

CANON CITY FIRE PROTECTION DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2022

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Canon City Fire Protection District
Canon City, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of the Canon City Fire Protection District (the "District") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Canon City Fire Protection District as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 Canon City Fire Protection District and to meet our 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required budgetary and pension information on pages 27-31 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 (GASB) 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luther & Associates, LLC

July 13, 2023

CANON CITY AREA FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of Canon City Area Fire Protection District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements which begin on page 1.

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 statement consists of three components: 1) the government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains 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 reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes). The government-wide financial statements detail functions of the District that are principally supported by tax revenues (governmental activities), grants and charges for services. The governmental activity of the District is public safety – Fire/Emergency Services.

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.

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 expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements can be found on pages 1-5 of this report. The District adopted an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund is located on page 27 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 the financial statements can be found on pages 6 through 26 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information consisting of the schedules of revenues, expenditures and changes in fund balance – budget to actual – General, Bond, and Acquisition Funds and the summary of historical information of the Defined Benefit Pension Plans, which can be found on pages 6 through 26 of this report.

Canon City Area Fire Protection District
Condensed Statement of Net Position
December 31,

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Assets		
Current assets	13,152,949	18,430,511
Capital assets	12,224,954	4,578,338
Total Assets	<u>23,377,903</u>	<u>23,643,090</u>
Deferred Outflows of Resources	274,108	634,241
Liabilities		
Current liabilities	64,991	280,219
Long-term liabilities	13,557,451	13,200,868
Total Liabilities	<u>13,622,442</u>	<u>13,481,087</u>
Deferred Inflows of Resources	6,620,498	6,931,312
Net Position		
Net Investment in Capital Assets	12,224,954	4,578,338
Restricted	290,435	225,435
Unrestricted	<u>(7,106,318)</u>	<u>(1,573,082)</u>
Total Net Position	<u>5,409,071</u>	<u>3,230,691</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,409,071 at the close of the most recent fiscal year.

The District's net position reflect its investment in capital assets (e.g. land, buildings and improvements, equipment and vehicles) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Canon City Area Fire Protection District
Condensed Statement of Activities
December 31,

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Revenues		
Program Revenues		
Charges for Services	1,211,307	1,183,019
Grants and donations	515,086	-
General Revenues		
Taxes	7,292,659	5,360,488
Investment Earnings	113,217	15,071
Other	266,842	154,525
Impact Fees	-	-
Total General Revenues	<u>7,672,718</u>	<u>5,530,084</u>
Total Revenues	<u>9,324,273</u>	<u>6,713,103</u>
Expenses		
General government	6,829,943	5,758,664
Wildland Deployment	<u>315,950</u>	<u>323,002</u>
Total expenses	<u>7,145,893</u>	<u>6,081,666</u>
Change in Net Position	2,178,380	631,437
Net Position, Beginning	3,230,691	2,599,254
Net Position, Ending	<u>5,409,071</u>	<u>3,230,691</u>

The District's overall financial position, as measured by net position, increased \$2,178,380 during 2022.

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's governmental funds follows.

Government Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Fund balances are detailed on page 3 and 4 of this report.

General Fund Budgetary Highlights

Budget Variances: The budget to actual comparison details can be seen on pages 27 of the financial statements. General fund revenues exceeded budget by \$4,915,456 due to higher Specific Ownership Tax collection, Charges for Service, Wildland Deployments, and a decreased mill levy credit. General fund expenditures were less than the budgeted amount by \$500,210. There was one budget amendment during the year.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets at December 31, 2022 amounted to \$12,224,954 (net of accumulated depreciation/amortization). The analysis of changes in capital assets is found can be found in Note 4 of this report.

Long-Term Obligations: At the end of the current fiscal year, the District had total outstanding long term obligations for Compensated Absences. Leases and Certificates of Participation with related premium.. The analysis of changes in long term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budgets and Rates

The District's revenues and expenditures for 2023 are expected to be slightly greater than 2022. Tax revenue will increase as a result of continued increase in collection of Specific Ownership Taxes. Overall, the decrease in grants and donations is projected to be less than the increase in tax revenue.

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those interested in the government's finances. Questions concerning any of the information provided in the report or additional financial information should be addressed to: Canon City Area Fire Protection District, 1475 N. 15th Street, Canon City, CO 81212.

