

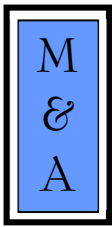
Steamboat Springs Area Fire Protection District

**Financial Statements
December 31, 2021**

**Steamboat Springs Area Fire Protection District
Financial Statements
December 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Steamboat Springs Area Fire Protection District**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Steamboat Springs Area Fire Protection District (the "District"), as of and for the year ended December 31, 2021, which collectively comprise the District's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Steamboat Springs Area Fire Protection District, as of December 31, 2021 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Steamboat Springs Area Fire Protection District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

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INDEPENDENT AUDITORS REPORT
To the Board of Directors
Steamboat Springs Area Fire Protection District

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

In performing an audit in accordance with U.S. GAAS, we:

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

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

Required Supplementary Information

U.S. GAAP require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Steamboat Springs Area Fire Protection District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Steamboat Springs Area Fire Protection District's basic financial statements. The individual fund budgetary comparison in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparison is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information in Section F is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
July 26, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Steamboat Springs Area Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021. Management is not aware of any facts, decisions or conditions that have a significant effect on financial position or operations.

Financial Highlights

- Assets exceeded liabilities by \$8,062,046 at the end of the fiscal year.
- At December 31, 2021, the District's governmental fund reported ending fund balance of \$7,266,798.
- Total net position increased by \$687,394 as compared to 2020.
- Total cash and investments increased by \$615,631 as compared to 2020.
- General Fund expenditures were \$1,142,626 for the year ended December 31, 2021.
- At the end of 2021, unassigned Governmental Fund balance was \$7,193,243 or 629.54% of total expenditures.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes (*governmental activities*).

The government-wide financial statements can be found on pages C1 and C2 of this report.

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

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

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

The District maintains two governmental funds – general fund and capital fund.

The basic governmental fund financial statements can be found on page C1 and C2 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages D1-D11 of this report.

Other information. The District adopts an annual appropriated budget for its general fund and capital fund. A budgetary comparison statement has been provided in this section for the General Fund and Capital Fund to demonstrate compliance with this budget. The General Fund budget statement is found after the *basic financial statements* on page E1 of this report. The Capital Fund budget statement is found after the *basic financial statements* on page F1 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position.

Net Position

	December 31,	
	2021	2020
Current assets	\$ 9,476,070	\$ 8,525,512
Capital assets	795,248	764,910
Total assets	<u>10,271,318</u>	<u>9,290,422</u>
Current liabilities	<u>188,075</u>	<u>229,876</u>
Total liabilities	188,075	229,876
Deferred inflows of resources	<u>2,021,197</u>	<u>1,685,894</u>
Total deferred inflows of resources	2,021,197	1,685,894
Net investment in capital assets	795,248	750,232
Restricted net position	73,555	81,666
Unrestricted net position	<u>7,193,243</u>	<u>6,542,754</u>
Total net position	<u>\$ 8,062,046</u>	<u>\$ 7,374,652</u>

The District’s assets exceeded liabilities by \$8,062,046 at the close of the most recent fiscal year. Of this amount, \$795,248 was invested in capital assets, net of future debt payments. \$59,212 is established as an emergency reserve and \$14,343 is restricted for capital replacement. The remaining \$7,193,243 is available for the District’s future operations per the Steamboat Springs Fire Rescue strategic plan.

Change in Net Position

	December 31,	
	2021	2020
Revenue		
General revenue	\$ 1,973,737	\$ 1,806,796
Expenses		
Fire protection services	1,145,037	1,049,725
Administration	141,306	140,444
Capital Outlay	-	959
Total expenses	1,286,343	1,191,128
Change in net position	687,394	615,668
Net Position - Beginning	7,374,652	6,758,984
Net Position - Ending	\$ 8,062,046	\$ 7,374,652

General Fund Budgetary Highlights

During the fiscal year ended December 31, 2021, the District incurred actual expenditures of \$1,142,626 in the General Fund. The difference between actual and budgeted expenditures of \$1,207,229 was \$64,603. The budget savings were related to payments to The City of Steamboat Springs for fire protection services, legal services, election expenses, and Director's expenses.

Capital Assets

Additional information on the District's capital assets can be found in section IV in the notes of this report.

Next Year's Budget

In 2022, budgeted expenditures for the General fund are \$7,115,373 , and for the Capital Fund are \$5,613,856.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Steamboat Springs Area Fire Protection District, c/o Pinnacle Consulting Group, Inc., 550 West Eisenhower Blvd., Loveland, CO 80537.

