

Telluride Fire Protection District

Audit Results and Report to the Board of Directors
As of and for the Year Ended December 31, 2024



DWC
CPAS | ADVISORS



Table of Contents

Matters Required to be Discussed with Those Charged with Governance	1
Summary of Audit Adjustments	4
Recommendation Letter to Management	9
Contact Information	11

This report and information is intended solely for the use of the board of directors and management of the District. It is not intended to be, and should not be, used by anyone other than these specified parties.

Matters Required to be Discussed with Those Charged with Governance

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Telluride Fire Protection District (the District) for the year ended December 31, 2024, and have issued our report thereon dated July 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 20, 2024. Professional standards also require that we communicate to you the following information related to our audit:

Requirement	Discussion Points
<p>Auditor’s judgement about the quality of the District’s accounting policies, estimates, and financial disclosures</p>	<p>In accordance with applicable accounting standards, we reviewed the quality of the District’s financial reporting, which includes the District’s significant accounting practices, estimates, and financial statement disclosures. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>
<p>Sensitive accounting estimates</p>	<p>The most sensitive estimates affecting the financial statements were:</p> <ul style="list-style-type: none"> • Management’s estimate of the collectability of charges for emergency medical services accounts receivable. We evaluated the key factors and assumptions used to develop the collectability of 2024 emergency medical services accounts receivable in determining that they are reasonable in relation to the financial statements taken as a whole. • Management’s estimate of the net pension liability, deferred pension outflows, and deferred pension inflows related to GASB 68 for pensions. We evaluated the key factors and assumptions used to develop the pension estimates in determining that they are reasonable in relation to the financial statements taken as a whole. • Management’s estimate of depreciation expense is based on estimated useful lives of individual assets. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Requirement	Discussion Points
Sensitive financial statement disclosures	<p>The most sensitive disclosures affecting the financial statements are:</p> <ul style="list-style-type: none"> • The disclosure of the budgets in Note 4 to the financial statements. • The disclosure of the long-term liabilities in Note 7 to the financial statements. • The disclosure of the pension plans in Note 8 to the financial statements. • The disclosure of subsequent events in Note 10 to the financial statements.
Significant accounting policies and practices	<p>Significant accounting policies and practices used by the District are described in Note 1 to the financial statements.</p>
Summary of audit adjustments	<p>Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. See page 4 for the summary of audit adjustments.</p>
Disagreements with management	<p>For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.</p>
Consultations with other accountants	<p>We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.</p>
Other audit findings or issues	<p>We generally discuss a variety of matters, including the application of accounting principles and accounting standards, with management prior to acceptance as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
Difficulties encountered during the audit	<p>We encountered no difficulties in dealing with management in performing and completing our audit.</p>

Requirement	Discussion Points
Representations requested from management	We request certain representations from management, which are included in the management representation letter dated July 30, 2025.
Required Supplementary Information	We applied certain limited procedures to the Management’s Discussion and Analysis, the budgetary comparison schedule, and the FPPA Pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.
Other Supplementary information accompanying the audited financial statements	With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board of directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

DWC

Grand Junction, Colorado
July 30, 2025



Summary of Audit Adjustments

The following report details the resulting journal entries from the audit of the financial statements of Telluride Fire Protection District, as of December 31, 2024 and for the year then ended.

Adjusting Journal Entries JE # 1

Client Requested Entry: To adjust GASB 68 pension balances for the District's share related to employees participating in the FPPA Statewide Defined Benefit Plan and the FPPA Volunteer Pension Fund as of December 31, 2024.

2901	Net Pension Liability	\$	273,179	
2903a	Contributions		48,615	
2903c	Experience Gains & Losses		57,358	
2903e	Change in Assumptions		19,793	
2904e	Deferred Inflow - Pension Invst		46,303	
DWC -27	GASB 68 Current Year Pension Expense		290,912	
2903b	Pension Investments			\$ 167,200
2903d	Pension Proportionate Share			154,047
2904c	Experience Gains & Losses			183
DWC-40	Deferred Inflows of Resources - Pension Proportionate Share			414,730
Total			\$ 736,160	\$ 736,160

Adjusting Journal Entries JE # 2

Client Requested Entry: To record the final payment of the Series 2013 bond principal for the year ended December 31, 2024.