BASIC FINANCIAL STATEMENTS

CANON CITY FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2022

	Governmental Activities	
	2022	2021
ASSETS		
Cash and Investments	\$ 5,615,343	\$ 3,897,002
Restricted Cash and Investments	924,938	7,844,048
Receivables		
Property Taxes	6,371,186	6,520,979
Accounts	105,070	67,042
Prepaid Expenses	136,412	101,440
Capital Assets, not depreciated	10,239,118	3,257,390
Capital Assets, depreciated, net of accumulated depreciation	1,985,836	1,320,948
TOTAL ASSETS	<u>25,377,903</u>	<u>23,008,849</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Volunteer Pension	9,364	15,135
Related to Old Hire Pension	264,744	619,106
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>274,108</u>	<u>634,241</u>
LIABILITIES		
Accounts Payable	36,775	24,106
Accrued Expenses	1,683	-
Accrued Interest	26,533	31,113
Noncurrent Liabilities		
Due in One Year	448,649	225,000
Due in More Than One Year	10,390,516	10,231,824
Net Pension Liability - Volunteer Pension	97,330	125,398
Net Pension Liability - Old Hire Pension	2,620,956	2,843,646
TOTAL LIABILITIES	<u>13,622,442</u>	<u>13,481,087</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	6,371,186	6,455,279
Related to Volunteer Pension	31,939	26,533
Related to Old Hire Pension	217,373	449,500
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,620,498</u>	<u>6,931,312</u>
NET POSITION		
Net Investment in Capital Assets	12,224,954	4,578,338
Restricted for Emergencies	266,000	201,000
Restricted for Growth Related Matters	24,435	24,435
Unrestricted	(7,106,318)	(1,573,082)
TOTAL NET POSITION	<u>\$ 5,409,071</u>	<u>\$ 3,230,691</u>

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

CANON CITY FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2022	2021
PRIMARY GOVERNMENT					
Governmental Activities					
Fire Administration	\$ 5,652,043	\$ -	\$ -	\$ (5,652,043)	\$ (5,600,822)
Fire Fighting and Prevention	1,073,378	1,211,307	440,248	578,177	1,117,297
Communications	104,522	-	-	(104,522)	(92,120)
Wildland Deployment	315,950	-	-	(315,950)	(323,002)
Total Governmental Activities	<u>\$ 7,145,893</u>	<u>\$ 1,211,307</u>	<u>\$ 440,248</u>	<u>(5,494,338)</u>	<u>(4,898,647)</u>
GENERAL REVENUES					
Property Taxes				6,453,121	4,617,801
Specific Ownership Taxes				839,538	742,687
Interest				113,217	15,071
Other				266,842	154,525
TOTAL GENERAL REVENUES				<u>7,672,718</u>	<u>5,530,084</u>
CHANGE IN NET POSITION				2,178,380	631,437
NET POSITION, Beginning				<u>3,230,691</u>	<u>2,599,254</u>
NET POSITION, Ending				<u>\$ 5,409,071</u>	<u>\$ 3,230,691</u>

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

CANON CITY FIRE PROTECTION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2022

	GENERAL FUND	
	2022	2021
ASSETS		
Cash and Investments	\$ 5,615,343	\$ 3,897,002
Restricted Cash and Investments	924,938	7,844,048
Property Taxes Receivable	6,371,186	6,520,979
Accounts Receivable	105,070	67,042
Prepaid Expenses	136,412	101,440
TOTAL ASSETS	<u>\$ 13,152,949</u>	<u>\$ 18,430,511</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 36,775	\$ 24,106
Accrued Expenses	1,683	-
TOTAL LIABILITIES	<u>38,458</u>	<u>24,106</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	<u>6,371,186</u>	<u>6,455,279</u>
FUND BALANCE		
Fund Balance		
Nonspendable	136,412	101,440
Restricted for Emergencies	266,000	201,000
Unassigned	6,340,893	11,648,686
TOTAL FUND BALANCE	<u>6,743,305</u>	<u>11,951,126</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	12,224,954	4,578,338
Long-term liabilities and related assets are not due and payable in the current period and are not reported in the funds. These include compensated absences (\$663,671), net pension liability volunteer plan of (\$97,330), net pension liability old hire plan of (\$2,620,956), deferred outflows related to the volunteer pension plan of \$9,364 and old hire plan of \$264,744, and deferred inflows related to the volunteer pension plan of (\$31,939), old hire plan of (\$217,373), bonds payable of (\$8,580,000), bond premium of (\$934,390), capital lease payable of (\$661,104), and accrued interest of (\$26,533).	<u>(13,559,188)</u>	<u>(13,298,773)</u>
Net position of governmental activities	<u>\$ 5,409,071</u>	<u>\$ 3,230,691</u>