FINANCIAL STATEMENTS

**Steamboat Springs Area Fire Protection District
Balance Sheet/
Statement of Net Position
December 31, 2021**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:					
Cash and investments	7,418,700	26,621	7,445,321	-	7,445,321
Due from county treasurer	8,153	5	8,158	-	8,158
Property tax receivable	1,981,323	39,874	2,021,197	-	2,021,197
Prepaid expenses	1,394	-	1,394	-	1,394
Capital assets, net	-	-	-	795,248	795,248
Total Assets	<u>9,409,570</u>	<u>66,500</u>	<u>9,476,070</u>	<u>795,248</u>	<u>10,271,318</u>
Liabilities:					
Accounts payable	175,792	12,283	188,075	-	188,075
Total Liabilities	<u>175,792</u>	<u>12,283</u>	<u>188,075</u>	<u>-</u>	<u>188,075</u>
Deferred Inflow of Resources:					
Unavailable tax revenues	1,981,323	39,874	2,021,197	-	2,021,197
Fund Balance/Net Assets:					
Fund Balance:					
Nonspendable	1,394	-	1,394	(1,394)	-
Restricted for:					
Emergencies	59,212	-	59,212	(59,212)	-
Capital replacement	-	14,343	14,343	(14,343)	-
Unassigned	7,191,849	-	7,191,849	(7,191,849)	-
Total Fund Balance	<u>7,252,455</u>	<u>14,343</u>	<u>7,266,798</u>	<u>(7,266,798)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>9,409,570</u>	<u>66,500</u>	<u>9,476,070</u>	<u>(7,266,798)</u>	<u>-</u>
Net Position:					
Restricted for:					
Emergencies				59,212	59,212
Capital replacement				14,343	14,343
Net invested in capital assets				795,248	795,248
Unrestricted				7,193,243	7,193,243
Total Net Position				<u>8,062,046</u>	<u>8,062,046</u>

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

Steamboat Springs Area Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balance/
Statement of Activities
For the Year Ended December 31, 2021

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues:					
Property tax	1,649,706	40,040	1,689,746	-	1,689,746
Specific ownership tax	121,137	-	121,137	-	121,137
Interest income	41,958	-	41,958	-	41,958
Grant revenue	-	112,563	112,563	-	112,563
Other income	-	8,333	8,333	-	8,333
Total Revenues	<u>1,812,801</u>	<u>160,936</u>	<u>1,973,737</u>	<u>-</u>	<u>1,973,737</u>
Expenditures/Expenses:					
Fire protection	1,002,523	-	1,002,523	142,514	1,145,037
Administration	140,103	1,203	141,306	-	141,306
Capital outlay	-	172,852	172,852	(172,852)	-
Total Expenditures/Expenses	<u>1,142,626</u>	<u>174,055</u>	<u>1,316,681</u>	<u>(30,338)</u>	<u>1,286,343</u>
Excess (Deficiency) of Revenues Over Expenditures	670,175	(13,119)	657,056	(657,056)	-
Change in Net Position					687,394
Fund Balance/Net Position:					
Beginning	<u>6,582,280</u>	<u>27,462</u>	<u>6,609,742</u>		<u>7,374,652</u>
Ending	<u>7,252,455</u>	<u>14,343</u>	<u>7,266,798</u>		<u>8,062,046</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021

I. Summary of Significant Accounting Policies

Steamboat Springs Area Fire Protection District (the "District") was organized pursuant to the Colorado Special District Act to provide fire suppression, fire protection and education, rescue, hazardous materials, emergency medical, and ambulance services (collectively, "Emergency Services") within its jurisdiction and to individuals passing through its jurisdiction. The District and City of Steamboat Springs (the "City") have entered into an intergovernmental agreement to provide Emergency Services within the boundaries of both entities through Steamboat Springs Fire Rescue.

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

A. Reporting Entity

The reporting entity consists of (a) the primary government (i.e., the District), and (b) organizations for which the District is financially accountable or the organization's primary purpose is to benefit the District. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The District is not financially accountable for any entity based on the above criteria nor is the District a component unit of any other entity.

B. Government-wide and Fund Financial Statements

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

1. Government-wide Financial Statements

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

The focus of the Statement of Net Position and the Statement of Activities is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

2. Fund Financial Statements

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

The District reports a General Fund and a Capital Projects Fund. The General Fund is the District's operating fund. The Capital Projects Fund accounts for the property taxes and expenditures associated with capital purchases and construction.

