



POUDRE CANYON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2021



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Independent Auditors' Report

Board of Directors
Poudre Canyon Fire Protection District
La Porte, Colorado

Opinions

We have audited the accompanying balance sheet/statement of net position, and the statement of revenues, expenditures and changes in fund balance/statement of activities of the governmental activities, the major fund, and the budgetary comparison statement of Poudre Canyon Fire Protection District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities and the major fund of Poudre Canyon Fire Protection District as of December 31, 2021, and the changes in financial position and the budgetary comparison for the year then ended, accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 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.

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

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 within one year after the date that the financial statements are issued or available to be issued.

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 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 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 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

Accounting principles generally accepted in the United States require that management discussion and analysis and pension schedules 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 auditing standards generally accepted in the United States, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

June 20, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the Poudre Canyon Fire Protection District (PCFPD) for the year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- * PCFPD's assets exceeded liabilities by \$1,985,711 at December 31, 2021.
- * The General Fund balance was \$493,665 as of December 31, 2021. Of this amount, \$10,757 is reserved for emergencies.
- * The December 31, 2021 General Fund balance is \$42,267 less than the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes 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 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 District's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets 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 the statement for some items that will only result in cash flows in future fiscal periods.

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. PCFPD, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. PCFPD has two governmental funds, a General Fund and a Capital Projects Fund (Cache La Poudre Fire and Emergency Group).

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 adjustments to facilitate this comparison between *governmental funds* and *governmental activities*, which are also explained in the notes.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

Notes to the 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 the financial statements can be found on pages 13 through 24 of this report.

Budgetary Comparisons. PCFPD adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund on page 12 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of December 31, 2021, assets exceeded liabilities by \$1,985,711.

The following table provides a summary of the District’s net position:

December 31	2021	2020
Assets and Deferred Outflows:		
Current and other assets	\$ 997,451	\$ 943,355
Capital assets	2,528,935	2,499,150
Net pension asset	50,570	10,963
Deferred outflows - pension plan	10,699	14,035
Total Assets and Deferred Outflows	3,587,655	3,467,503
Liabilities and Deferred Inflows:		
Long-term liabilities	1,339,846	1,362,412
Deferred inflows - property taxes	201,587	223,828
Deferred inflows – pension plan	60,511	38,508
Total Liabilities and Deferred Inflows	1,601,944	1,624,748
Net Position:		
Net investment in capital assets	1,189,089	1,136,738
Restricted	10,757	21,061
Unrestricted	785,865	684,956
Total Net Position	\$ 1,985,711	\$ 1,842,755

A portion of PCFPD’s net position represents unrestricted net assets of \$785,865 which may be used to meet the District’s ongoing obligations to patrons.

A significant portion of the District's net position reflects its investment in capital assets. These assets include land, buildings, equipment, and vehicles. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$10,757 of the District's net position represents resources that are subject to external restriction on how they may be used. Included in this category is the TABOR emergency reserve of \$10,757.

The following table indicates the changes in net position:

	2021	2020
Revenues:		
Program revenues:		
Capital grants	\$ --	\$ 12,162
General revenues:		
Property and S.O. taxes	240,573	238,688
Donations and grants	158,302	155,417
Other revenue	--	10,440
Investment earnings	879	1,739
Total Revenues	399,754	418,446
Expenses:		
Program services	118,818	171,451
Depreciation	90,616	80,614
Interest	47,364	52,021
Total Expenses	256,798	304,086
Increase in Net Position	\$ 142,956	\$ 114,360

Governmental Activities. Governmental activities increased PCFPD's net position by \$142,956 in 2021. Key elements of this increase are as follows:

- * Total revenues were \$399,754 in 2021 as compared to \$418,446 in 2020. This decrease is primarily because of a grant received from the State of Colorado in 2020.
- * Expenses totaled \$256,798 in 2021 and were \$304,086 in 2020, a 15% decrease due to a decrease in net pension expense resulting from favorable actuarial experience.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes.