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

CANON CITY FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2022

	GENERAL FUND	
	2022	2021
REVENUES		
Taxes	\$ 7,292,659	5,360,488
Charges for Services	430,700	402,412
Grants	454,068	13,820
Impact Fees	25,772	59,675
Interest	113,217	15,071
Miscellaneous	1,007,857	861,637
TOTAL REVENUES	9,324,273	6,713,103
EXPENDITURES		
Personnel Costs and Benefits	4,309,688	4,090,824
Support Services	288,466	237,774
Operations	15,881	65,387
Fire Prevention and Life Safety	11,361	2,332
Apparatus Maintenance	118,506	50,742
Facilities	37,611	31,133
Communications	104,522	92,120
Training	29,944	29,956
Health and Safety	58,977	46,821
Capital Outlay	8,493,539	2,495,433
Insurance	890,701	712,041
Wildland Deployment	315,950	323,002
Miscellaneous	2,201	-
Bond Issuance Costs	-	285,872
Debt Service		
Principal	225,000	-
Interest	290,850	150,273
TOTAL EXPENDITURES	15,193,197	8,613,710
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,868,924)	(1,900,607)
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Debt	661,104	9,800,927
NET CHANGE IN FUND BALANCES	(5,207,820)	7,900,320
FUND BALANCES, Beginning	11,951,125	4,050,806
FUND BALANCES, Ending	\$ 6,743,305	\$ 11,951,126

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

CANON CITY FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (5,207,820)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay \$7,852,048 that exceeded depreciation expense (\$205,432) for the current period.	7,646,616
Proceeds from the issuance of debt are reported as revenues in the governmental funds but increases long term liabilities in the statement of net position.	(661,104)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the change in compensated absences (\$7,774) and change in accrued interest \$66,117 for the year.	283,343
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>117,345</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,178,380</u></u>

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Canon City Fire Protection District was formed to provide fire protection and emergency medical services to Canon City and surrounding area within its boundaries. The District is governed by a five-member Board of Directors elected by the residents.

The accounting policies of the Canon City Fire Protection District (the “District”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the Canon City Fire Protection District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is 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. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Government-Wide and Fund Financial Statements (Continued)

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 the 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.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Machinery and Equipment	10 - 20 years
Vehicles	15 years

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Position (Continued)

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. At December 31, 2022, the District reported prepaid expenses as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2022.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources.

Compensated Absences

Employees of the District are allowed to accumulate unused vacation and sick time. Upon termination of employment with the District, an employee is compensated for all accrued vacation and sick time within the maximum leave accruals at the current rate of pay.

These compensated absences are recognized when due in the governmental funds types. A liability has been recorded in the government-wide financial statements for accrued compensated absences.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- In September, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

Legal Compliance

The actual expenditures of the General Fund exceeded the budgeted amount by \$6,958,536. This may be a violation of State Statute.

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2022 follows:

Cash Deposits	\$ 3,728,426
Investments	<u>2,811,855</u>
Total	<u>\$ 6,540,281</u>

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The above amounts are classified in the statement of net position as follows:

Cash and Investments	\$ 5,615,343
Restricted Cash and Investments	<u>924,938</u>
Total	<u>\$ 6,540,281</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At December 31, 2022, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2022, the District had deposits with financial institutions with a carrying amount of \$3,728,426. The bank balances with the financial institutions were \$3,809,613. Of these balances, \$250,000 was covered by federal depository insurance and \$3,559,613 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The above investments are authorized for all funds and fund types used by Colorado local governments.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

Local Government Investment Pools

The District had invested \$2,811,855 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency 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 custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022, is summarized below:

	Balances 12/31/21	Additions	Deletions	Balances 12/31/22
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 588,114	\$ -	\$ -	\$ 588,114
Construction in Progress	2,688,889	6,962,115	-	9,651,004
Total Capital Assets, not depreciated	3,277,003	6,962,115	-	10,239,118
Capital Assets, depreciated				
Buildings	1,307,094	-	-	1,307,094
Machinery and Equipment	3,664,950	870,320	-	4,535,270
Total Capital Assets, depreciated	4,972,044	870,320	-	5,842,364
Less Accumulated Depreciation				
Buildings	1,086,465	37,408	-	1,123,873
Machinery and Equipment	2,564,631	168,024	-	2,732,655
Total Accumulated Depreciation	3,651,096	205,432	-	3,856,528
Total Capital Assets, depreciated, Net	1,320,948	664,888	-	1,985,836
Governmental Activities, Capital Assets, Net	<u>\$ 4,597,951</u>	<u>\$ 7,627,003</u>	<u>\$ -</u>	<u>\$ 12,224,954</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2022.

	Balance 12/31/21	Additions	Payments	Balance 12/31/22	Due In One Year
2022 COPs Series 1	\$ 8,805,000	\$ -	\$ 225,000	\$ 8,580,000	\$ 230,000
Premium	995,927	-	61,537	934,390	-
Capital Lease Purchase	-	661,104	-	661,104	218,649
Compensated Absences	655,897	7,774	-	663,671	-
Total	\$ 10,456,824	\$ 668,878	\$ 286,537	\$ 10,839,165	\$ 448,649

Accrued Compensated Absences are being paid from resources generated by the General Fund.

Bond Payable

On May 1, 2021, UM Bank, n.a. issued \$8,805,000 Certificates of Participation, Series 2021 to the District. Proceeds from the COPs will be used to build Station 3. Principal payments are due annually on November 15 and interest payments are due semi-annually on May 15 and November 15 with interest accruing at 4 and then 3%. The COPs will mature in 2046.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 5: LONG-TERM DEBT (Continued)

Capital Lease Purchase Agreement

On November 1, 2022, the District entered into a Lease Purchase Agreement with Community First National Bank in the amount of \$621,104 to purchase the EMFD Pumper. Interest and principal payments are due annually on June 1st with a total payment amount of \$236,923.31. The last payment will be on June 1, 2025

Future debt service requirements for the loans are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 230,000	\$ 281,850	\$ 511,850
2024	240,000	272,650	512,650
2025	250,000	263,050	513,050
2026	260,000	253,050	513,050
2027	270,000	247,850	517,850
2028 - 2032	1,525,000	1,041,850	2,565,850
2033 - 2037	1,800,000	765,750	2,565,750
2038 - 2042	2,095,000	478,800	2,573,800
2043 - 2046	<u>1,910,000</u>	<u>145,500</u>	<u>2,055,500</u>
Total	<u>\$ 8,580,000</u>	<u>\$ 3,750,350</u>	<u>\$ 12,330,350</u>

Following is a schedule of the future minimum lease payments required under the lease obligations at December 31:

Year Ended December 31,

2023	\$ 236,923
2024	236,923
2025	<u>236,923</u>
Total Minimum Lease Payments	710,769
Less: Interest	<u>(49,665)</u>
Present Value of Minimum Lease Payments	<u>\$ 661,104</u>

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance through a commercial carrier for these risks of loss. No claims have exceeded insured amounts in the last three years.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7: COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. The District believes that disallowed expenses, if any, would not have a material effect on the overall financial position of the District.

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2022, the emergency reserve of \$266,000 was recorded in the General Fund.

NOTE 8: DEFINED BENEFIT PENSION PLANS

Volunteer Firefighters' Pension Plan

Summary of Significant Accounting Policies

The District has established the Volunteer Firefighters' Pension Plan (the "Volunteer Plan"), an agent multiple-employer defined benefit pension fund administered by the Colorado Fire & Police Pension Association ("FPPA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Volunteer Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description. Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a monthly pension. Additionally, any firefighter that has reached the age of fifty with at least ten years of service will receive a pension benefit that is prorated for years of creditable volunteer service between 10 and 20 years. A firefighter who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the Pension Board.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

General Information about the Pension Plan (Continued)

The Plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter. Spouses of deceased firefighters may receive benefits as authorized by State statute. FPPA issues an annual, publicly-available financial report that includes the assets of the Volunteer Plan. That report may be obtained on FPPA's website at <http://www.fppaco.org>.