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

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

1. Long-term Economic Focus and Accrual Basis

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

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 60 days of December 31) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

D. Financial Statement Accounts

1. Cash and Investments

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

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

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

1. Cash and Investments (continued)

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which 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
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

2. Property Taxes

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

3. Capital Assets

Capital assets, which include land, buildings, infrastructure, and vehicles and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life of at least 3 years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Asset	Years
Buildings and improvements	20 - 40
Vehicles and equipment	5 - 10

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which is unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Use of Estimates

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

6. Fund Balance

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

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

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

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

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Fund Balance (continued)

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless any contracts or other legal requirements prohibit it, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures from unrestricted fund balance are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve position and management calculates targets and reports them annually to the Board of Directors.

II. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital assets at cost	\$ 2,945,541
Accumulated depreciation	<u>(2,150,293)</u>
Capital assets, net	<u>\$ 795,248</u>

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

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

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Depreciation expense	\$ 142,514
Capital additions	\$ 187,530
CIP transferred to asset	<u>(14,678)</u>
Total adjustment	<u>\$ 172,852</u>

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

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

- (1) For the 2021 budget, prior to August 25, 2020, the County Assessor sent to the District a preliminary certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2020 only once by a single notification to the District.
- (2) On or before October 15, 2020, the District's management submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (4) For the 2021 budget, prior to December 15, 2020 the District computed and certified to the County Commissioners a rate of a levy that derived the necessary property taxes as computed in the proposed budget.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) supplemental appropriations to the extent actual revenue is in excess of the estimated in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.
- (6) All appropriations lapse at a year-end.

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in 2020 were collected in 2021 and taxes certified in 2021 will be collected in 2022. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment - Revenue and Spending Limitation Amendment

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

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2021, year-end fund balance for emergencies as required under TABOR in the amount of \$59,212, which is the approximate required reserve at December 31, 2021.

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

During a special election on October 6, 1992, the District's voters authorized the District to increase its property tax mill levy each year by an amount necessary to generate \$40,000 in tax revenue to be spent on capital improvements.

The District's voters approved a ballot question on May 5, 1998 allowing the District to collect, retain and expend the full proceeds of its tax levy and all other revenues received during 1998 and each year thereafter.

The District's voters also approved a ballot question on May 6, 2008 allowing the District to levy up to 9 mills annually, as determined by the Board of Directors, for general operations, additional personnel, or capital expenditures.

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

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

C. Gallagher Amendment

In 1982, Colorado's voters passed an amendment to Article X, § 3(1)(b) of the Colorado Constitution, which is commonly referred to as the "Gallagher Amendment". The purpose of the Gallagher Amendment was to permanently establish a ratio between total statewide assessed values of residential property ("RAR") and all other types of property, which are collectively referred to as "non-residential". At the time, residential property's share of statewide revenue was 44.6%, as compared to 55.4% for nonresidential property ("Gallagher Split"), based on a RAR of 21% and 29% for nonresidential property. The Gallagher Amendment requires the Colorado General Assembly to adjust the RAR up or down, as necessary, in order to maintain the Gallagher Split, while the nonresidential assessment rate remains fixed at 29%. Since the passage of the Gallagher Amendment, the growth in the aggregate statewide valuation of residential property has typically outpaced that of nonresidential property, which over time has resulted in a significant downward adjustment to the RAR. The on-going reduction in the RAR has been exacerbated by the fact that the Gallagher Amendment functions only as a downward ratchet on the RAR because the General Assembly believes that TABOR requires a statewide election when the Gallagher Amendment would otherwise call for an increase to the RAR.

The District's voters approved a ballot question on November 6, 2018, allowing the District to increase or decrease its mill levy rates only if there are changes in the method of calculating assessed valuation, including, but not limited to, changes due to the Gallagher Amendment, so that, to the extent possible, the actual tax revenues generated by such mill levies are the same as the actual tax revenues that would have been generated had such changes not occurred.

At the time that the Gallagher Amendment was repealed, the General Assembly passed, and the Governor signed, legislation that put in place an indefinite moratorium on changes to the RAR and temporarily set the residential RAR at 7.15% and the non-residential RAR at 29%. During the current Legislative Session, the General Assembly passed SB21-293, which makes the following temporary, two-year reductions in the RAR:

Multi-Family Residential Real Property from 7.15% to 6.8%
All other Residential from 7.15% to 6.95%
Agricultural Property from 29% to 26.4%
Renewable Energy Production Property from 29% to 26.4%

Governor Polis signed SB21-293 on June 23, 2021.

