-25.78%	-20.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	101.90%	95.20%	106.30%	98.21%	100.10%	106.80%	105.80%

The amounts presented for each fiscal year were determined as of the District's measurement date (the calendar year-end that occurred one year prior to the fiscal year-end). Information is only available beginning in fiscal year 2014.

**DONALD WESCOTT FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEARS ENDED DECEMBER 31,**

	Statutorily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2020	\$ 92,340	\$ 92,340	\$ -	\$ 1,154,000	8.00%
2019	\$ 66,798	\$ 66,798	\$ -	\$ 835,000	8.00%
2018	\$ 60,356	\$ 60,356	\$ -	\$ 754,000	8.00%
2017	\$ 56,518	\$ 56,518	\$ -	\$ 706,000	8.00%
2016	\$ 58,656	\$ 58,656	\$ -	\$ 733,000	8.00%
2015	\$ 58,430	\$ 58,430	\$ -	\$ 730,000	8.00%
2014	\$ 52,225	\$ 52,225	\$ -	\$ 653,000	8.00%

Information is only available beginning in fiscal year 2014.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

**DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

BUDGETARY INFORMATION

Donald Wescott Fire Protection District (District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before October 15, the Fire Chief submits to the Board of Directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. The District adopts budgets for all funds. The General Fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

PENSION INFORMATION

Changes in Plan Provisions - The plan provisions have not changed since the prior valuation. The member contribution rate increased in 2020 as a result of member election.

Benefit Adjustments - Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0% to 3%. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.