Funding Policy. An actuary is used to determine the annual required contribution ("ARC") necessary to maintain the actuarial soundness of the Plan. Colorado law requires the State to make an annual contribution to the Plan. Because the District's monthly benefit amount is over \$300, the State's annual contribution is calculated as the highest State contribution made between 1998 and 2001. The District makes an additional contribution to support the plan.

The actuarial study as of January 1, 2021, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

At December 31, 2022 there are 13 retired volunteers receiving benefits, 12 active members, and one inactive, nonretired members.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the District reported a net pension liability of \$97,330. The net pension liability was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2021. Standard update procedures were used to roll forward the total pension liability to December 31, 2022.

For the year ended December 31, 2022 the District recognized pension expense of \$621.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$591	N/A
Net difference between projected and actual earnings on pension plan investments	\$3,747	\$31,939
Change in assumptions and other inputs	N/A	N/A
Contributions subsequent to the measurement date	\$5,026	N/A
Total	\$9,364	\$31,939

\$5,026 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2023	(\$6,120)
2024	(\$10,188)
2025	(\$7,021)
2026	(\$4,272)
2027	-

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions: Method, and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Open*
Remaining Amortization Period:	20 years*
Asset Valuation Method:	5-Year smoothed fair value
Inflation	2.50%
Salary Increases:	N/A
Investment Rate of Return:	7.00%
Retirement Age:	50% per year of eligibility until 100% at age 65.
Mortality:	Pre-retirement: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality. Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years. Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

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

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

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	2.32%
Fixed Income - Rates	10.00%	4.00%
Fixed Income – Credit	5.00%	5.25%
Absolute Return	10.00%	5.60%
Long Short	8.00%	6.87%
Global Public Equity	39.00%	8.23%
Private Markets	26.00%	10.63%
Total	100.0%	

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment) to determine the total pension liability.

Sensitivity of the District's net pension asset to changes in the discount rate. The following presents the net pension asset calculated using the discount rate of 7.00 percent, as well as 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension asset	\$141,821	\$97,330	\$59,967

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

FPPA System Description. The Fire & Police Pension Association administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only.

FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>.

Old Hire Fire Pension Plan

Summary of Significant Accounting Policies

The District has established the Old Hire Fire Pension Plan (the “Old Hire Plan”), an agent multiple-employer defined benefit pension fund administered by the Colorado Fire & Police Pension Association (“FPPA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Old Hire Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description. These plans are individual defined benefit pension plans for firefighter and police employees in the State of Colorado hired before April 8, 1978 (old hires) whose employers have chosen to affiliate with FPPA. The affiliated plans are still governed by their local plan document and local pension board.

Each has a separate actuarial valuation done every two years where contributions rates are determined. The Plan provides retirement benefits for Members and beneficiaries according to Plan provisions as enacted and governed by the Firefighters Pension Board.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the Plan. For 2021, retirees could choose one of two retirement benefits as follows:

1. Any firefighter who elects to retire on or after his normal retirement date (20 years of service and 50 years of age) shall be eligible for a monthly pension equal to 60% of his monthly salary at the date of his retirement. For each year of service beyond 20 years, a firefighter shall increase his pension by 2% of salary up to a maximum monthly pension of 80% of his monthly salary at the date of his retirement.
2. Any fire fighter who elects to retire on or after his normal retirement date (when he has completed 20 years of service), is eligible for a monthly pension of one-half of his monthly salary at the date of retirement. In addition, the retiree receives 2% of his monthly salary multiplied by the number of years of service in excess of 20 years. The total monthly pension may not exceed 60% of the monthly salary on the date of retirement. The plan also provides for severance benefits, cost of living adjustments and post-withdrawal and pre-retirement and postretirement death benefits.

FPPA issues independent annual reports that may be obtained by calling FPPA at (303) 770-3772 in the Denver metro area and 1-800-332-FPPA (3772) from outside the metro area.