IV. Detailed Notes on All Funds

A. Deposits and Investments

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds.

The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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.

The District had invested \$6,350,114, in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The Trust directly holds all repurchase agreements. The custodian's internal records identify the investments owned by the Trust. The District does not categorize its participation in the Trust because the investment is not evidenced by securities specifically identifiable to the District.

At December 31, 2021, the District had \$491,197 invested in the Colorado Surplus Asset Fund Trust ("CSAFE") fund. CSAFE is a local government investment pool trust fund organized under Part 7 of Article 75 of Title 24, CRS. CSAFE provides a pooling of Colorado's local government funds for an effective and convenient means of investing. The investment advisor for CSAFE is Davidson Fixed Income Management, Inc., an investment advisor registered with the SEC. CSAFE invests primarily in U.S. Treasury securities, agencies, repurchase agreements, bank deposits, AAAM rated money market funds, and highly rated commercial paper. The CSAFE fund holds a 'AAAM' rating by Standard and Poor's.

At December 31, 2021, the District had \$587,340 invested in the Colorado Statewide Investment Program (CSIP). CSIP is an investment program that provides professional investment services designed specifically to meet the cash management needs of Colorado governments, non-profit institutions and other institutional entities. CSIP invests in the Colorado Investors Class of the PFM Funds Prime Series (PFM Fund), a money market mutual fund registered with the SEC. The PFM Fund is a diversified, open-end pool whose primary objectives are to seek as high a rate of current income as is consistent with maintaining liquidity and stability of principal.

The investment advisor for the PFM Fund is PFM Asset Management LLC, an investment advisor registered with the SEC. The PFM Fund invests in U.S. Treasury obligations, U.S. government agency obligations, commercial paper, corporate notes and bonds, certificates of deposit, banker's acceptances, municipal obligations, floating/variable rate obligations, other money-market funds, and repurchase agreements. The PFM Fund holds a 'AAAM' rating by Standard and Poor's.

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Deposits and investments are presented on the Statement of Net Position as follows:

<u>Type</u>	<u>Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Deposits		16,670	16,670	-
Colotrust	AAAm	6,350,114	6,350,114	-
CSAFE	AAAm	491,197	491,197	-
CSIP	AAAm	587,340	587,340	-
Total cash and investments		<u>\$ 7,445,321</u>	<u>7,445,321</u>	<u>-</u>

At December 31, 2021, the District had the following recurring measurements:

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
Colotrust	6,350,114
CSIP	587,340
Investments Measured at Amortized Cost	Total
CSAFE	491,197

B. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets:				
Buildings and improvements	\$ 814,638	20,163	-	834,801
Vehicles	1,609,441	74,028	(9,689)	1,673,780
Equipment	343,621	93,339	-	436,960
Construction in progress	14,678	-	(14,678)	-
Total capital assets	<u>2,782,378</u>	<u>187,530</u>	<u>(24,367)</u>	<u>2,945,541</u>
Less accumulated depreciation for:				
Buildings and improvements	(480,309)	(21,099)	-	(501,408)
Vehicles	(1,354,325)	(87,303)	9,689	(1,431,939)
Equipment	(182,834)	(34,112)	-	(216,946)
Total accumulated depreciation	<u>(2,017,468)</u>	<u>(142,514)</u>	<u>9,689</u>	<u>(2,150,293)</u>
Total Capital Assets, net	<u>\$ 764,910</u>	<u>45,016</u>	<u>(14,678)</u>	<u>795,248</u>

Depreciation expense of \$142,514 was charged to operations.

Steamboat Springs Area Fire Protection District
Notes to the Financial Statements
December 31, 2021
(Continued)

V. Other Information

A. Intergovernmental Agreement with City of Steamboat Springs

In February 2001, the District and City entered into an amended intergovernmental agreement to provide Emergency Services in their respective jurisdictions through Steamboat Springs Fire Rescue. The intergovernmental agreement was amended in 2009 and was further amended effective December 1, 2020 ("Amended IGA").