2205	Current Portion - LTD	\$	355,000	
DWC-51	2013 Bond - Debt Principal Payment - Contra			\$ 355,000
Total			\$ 355,000	\$ 355,000

Adjusting Journal Entries JE # 3

Client Requested Entry: To reclassify the current portion of the 2022 lease-purchase obligation as of December 31, 2024.

2540	Community Leasing - Lease Liab	\$	250,334	
2540a	Lease Purchase-Current Portion			\$ 250,334
Total			\$ 250,334	\$ 250,334

Adjusting Journal Entries JE # 4

Client Requested Entry: To adjust the 2022 lease-purchase obligation for the principal payment made during the year ended December 31, 2024.

2540a	Lease Purchase-Current Portion	\$	243,695	
DWC-53	Community Lease - Debt Principal Payment - Contra			\$ 243,695
Total			\$ 243,695	\$ 243,695

Adjusting Journal Entries JE # 5

To record proceeds received during the year ended December 31, 2024 related to the equipment lease purchase agreement.

2540	Community Leasing - Lease Liab	\$	148,315	
DWC-54	Lease Purchase Proceeds - Contra		986,311	
DWC-66	Community Leasing Escrow - 2024 Equipment		986,311	
2540.01	Community Leasing Equipment - TELCO2024-01SanEw			\$ 986,311
DWC-55	Lease Purchase Proceeds			986,311
DWC-66	Community Leasing Escrow - 2024 Equipment			148,315
Total		\$	<u>2,120,937</u>	\$ <u>2,120,937</u>

Adjusting Journal Entries JE # 6

To record proceeds received during the year ended December 31, 2024 related to the housing lease purchase agreement.

DWC-54	Lease Purchase Proceeds - Contra	\$	1,089,929	
DWC-67	Community Leasing Escrow - 2024 Housing		1,089,929	
2540.02	Community Leasing Housing - 64792E			\$ 1,089,929
DWC-55	Lease Purchase Proceeds			1,089,929
Total		\$	<u>2,179,858</u>	\$ <u>2,179,858</u>

Adjusting Journal Entries JE # 7

To record the principal payment on the equipment lease-purchase obligation as of and for the year ended December 31, 2024.

2540.01	Community Leasing Equipment - TELCO2024-01SanEw	\$	76,385	
DWC-53	Community Lease - Debt Principal Payment - Contra			\$ 76,385
Total		\$	<u>76,385</u>	\$ <u>76,385</u>

Adjusting Journal Entries JE # 8

To record the principal payment during the year ended December 31, 2024 related to the housing lease purchase agreement.

2540.02	Community Leasing Housing - 64792E	\$	342,445	
2540c	Lease Purchase Housing - Current Portion			\$ 342,445
Total		\$	<u>342,445</u>	\$ <u>342,445</u>

Adjusting Journal Entries JE # 9

Client Requested Entry: To adjust property tax receivable to match the certification of mill levies for 2024 property taxes levied and payable in 2025 and to adjust the corresponding deferred inflow to agree to property tax receivable as of December 31, 2024.

1150	Taxes Receivable (GF)	\$	659,670	
2611	Deferred Revenue (DF)		383,582	
1151	Taxes Receivable (DF)			\$ 383,582
2610	Deferred Revenue (GF)			659,670
Total		\$	<u>1,043,252</u>	\$ <u>1,043,252</u>

Adjusting Journal Entries JE # 10

Client Requested Entry: To record the change in the balance of accrued interest from December 31, 2023 to December 31, 2024.

DWC-65	Change in Accrued Interest - Community Housing Lease	\$	65,112	
DWC-64	Change in Accrued Interest - Community Equipment Lease		28,705	
2203	Accrued Interest Payable			\$ 92,168
DWC-63	Change in Accrued Interest - Lease-Purchase Obligation			909
DWC-64	Change in Accrued Interest - 2013 GO Bonds			740
Total		\$	93,817	\$ 93,817

Adjusting Journal Entries JE # 11

Client Requested Entry: To record amortization of the Series 2013 bond premium for the year ended December 31, 2024.