Funding Policy. An actuary is used to determine the annual required contribution (“ARC”) necessary to maintain the actuarial soundness of the Plan. Colorado law requires the State to make an annual contribution to the Plan. Because the District’s monthly benefit amount is over \$300, the State’s annual contribution is calculated as the highest State contribution made between 1998 and 2001. The District makes an additional contribution to support the plan.

The actuarial study as of January 1, 2022, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021 the District reported a liability of \$2,620,956. The net pension liability was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2022. Standard update procedures were used to roll forward the total pension liability to December 31, 2022.

For the year ended December 31, 2022 the District recognized pension expense of \$71,851. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	N/A
Net difference between projected and actual earnings on pension plan investments	\$42,463	\$217,373
Contributions subsequent to the measurement date	\$222,281	N/A
Total	\$264,744	\$217,373

\$222,281 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2023	(\$29,597)
2024	(\$72,059)
2025	(\$45,715)
2026	(\$27,539)

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions: Method, and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	N/A
Remaining Amortization Period:	N/A
Asset Valuation Method:	5-Year smoothed market
Inflation	2.50%
Salary Increases:	N/A
Investment Rate of Return:	6.50%
Retirement Age:	Any remaining actives are assumed to retire immediately.
Mortality:	Post-retirement: Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years. Disabled (pre-1980): Post-retirement rates set forward three years

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

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.1%
Fixed Income - Rates	32.00%	2.3%
Fixed Income – Credit	6.00%	3.5%
Absolute Return	6.00%	5.6%
Long Short	6.00%	6.9%
Global Public Equity	17.00%	7.8%
Private Capital	28.00%	10.5%
Total	100.0%	

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the District's net pension asset to changes in the discount rate. The following presents the net pension asset calculated using the discount rate of 6.50 percent, as well as the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Proportionate share of the net pension asset	\$3,158,942	\$2,620,956	\$2,156,980

FPPA System Description. The Fire & Police Pension Association administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only.

FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>

NOTE 9: NEW HIRES DEFINED CONTRIBUTION PENSION PLAN

The District has adopted a locally administered pension plan for firemen hired on or after April 8, 1978. An employee becomes eligible if they work at least 1,600 hours per year. Employees contribute 10.0% of compensation which is matched by the employer. In addition, the participant may voluntarily contribute up to 10% of compensation paid within 30 days after the valuation date of the plan year. The participants contribution is 100% vested at all times. Vesting for employer contributions is as follows:

<u>Years of service</u>	<u>Percent vested</u>
Less than 2	None
2	20%
3	40%
4	60%
5	80%
6	100%

Qualified payroll for these employees for the year ended December 31, 2022, was \$2,726,869. Required and actual contribution for this plan by the District and employees for 2022 was \$290,708. The District has no further liability for pension benefits in excess of the funds available in the fund.

CANON CITY FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 10: SUBSEQUENT EVENTS

Potential subsequent events were considered through July 13, 2023. It was determined that no events are required to be disclosed through this date.

REQUIRED SUPPLEMENTAL INFORMATION

CANON CITY FIRE PROTECTION DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2022