The following are highlights of the Amended IGA:

- Through the joint contributions of the parties, the City employs the personnel who staff Steamboat Springs Fire Rescue. The City is responsible for Steamboat Springs Fire Rescue's provision of Emergency Services within the boundaries of the City and the District and for the purchase, maintenance, repair, or replacement of the facilities and the Emergency Services apparatus, vehicles and equipment used by Steamboat Springs Fire Rescue personnel.
- The District is charged its allocated share of operating and capital costs based upon a services costing formula.
- The District transferred possession, but not ownership, of the District's capital assets to the City for duration of the Amended IGA. These assets are considered part of the Combined Capital Plant managed by City personnel for Emergency Services operations.

The Amended IGA automatically renews for consecutive 2-year rolling periods unless either party gives written notice to the other party before July 1 of any year of the election of the party to terminate the Amended IGA, in which event the Amended IGA terminates on December 31 of the year after the year in which such notice was given.

The following summarizes the Emergency Services costs incurred during the year ended December 31, 2021.

Operating Costs:

Fire suppression/EMS	\$ 3,688,681
Fire prevention	262,948
Fire administration, safety and education	<u>946,101</u>
Total expenditures	<u>4,897,730</u>
Emergency medical services collections	(551,682)
Other net revenues	<u>(490,192)</u>
Total revenues	<u>(1,041,874)</u>
Net operating costs	3,855,856
Operating cost formula percentage	<u>26.0%</u>
District's share of net operating costs	<u>\$ 1,002,523</u>

B. Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

Steamboat Springs Area Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Property tax	1,646,011	1,646,011	1,649,706	3,695
Specific ownership tax	80,000	80,000	121,137	41,137
Interest income	16,496	16,496	41,958	25,462
Total Revenues	<u>1,742,507</u>	<u>1,742,507</u>	<u>1,812,801</u>	<u>70,294</u>
Expenditures:				
Fire protection services	1,027,274	1,027,274	1,002,523	24,751
Management	34,920	34,920	34,929	(9)
Accounting	26,520	26,520	26,520	-
Legal	9,000	9,000	10,950	(1,950)
Treasurer's fees	49,380	49,380	49,581	(201)
Auditing	7,000	7,000	7,700	(700)
Directors fees	7,000	7,000	5,779	1,221
Insurance	1,835	1,835	1,569	266
Miscellaneous	44,300	44,300	3,075	41,225
Total Expenditures	<u>1,207,229</u>	<u>1,207,229</u>	<u>1,142,626</u>	<u>64,603</u>
Excess (Deficiency) of Revenues Over Expenditures	535,278	535,278	670,175	134,897
Other Financing Sources (Uses):				
Transfers (out)	(1,707,600)	(1,707,600)	-	1,707,600
Total Other Financing Sources (Uses)	<u>(1,707,600)</u>	<u>(1,707,600)</u>	<u>-</u>	<u>1,707,600</u>
Net Change in Fund Balance	(1,172,322)	(1,172,322)	670,175	1,842,497
Fund Balance - Beginning	<u>6,598,269</u>	<u>6,598,269</u>	<u>6,582,280</u>	<u>(15,989)</u>
Fund Balance - Ending	<u><u>5,425,947</u></u>	<u><u>5,425,947</u></u>	<u><u>7,252,455</u></u>	<u><u>1,826,508</u></u>

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

SUPPLEMENTARY INFORMATION

Steamboat Springs Area Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget Variance Positive (Negative)
Revenues:				
Property tax	39,883	39,883	40,040	157
Grant revenue	-	-	112,563	112,563
Other income	-	-	8,333	8,333
Total Revenues	<u>39,883</u>	<u>39,883</u>	<u>160,936</u>	<u>121,053</u>
Expenditures:				
Treasurer's fees	1,196	1,196	1,203	(7)
Capital outlay	1,746,287	1,746,287	172,852	1,573,435
Total Expenditures	<u>1,747,483</u>	<u>1,747,483</u>	<u>174,055</u>	<u>1,573,428</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,707,600)	(1,707,600)	(13,119)	1,694,481
Other Financing Sources (Uses):				
Transfers in	1,707,600	1,707,600	-	(1,707,600)
Total Other Financing Sources (Uses)	<u>1,707,600</u>	<u>1,707,600</u>	<u>-</u>	<u>(1,707,600)</u>
Net Change in Fund Balance	-	-	(13,119)	(13,119)
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>27,462</u>	<u>27,462</u>
Fund Balance - Ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>14,343</u></u>	<u><u>14,343</u></u>

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