Year Ended December 31, 2021	Final Budget	Actual
Beginning Fund Balance	\$ 535,922	\$ 535,922
Revenue	305,650	358,552
Expenditures	(241,070)	(232,267)
Transfers Out	(168,732)	(168,552)
Ending Fund Balance	\$ 431,770	\$ 493,665

CAPITAL ASSET ADMINISTRATION

Capital Assets. PCFPD's investment in capital assets for its governmental type activities as of December 31, 2021, totals \$2,528,935 (net of accumulated depreciation). This investment includes all land, buildings, equipment, and vehicles.

The primary capital activity for the 2021 year was purchase of equipment.

The District elects the straight-line depreciation method for its capital assets, except for land which is not depreciated. Additional information on the District's capital assets can be found in Note 3 of this report.

DEBT ADMINISTRATION

Long-term Debt. At December 31, 2021, the District through CLPFEG had \$1,339,846 remaining on a \$1,500,000 loan from the USDA, funded from General Fund taxes. This loan was entered into on September 6, 2018 for the purpose of constructing a fire station and refinancing existing lease debt.

Additional information on the District's debt can be found in Note 6.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of PCFPD's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, P.O. Box 370, La Porte, Colorado 80535.

POUDRE CANYON FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2021

ASSETS

Cash	\$	793,868
Property Taxes Receivable		201,587
Prepaid items		1,996
Capital Assets:		
Land and improvements		54,566
Buildings and improvements		2,677,251
Equipment and vehicles		673,595
Accumulated depreciation		(876,477)
Net Pension Asset		50,570

Total Assets		3,576,956
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DEFERRED OUTFLOWS OF RESOURCES

Pension Plan		10,699
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LIABILITIES

Accounts Payable		-
USDA Loan		1,339,846

Total Liabilities		1,339,846
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DEFERRED INFLOWS OF RESOURCES

Deferred Property Taxes		201,587
Pension Plan		60,511

Total Deferred Inflows of Resources		262,098
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NET POSITION

Net Investment in Capital Assets		1,189,089
Net assets in trust for pension plan		50,570
Restricted for TABOR emergencies		10,757
Unrestricted		735,295

Total Net Position	\$	1,985,711
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See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

Revenue:

General property taxes	\$	223,373
Specific ownership taxes		17,200
Charges for services		-
Interest earnings		879
Grants and contributions		158,302

Total Revenue		399,754
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Expenditures:

Current Operating:

Administration		93,021
Fire fighting and emergency response		25,797
Interest		47,364
Depreciation		90,616

Total Expenditures		256,798
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Revenue Over Expenditures		142,956
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Net Position, Beginning of Year		1,842,755
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Net Position, End of Year	\$	1,985,711
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See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2021	General Fund	Capital Projects Fund (CLPFEG)	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 491,659	\$ 302,209	\$ 793,868
Property Taxes Receivable	201,587	-	201,587
Prepaid items	1,996	-	1,996
TOTAL ASSETS	695,242	302,209	997,451
<u>LIABILITIES</u>			
Accounts Payable	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Property Taxes	201,587	-	201,587
Total Deferred Inflows of Resources	201,587	-	201,587
<u>FUND BALANCE</u>			
Fund Balances:			
Reserved for TABOR emergencies	10,757	-	10,757
Unassigned	482,898	302,209	785,107
Total Fund Balance	\$ 493,655	\$ 302,209	\$ 795,864

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended December 31, 2021	General Fund	Capital Projects Fund (CLPFEG)	Total Governmental Funds
Revenue:			
General property taxes	\$ 223,373	\$ -	\$ 223,373
Specific ownership taxes	17,200	-	17,200
Charges for services	-	-	-
Interest earnings	755	124	879
Grants and contributions	117,224	41,078	158,302
Total Revenue	358,552	41,202	399,754
Expenditures:			
Current Operating:			
Administration	72,116	20,905	93,021
Fire fighting and emergency response	40,065	-	40,065
Capital outlay	120,086	-	120,086
Debt service	-	70,245	70,245
Total Expenditures	232,267	91,150	323,417
Other Financing Sources (Uses):			
Gain (loss) on sale of asset	-	-	-
Operating transfer	(168,552)	168,552	-
Revenue and Other Financing Sources (Uses) Over Expenditures	(42,267)	118,604	76,337
Fund Balance, Beginning of Year	535,922	183,605	719,527
Fund Balance, End of Year	\$ 493,655	\$ 302,209	\$ 795,864