	2022				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2021 ACTUAL
REVENUES					
Property Taxes	\$ 6,455,279	\$ 6,455,279	\$ 6,453,121	\$ (2,158)	\$ 4,617,801
Specific Ownership Taxes	575,000	575,000	839,538	264,538	742,687
Charges for Services	166,590	166,590	430,700	264,110	402,412
Grants	5,425	5,425	454,068	448,643	13,820
Impact Fees	145,000	145,000	25,772	(119,228)	59,675
Interest	15,000	15,000	113,217	98,217	15,071
Miscellaneous	177,435	6,877,435	1,007,857	(5,869,578)	861,637
TOTAL REVENUES	7,539,729	14,239,729	9,324,273	(4,915,456)	6,713,103
EXPENDITURES					
Personnel Costs and Benefits	4,490,667	4,490,667	4,309,688	180,979	4,090,824
Support Services	303,518	303,518	288,466	15,052	237,774
Operations	25,670	25,670	15,881	9,789	65,387
Fire Prevention and Life Safety	7,950	7,950	11,361	(3,411)	2,332
Apparatus Maintenance	44,010	44,010	118,506	(74,496)	50,742
Facilities	36,900	36,900	37,611	(711)	31,133
Communications	105,925	105,925	104,522	1,403	92,120
Training	66,002	66,002	29,944	36,058	29,956
Health and Safety	50,081	50,081	58,977	(8,896)	46,821
Capital Outlay	2,312,149	9,012,149	8,493,539	518,610	2,764,718
Contingency	20,000	20,000	-	20,000	-
Insurance	-	904,000	890,701	13,299	712,041
Wildland Deployment	110,685	110,685	315,950	(205,265)	323,002
Miscellaneous	-	-	2,201	(2,201)	-
Bond Issuance Costs	-	-	-	-	303,714
Debt Service					
Principal	-	225,000	225,000	-	-
Interest	-	290,850	290,850	-	135,217
TOTAL EXPENDITURES	7,573,557	15,177,557	15,193,197	500,210	8,885,781
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,828)	(937,828)	(5,868,924)	(4,415,246)	(2,172,678)
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	-	-	661,104	661,104	10,072,997
CHANGE IN FUND BALANCE	(33,828)	(937,828)	(5,207,820)	(3,754,142)	7,900,319
FUND BALANCE, Beginning	1,160,000	1,160,000	11,951,125	10,791,125	4,050,806
FUND BALANCE, Ending	\$ 1,126,172	\$ 222,172	\$ 6,743,305	\$ 7,036,983	\$11,951,125

See the accompanying independent auditors' report.

CANON CITY FIRE PROTECTION DISTRICT

SCHEDULE OF CONTRIBUTIONS
VOLUNTEER FIREFIGHTERS' PENSION PLAN
December 31, 2022

<u>FY Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2013	20,644	20,940	(296)	N/A	N/A
2014	20,644	20,962	(318)	N/A	N/A
2015	16,870	17,362	(492)	N/A	N/A
2016	17,156	16,870	286	N/A	N/A
2017	18,290	18,290	-	N/A	N/A
2018	18,006	18,290	(284)	N/A	N/A
2019	18,006	28,992	(10,986)	N/A	N/A
2020	23,034	23,352	(318)	N/A	N/A
2021	23,034	23,220	(186)	N/A	N/A

*Includes both employer and State of Colorado Supplementary Discretionary Payment

See the accompanying independent auditors' report.

CANON CITY FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
VOLUNTEER FIREFIGHTERS' PENSION PLAN
Year Ended December 31,

Measurement Period Ending December 31,	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability							
Service Cost	\$ 2,868	\$ 2,868	\$ 2,170	\$ 2,170	\$ 2,023	\$ 2,023	\$ 2,287
Interest on the Total Pension Liability	29,380	29,627	30,062	30,201	28,148	28,194	28,383
Benefit Changes	-	-	-	-	-	-	-
Difference Between Expected and Actual Experiences	-	(5,821)	-	(20,322)	-	1,505	-
Assumption Changes	-	9,881	-	17,049	-	-	-
Benefit Payments	(28,227)	(29,720)	(31,120)	(29,620)	(29,520)	(29,520)	(28,770)
Net Change in Total Pension Liability	4,021	6,835	1,112	(522)	651	2,202	1,900
Total Pension Liability - Beginning	404,186	408,207	415,042	416,154	415,632	416,283	418,485
Total Pension Liability - Ending	<u>\$ 408,207</u>	<u>\$ 415,042</u>	<u>\$ 416,154</u>	<u>\$ 415,632</u>	<u>\$ 416,283</u>	<u>\$ 418,485</u>	<u>\$ 420,385</u>
Plan Fiduciary Net Position							
Employer Contribution	\$ 6,755	\$ 11,569	\$ 7,187	\$ 12,079	\$ 18,376	\$ 7,147	\$ 17,074
Pension Plan Net Investment Income	4,540	12,527	34,076	316	33,426	32,391	41,472
Benefit Payments	(28,227)	(29,720)	(31,120)	(29,620)	(29,520)	(29,520)	(28,770)
Pension Plan Administrative Expenses	(2,003)	(652)	(5,812)	(6,884)	(6,282)	(4,708)	(5,954)
State of Colorado Supplemental Discretionary Payment	14,207	5,793	9,969	6,211	10,616	16,205	6,146
Net Change in Plan Fiduciary Net Position	(4,728)	(483)	14,300	(17,898)	26,616	21,515	29,968
Plan Fiduciary Net Position - Beginning	253,765	249,037	248,554	262,854	244,956	271,572	293,087
Plan Fiduciary Net Position - Ending	<u>249,037</u>	<u>248,554</u>	<u>262,854</u>	<u>244,956</u>	<u>271,572</u>	<u>293,087</u>	<u>323,055</u>
Net Pension Liability/(Asset)	\$ 159,170	\$ 166,488	\$ 153,300	\$ 170,676	\$ 144,711	\$ 125,398	\$ 97,330
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.01%	59.89%	63.16%	58.94%	65.24%	70.04%	76.85%
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