2204	Bond Premium	\$	9,455	
DWC-49	Bond Premium/Discount Amortization			\$ 9,455
Total		\$	9,455	\$ 9,455

Adjusting Journal Entries JE # 12

To record the change in the balance of accrued compensated absences from December 31, 2023 to December 31, 2024.

5199	Change in Accr Compensated Wage	\$	153,172	
1750	Amount to be Provided			\$ 153,172
Total		\$	153,172	\$ 153,172

Adjusting Journal Entries JE # 13

Client Requested Entry: To adjust capital assets, accumulated depreciation, and depreciation expense as of and for the year ended December 31, 2024.

1600	Buildings	\$	2,189,580	
1610	Equipment		494,413	
DWC-47	Depreciation Expense		545,147	
1600.1	Less - Accum Depr (Bldg)			\$ 136,224
1610.1	Less - Accum Depr (Equip)			68,124
1620	Vehicles			159,770
1620.1	Less - Accum Depr (Vehicles)			10,863
6310	Vehicle Maintenance			51
DWC-10	Capital Outlay - Contra Account			2,854,108
Total		\$	3,229,140	\$ 3,229,140

Adjusting Journal Entries JE # 14

Client Requested Entry: To increase the TABOR emergency reserve balance as of December 31, 2024 to meet the three percent requirement.

3901	Retained Earnings	\$	191,000	
2747	Tabor Reserve Account			\$ 191,000
Total		\$	191,000	\$ 191,000

Adjusting Journal Entries JE # 15

Client Requested Entry: To adjust beginning fund balance accounts and beginning net position accounts as of January 1, 2024 to match ending fund balance amounts and ending net position balances in the prior year audited financial statements.

1750	Amount to be Provided	\$	37,386	
3901	Retained Earnings		1,687,855	
1751	Amount to be Provided - (DF)			\$ 586,684
2730	Investment in GFA			886,266
2743	Debt Service Fund			17,566
2906	GASB 68 Pension Expense			234,725
Total		\$	<u>1,725,241</u>	\$ <u>1,725,241</u>

Adjusting Journal Entries JE # 16

Client Requested Entry: To reclassify fund balance restricted for acquisition of capital assets related to the balance of cash restricted for acquisition of capital assets as of December 31, 2024 out of unassigned fund balance.

3901	Retained Earnings	\$	1,927,925	
2748	Restricted- Capital Asset Acq			\$ 1,927,925
Total		\$	<u>1,927,925</u>	\$ <u>1,927,925</u>

Adjusting Journal Entries JE # 17

Client Requested Entry: To record a deposit toward a capital asset purchase as of December 31, 2024.

1640	Other Asset	\$	169,690	
DWC-10	Capital Outlay - Contra Account			\$ 169,690
Total		\$	<u>169,690</u>	\$ <u>169,690</u>

Adjusting Journal Entries JE # 18

Client Requested Entry: To record capital assets placed in service and remove related deposits on capital assets as of and for the year ended December 31, 2024.

1600	Buildings	\$	150,000	
1620	Vehicles		436,821	
1640	Other Asset			\$ 586,821
Total		\$	<u>586,821</u>	\$ <u>586,821</u>

Adjusting Journal Entries JE # 19

Client Requested Entry: To record trial balance changes made by the client after trial balance import, as of and for the year ended December 31, 2024.

3409	Prior Year Abatement Interest	\$	109	
6102.5	Misc. Equipment		2,000	
6205.4	Equipment & Gear		58	
6920.3	Misc. Amb. Cap		479,977	
6930.2	Wildland		49,304	
1999	Suspense			\$ 107,022
3405	Specific Taxes			109
6920	Ambulance Equipment			424,317
Total		\$	<u>531,448</u>	\$ <u>531,448</u>



Adjusting Journal Entries JE # 20

Client Requested Entry: To record the current portion on the equipment lease-purchase obligation as of December 31, 2024.

2540.01	Community Leasing Equipment - TELCO2024-01SanEw	\$	47,006	
2540b	Lease Purchase Equipment - Current Portion			\$ 47,006
Total		\$	47,006	\$ 47,006

Adjusting Journal Entries JE # 21

To adjust the due to/from other funds balances in the General Fund and the Debt Service Fund as of December 31, 2024 to balance their respective trial balances.