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON STATEMENT

Year Ended December 31, 2021	Actual	Original Budget	Final Budget	Variance From Final
Revenue:				
General property taxes	\$ 223,373	\$ 222,000	\$ 222,000	\$ 1,373
Specific ownership taxes	17,200	15,000	15,000	2,200
Charges for services	-	3,000	3,000	(3,000)
Interest earnings	755	650	650	105
Grants, contributions, and fundraising	117,224	65,000	65,000	52,224
Total Revenue	358,552	305,650	305,650	52,902
Expenditures:				
Administrative:				
Elections	1,469	1,470	1,470	1
Professional services	8,596	8,600	8,600	4
Insurance	30,215	29,000	29,000	(1,215)
Pension contribution	8,000	8,000	8,000	-
Newsletter/website	1,216	-	-	(1,216)
Administration	-	8,000	8,000	8,000
Utilities	18,294	19,000	19,000	706
Miscellaneous and other	4,326	1,000	1,000	(3,326)
Total Administrative	72,116	75,070	75,070	2,954
Fire Fighting:				
Operating supplies, fuel, repairs	37,125	43,000	43,000	5,875
Training	2,940	3,000	3,000	60
Total Fire Fighting	40,065	46,000	46,000	5,935
Capital Outlay:				
Equipment	120,086	120,000	120,000	(86)
Total Capital Outlay	120,086	120,000	120,000	(86)
Total Expenditures	232,267	241,070	241,070	8,803
Other Financing Sources:				
Gain on sale of asset	-	-	-	-
Operating transfer	(168,552)	(168,732)	(168,732)	(180)
Revenue Over (Under) Expenditures	(42,267)	(104,152)	(104,152)	(61,885)
Fund Balance, January 1, 2021	535,922	535,922	535,922	-
Fund Balance, December 31, 2021	\$ 493,655	\$ 431,770	\$ 431,770	\$ 61,885

See Accompanying Notes to Financial Statements.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Poudre Canyon Fire Protection District (or PCFPD) conform to generally accepted accounting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity:

The financial report of the District includes all of the integral parts of the District's operations. The District has determined that it has no financial accountability for any other agency which would require it to be in the reporting entity, except for CLPFEG. CLPFEG was added to the reporting entity in 2018 due to the lease between CLPFEG and the District and is blended in the financial statements.

Cache La Poudre Fire and Emergency Group, Inc. (CLPFEG) is a non-profit 501(c)(3) corporation that was formed solely to raise and provide resources on behalf of the Poudre Canyon Fire Protection District. This organization was established in 2005 by a group of canyon residents who were deeply concerned by the ongoing struggle the fire district faced for funding; so therefore focuses solely on fund-raising, supporting only fire and emergency services in the Cache La Poudre Canyon.

Government-wide and Fund Financial Statements:

The District reports as a special purpose government engaged in a single governmental program. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued:

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 a current period or soon enough thereafter to pay liabilities of the current 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 and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District.

The *capital projects* fund accounts for proceeds of a loan from the USDA and the construction of another fire station as well as other fundraising through CLPFEG.

Capital Assets:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Acquisitions of capital assets are recorded as capital outlay expenditures within the governmental funds. Depreciation has been provided on capital assets, using straight line methods over the useful lives of the assets (buildings 50 years, trucks 20 years, and equipment 10 years). The District's capitalization level is \$5,000.

Property Taxes:

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the same year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. The District uses the Larimer County Treasurer to bill and collect its property taxes. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible. Taxes levied in December 2021 are recorded as taxes receivable and deferred inflows as of December 31, 2021.

The original January 1, 2021 levy for the General Fund of the District was 21.142 mills or approximately \$201,587.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Budget:

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with the Local Government Budget Law. The budget is prepared on a basis consistent with generally accepted accounting principles for all funds. The fund level of classification is the level at which expenditures may not legally exceed appropriations. All annual appropriations lapse at year end. CLPFEG does not have a budget as a non-profit corporation as it is not subject to the Local Government Budget law.