CANON CITY FIRE PROTECTION DISTRICT

SCHEDULE OF CONTRIBUTIONS
 OLD HIRE FIRE PENSION PLAN
 December 31, 2022

<u>FY Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2013	217,218	-	217,218	N/A	N/A
2014	216,474	433,692	(217,218)	N/A	N/A
2015	216,474	216,474	-	N/A	N/A
2016	226,589	226,589	-	N/A	N/A
2017	226,589	226,589	-	N/A	N/A
2018	226,589	226,589	-	N/A	N/A
2019	222,281	226,589	(4,308)	N/A	N/A
2020	222,281	222,281	-	N/A	N/A
2021	222,281	222,281	-	N/A	N/A

*Includes both employer and State of Colorado Supplementary Discretionary Payment

See the accompanying independent auditors' report.

CANON CITY FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
 OLD HIRE FIRE PENSION PLAN
 Year Ended December 31,

Measurement Period Ending December 31,	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability							
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on the Total Pension Liability	379,911	383,483	-	381,058	377,942	368,290	363,860
Benefit Changes	-	-	381,175	-	-	-	-
Difference Between Expected and Actual Experiences	(129,968)	-	33,529	-	208,194	-	(43,631)
Assumption Changes	214,700	-	-	-	470,586	-	-
Benefit Payments	(418,860)	(415,106)	(413,373)	(419,271)	(426,051)	(432,967)	(440,022)
Net Change in Total Pension Liability	45,783	(31,623)	1,331	(38,213)	630,671	(64,677)	(119,793)
Total Pension Liability - Beginning	5,271,122	5,316,905	5,285,282	5,286,613	5,248,400	5,879,071	5,814,394
Total Pension Liability - Ending	<u>\$ 5,316,905</u>	<u>\$ 5,285,282</u>	<u>\$ 5,286,613</u>	<u>\$ 5,248,400</u>	<u>\$ 5,879,071</u>	<u>\$ 5,814,394</u>	<u>\$ 5,694,601</u>
Plan Fiduciary Net Position							
Employer Contribution	\$ 432,692	\$ 216,474	\$ 226,589	\$ 226,589	\$ 226,589	\$ 222,281	\$ 222,281
Pension Plan Net Investment Income	48,508	139,835	381,008	3,608	332,923	273,290	323,737
Benefit Payments	(418,860)	(415,106)	(413,373)	(419,271)	(426,051)	(432,967)	(440,022)
Pension Plan Administrative Expenses	(4,360)	(6,092)	(2,380)	(4,907)	(3,070)	(4,206)	(3,089)
Net Change in Plan Fiduciary Net Position	58,980	(64,889)	191,844	(193,981)	130,391	58,398	102,907
Plan Fiduciary Net Position - Beginning	2,789,995	2,848,975	2,784,086	2,975,930	2,781,949	2,912,340	2,970,738
Plan Fiduciary Net Position - Ending	<u>\$ 2,848,975</u>	<u>\$ 2,784,086</u>	<u>\$ 2,975,930</u>	<u>\$ 2,781,949</u>	<u>\$ 2,912,340</u>	<u>\$ 2,970,738</u>	<u>\$ 3,073,645</u>
Net Pension Liability/(Asset)	\$ 2,467,930	\$ 2,501,196	\$ 2,310,683	\$ 2,466,451	\$ 2,966,731	\$ 2,843,656	\$ 2,620,956
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	53.58%	52.68%	56.29%	53.01%	49.54%	51.09%	53.97%
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.