1803	DSF - Due (to)/from Other Funds	\$	1,245	
1801	GF - Due (to)/ from Other Funds			\$ 1,245
Total		\$	1,245	\$ 1,245

Adjusting Journal Entries JE # 22

To reclassify the amount received as backfill from the State of Colorado to the property tax revenue account for the year ended December 31, 2024.

3405	Specific Taxes	\$	335,972	
3403	Property Taxes			\$ 335,972
Total		\$	335,972	\$ 335,972

Adjusting Journal Entries JE # 23

To reclassify nonspendable fund balance related to prepaid expenses as of December 31, 2024 out of unassigned fund balance.

1140	Prepaid Insurance Premiums	\$	62,356	
5400	Insurance - Employees			\$ 62,356
6708.6	Other		15,041	
1145	Prepaid Maintenance Contracts			15,041
3901	Retained Earnings		47,315	
2749	Nonspendable Assets			47,315
Total		\$	124,712	\$ 124,712

The Board of Directors
Telluride Fire Protection District
Telluride, Colorado

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Telluride Fire Protection District (the District) as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the District's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal controls that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies presented on the following page to be significant deficiencies.

This communication is intended solely for the information and use of management and the board of directors of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.



Grand Junction, Colorado
July 30, 2025

SIGNIFICANT DEFICIENCIES

Preparation of Financial Statements in accordance with Government Accounting Standards

The District is a small local district with a limited number of employees, including the office manager that is in charge of all administrative and accounting duties. The office manager has the knowledge and ability to appropriately record the District's financial transactions on a fund level during the year. In addition, management and the board of directors have the knowledge to understand and take responsibility for the financial statements. However, the District does not have an employee with the knowledge to adequately prepare a complete set of financial statements in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. In accordance with Statement of Auditing Standards No. 115, *Communication of Internal Control Related Matters Identified in an Audit*, this is considered a significant control deficiency.

The District will be unable to provide a remedy to this deficiency unless another accounting firm is retained to assist in the preparation of financial statements, or additional training can be provided for the office manager. Given the size of the District and limited financial resources, the board will need to determine if the economics of the aforementioned remedies are feasible.

Errors in Accounting for Lease Purchase Obligations and Related Escrow Cash Balances

During audit procedures performed on lease purchase obligations, it was noted that the debt balances related to lease purchase agreements executed in 2024 with Community Leasing Partners were not recorded in the District's trial balance as of December 31, 2024. The lease purchase agreement proceeds are held in escrow accounts in the District's name until the District incurs capital expenditures that the proceeds are to be used for in accordance with the lease purchase agreements. Once this takes place the District is eligible to withdraw such proceeds from the escrowed cash accounts. These cash balances were also not recorded in the District's trial balance as of December 31, 2024. This resulted in an understatement of both debt and cash balances as of December 31, 2024. Since, although the lease purchase proceeds were held in escrow, they are cash balances in the district's name and the full balances of the lease purchase obligations were owed by the District upon execution of the lease purchase agreements.

We recommend that the District establish and implement a formal internal review process to identify and record all lease purchase obligations and related escrowed cash balances at the time of execution. These balances should also be reconciled to supporting statements at the end of each month. This will help ensure that all related lease purchase obligations and related escrowed cash balances are properly recorded in the appropriate period, enhancing the completeness and accuracy of the financial statements and reducing the risk of misstated assets and liabilities that could mislead financial statement users.

Contact Information

Nathan A. Fyock, CPA, ABV
Audit Service Line Director
[NFyock@DWCAdvisors.com](mailto:Nfyock@DWCAdvisors.com)
970-243-1921

Christopher T. Allen, CPA
Principal
[CAllen@DWCAdvisors.com](mailto:Callen@DWCAdvisors.com)
970-243-1921

Kelsa D. Tinsley, CPA
Principal
KTinsley@DWCAdvisors.com
970-243-1921

DWC CPAs and Advisors
464 Main Street
Grand Junction, CO 81501
www.DWCAdvisors.com

DWC
CPAS | ADVISORS