The Board is authorized to transfer budgeted amounts within departments of each fund. Any revisions that alter the total appropriation for each department must be approved by the Board through a supplemental appropriation resolution. The District did not amend the 2021 budget during the year.

Fund Equity:

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally restricted by law or outside parties for use for specific purpose.

Restrictions for the District are recorded up to the maximum equity available in the fund balance and consist of:

Restricted for Emergencies:

These restrictions are established to comply with TABOR. Recorded TABOR emergency reserves at December 31, 2021 are \$10,757.

Assigned fund balances, if any, are amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official to which the Board delegates authority. Restricted funds are considered to be spent first, followed by assigned and unassigned, for an expenditure for which any could be used.

Net Position:

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

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Investment Risks:

The pension board shall have complete control and authority to invest the funds of the Plan. Funds of the Plan shall be managed and invested by the pension board of the District in accordance with the prudent investor rule and the other standards and provisions for trustees set forth in the "Colorado Uniform Prudent Investor Act." The District affiliated with the Fire and Police Pension Association (FPPA) of Colorado to administer the Plan in 2011.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Plan does not have a policy to address interest rate risk. FPPA has established and monitors guidelines regarding the securities in the fixed income investment portfolio.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a policy to limit credit risk. FPPA has established and monitors guidelines regarding the types and quality of securities in the fixed income portfolio.

The Plan's investment policy seeks to maximize diversification opportunities to reduce overall portfolio risk while generating growth of asset value. The Plan places no limit on the amount that may be invested with one issuer. FPPA does not have any investments representing five percent or more with any one issuer.

Custodial credit risk is the risk that in the event of financial institutional failure, the Plan's investments may not be returned to it. The Plan does not have a policy for custodial credit risk.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Although the Plan does not have a specific policy relating to foreign currency risk, FPPA has established and monitors specific guidelines regarding the types, exposures, and quality of securities within each investment portfolio.

Pensions:

PCFPD participates in an agent defined benefit pension fund administered by the Fire and Police Pension Association of Colorado (FPPA). The net pension asset, 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 have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - Cash and Investments:

The District's bank accounts at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - Capital Assets:

	Balance, 1/1/21	Additions	Deletions	Balance, 12/31/21
Land and Improvements	\$ 54,566	\$ --	\$ --	\$ 54,566
Buildings and Improvements	2,677,251	--	--	2,677,251
Construction in Progress	--	--	--	--
Equipment and Vehicles	553,509	120,086	--	673,595
Total Capital Assets	3,285,326	120,086	--	3,405,412
Less Accumulated Depreciation:				
Building and Improvements	353,818	55,587	--	409,405-
Equipment and Vehicles	432,043	35,029	--	467,072-
Total Accumulated Depreciation	785,861	90,616	--	876,477
Capital Assets, net	\$ 2,499,465	\$ 29,470	\$ --	\$ 2,528,935

NOTE 4 – Volunteer Pension Plan:

The District's defined benefit pension plan for volunteers provides retirement and disability benefits and death benefits to plan members and beneficiaries. The plan is affiliated with the Fire and Police Member's Benefit Fund, an agent multiple-employer pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. Title 31, Article 30 of the Colorado Revised Statutes assigns the authority to establish and amend the benefit provisions of the plans that participate in FPPA to the respective member entities. FPPA issues a publicly available financial report that includes financial statements and required supplementary information for the Fire and Police Member's Benefit Fund. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Englewood, Colorado 80111, or by calling 1-800-332-FPPA.

At December 31, 2020, pension plan membership consisted of 19 active members and three beneficiaries.

Contribution requirements of the District are established under Title 31, Article 30 of the Colorado Revised Statutes. The plan is noncontributory regarding participants. Contributions to the plan for the year ended December 31, 2021 included \$4,609 from State of Colorado matching and \$5,123 of property taxes levied by the District. During 2021 the normal benefit was \$150 per month for the three beneficiaries.

At December 31, 2021, PCFPD reported an asset of \$50,570 for its net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

For the year ended December 31, 2021, PCFPD recognized pension expense of \$(12,834). At December 31, 2021, PCFPD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 46,432
Net difference between projected and actual earnings on pension plan investments	3,746	14,079
Changes in actuarial assumptions	1,830	--
Contributions subsequent to the measurement date	5,123	--
Total	\$ 10,699	\$ 60,511

Deferred outflows of resources related to pensions of \$5,123, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending 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:

Year Ending December 31	Amount
2022	\$ 17,792
2023	15,766
2024	15,502
2025	5,875
	\$ 54,935

The global assumption set for plans administered by FPPA was changed in the 2018 experience study and effective as of January 1, 2019. This is the first valuation for this plan with the new assumptions. Significant changes affecting this valuation include:

- Reduce investment return from 7.5% to 7.0%
- Update base mortality tables and projection scales.
- Increase withdrawal rates by 10%.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

Actuarial assumptions: The total pension liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.5 percent
Retirement age	50% per year of eligibility until 100% at age 65
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.0 percent

Mortality rates were based on the RP-2014 Annuitant Mortality Tables for Males and Females projected to 2018 using the MP-2017 projection scales, then projected prospectively using the ultimate rates of the scale for all years.

At least every five years the Fire & Police Pension Association's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. Following a regularly scheduled experience study in 2018, the Board of Directors adopted a new assumption set for first use in the January 1, 2019 valuations.

Due to the biennial valuation process, the assumption changes first applied to the actuarial valuations beginning January 1, 2019. The actuarial assumptions impacted included inflation and mortality rates.

The Plan's 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 return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

As of the most recent analysis of the long-term expected rate of return, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income	15%	4.01%
Absolute Return	10%	5.60%
Cash	2%	2.32%
Total	100%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.0 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at the actuarially recommended rates.

Sensitivity of the PCFPD net pension asset to changes in the discount rate: The following presents the net pension asset calculated using the discount rate of 7.0 percent, as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

December 31, 2021	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension asset	\$ 38,981	\$ 50,570	\$ 60,389

NOTE 5 – Contingencies:

In 1992 the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Included in the accompanying financial statements are emergency reserves of at least 3% of fiscal year spending.

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Contingencies – Continued:

In 2008, the electors of the District voted to supersede TABOR and to collect, retain, and expend the full proceeds of all taxes, fees, and other revenue without increasing or adding taxes of any kind, and to increase the existing mill levy by 15.65 mills for two district fire station/community center buildings and the related operations. The District also elected out of the Gallagher amendment.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The District purchases commercial insurance for risks of loss in excess of deductible amounts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 6 – Long-Term Liabilities:

December 31	2021
\$1,500,000 USDA loan to CLPFEG made in 2018, due in annual installments through 2053, interest at 3.5%, secured by Station four and all assets of CLPFEG	\$ 1,339,846
	\$ 1,339,846

The annual requirements to repay this loan as of December 31, 2021, are as follows:

Years Ending December 31	Principal	Interest	Total
2022	\$ 23,378	\$ 46,867	\$ 70,245
2023	24,196	46,049	70,245
2024	25,043	45,202	70,245
2025	25,920	44,325	70,245
2026	26,826	43,419	70,245
2027-2031	148,893	202,332	351,225
2032-2036	176,838	174,387	351,225
2037-2041	210,028	141,197	351,225
2042-2046	249,448	101,777	351,225
2047-2051	296,266	54,959	351,225
2052-2053	133,010	6,816	139,826
	\$ 1,339,846	\$ 907,330	\$ 2,247,176

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Long-Term Liabilities – Continued:

Changes in long-term liabilities during the year were as follows:

	Balance 1/01/21	Additions	Deductions	Balance 12/31/21	Due Within One Year
USDA Loan	\$ 1,362,412	\$ --	\$ 22,566	\$1,339,846	\$ 23,278
	\$ 1,362,412	\$ --	\$ 22,566	\$1,339,846	\$ 23,378

Underlying the USDA loan is an annually renewable lease entered into between the District and CLPFEG, a Colorado nonprofit corporation created to raise and provide resources on behalf of the District. The loan is payable solely from the rentals paid by the District, proceeds of certain insurance policies and proceeds of foreclosure on and sale of the property, if necessary. Neither the loan nor the lease gives rise to a general obligation of the District. As the chance of the lease not being renewed is remote, the loan is recorded as a long-term liability.

Transfers from the General Fund to the Capital Projects Fund are made to fund these payments.

NOTE 7 – Reconciliation Between Governmental Funds Balance Sheet and the Statement of Net Position:

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

December 31, 2021	
Fund balance of Governmental Funds	\$ 795,864
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	2,528,935
Net pension asset	50,570
Deferred outflows and inflows for pensions	(49,812)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the Governmental Funds	(1,339,846)
Total Net Position	\$ 1,985,711

POUDRE CANYON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities:

<u>Year Ended December 31</u>	<u>2021</u>
Net change in fund balances – Governmental Funds	\$ 76,337
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Depreciation expense is recorded only at the government wide level. This is the amount of depreciation expense for the year less the amount of capital outlay	29,785
Repayment of loan principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position and proceeds of long-term debt adds to long-term liabilities in the statement of net position	22,566
The General Fund reports District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense	14,268
<u>Change in Net Position of Governmental Activities</u>	<u>\$ 142,956</u>

NOTE 9 – Leases:

The District leases land from the Lower Poudre Canyon Association for the lower canyon fire station for \$1 per year through 2050. The District also leases land from the Old Poudre City Corporation for the upper canyon fire station for \$1 per year through 2109.

REQUIRED SUPPLEMENTARY INFORMATION

POUDRE CANYON FIRE PROTECTION DISTRICT

Schedule of Pension Contributions

Years Ended December 31	Actuarially		
	Determined Contributions	Contributions Made	Contributions Deficiency
2021	\$ 17,042	\$ 9,732	\$ 7,310
2020	4,460	9,473	(5,013)
2019	5,123	5,123	-
2018	5,123	5,123	-
2017	5,123	5,123	-
2016	5,123	5,123	-
2015	10,842	10,842	-

Methods and Assumptions Used:

Actuarial cost method: Entry age
Amortization method: Level dollar-open
Remaining amortization period: 20 years
Asset valuation method: 5 year smoothed fair value
Inflation: 2.5%
Benefit increase: None
Investment return: 7.0%

POUDRE CANYON FIRE PROTECTION DISTRICT

Schedule of Changes in Net Pension Asset

Years Ended December 31	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:							
Annual Service Cost	\$ 10,080	\$ 10,080	\$ 6,767	\$ 6,926	\$ 7,601	\$ 7,601	\$ 6,812
Interest on Total Pension Liability	9,035	7,949	3,686	6,596	5,878	4,937	9,167
Benefit Changes	-	36,470	-	-	-	-	-
Difference in Expected Experience and Actual Changes in Assumptions	(34,082)	-	(35,327)	-	(6,461)	-	(89,391)
Benefit Payments	(2,880)	(2,160)	-	-	2,893	-	(13,416)
Total Pension Liability - Beginning	125,535	73,196	98,070	84,548	74,637	62,099	148,927
Total Pension Liability - Ending	\$ 107,688	\$ 125,535	\$ 73,196	\$ 98,070	\$ 84,548	\$ 74,637	\$ 62,099
Plan Fiduciary Net Position:							
Contributions - District	\$ 5,123	\$ 5,123	\$ 5,123	\$ 5,123	\$ 5,123	\$ 5,123	\$ 7,242
Contributions - State Match	4,609	4,350	4,359	4,359	3,535	3,535	3,600
Net Investment Income	18,450	17,614	1,075	16,052	5,415	3,651	4,833
Administrative Expense	(3,542)	(10,918)	(12,344)	(9,182)	(436)	(1,361)	(1,001)
Benefits paid	(2,880)	(2,160)	(2,110)	-	-	-	-
Net Change	\$ 21,760	14,009	(3,897)	16,352	13,637	10,948	14,674
Plan Fiduciary Net Position - Beginning	136,498	122,489	126,386	110,034	96,397	85,449	70,775
Plan Fiduciary Net Position - Ending	\$ 158,258	136,498	122,489	126,386	110,034	96,397	85,449
District Net Pension Asset	\$ 50,570	\$ 10,963	\$ 55,269	\$ 28,316	\$ 25,486	\$ 21,760	\$ 23,350
Percentage of Net Pension Asset	147%	109%	176%	129%	130%	129%	138%