

Cortez Fire Protection District

Annual Financial Report and Independent Auditor's Report

December 31, 2022



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To the Board of Directors
Cortez Fire Protection District

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund of Cortez 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, the major fund, and the aggregate remaining fund of the District as of December 31, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

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 generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

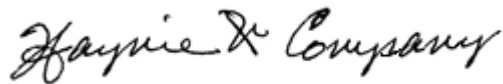
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison schedule, and required pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The pension fund budgetary schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado

July 20, 2023

Basic Financial Statements

Cortez Fire Protection District
Statement of Net Position
December 31, 2022

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 811,462
Receivables	
Property tax receivable	1,654,430
Other receivables	16,980
Prepaid expenses	17,142
Noncurrent assets:	
Capital assets, nondepreciable	38,439
Capital assets, depreciable, net	5,425,019
Net pension asset - FPPA	<u>413,862</u>
Total assets	<u>8,377,334</u>
Deferred Outflows of Resources	
Deferred outflows related to FPPA pension	258,007
Deferred outflows related to CFPDPP volunteer pension	<u>325,126</u>
Total deferred outflows of resources	<u>583,133</u>
Total assets and deferred outflows of resources	<u>\$ 8,960,467</u>
Liabilities	
Accounts payable	\$ 66,750
Accrued liabilities	65,333
Due to pension trust fund	41,793
Accrued interest	14,144
Noncurrent liabilities:	
Due within one year	155,257
Due in more than one year	1,833,758
Total liabilities	<u>2,177,035</u>
Deferred Inflows of Resources	
Deferred property tax revenue	1,654,430
Deferred inflows related to FPPA pension	286,632
Deferred inflows related to CFPDPP volunteer pension	<u>43,415</u>
Total deferred inflows of resources	<u>1,984,477</u>
Net Position	
Net investment in capital assets	4,153,499
Restricted for emergencies	85,440
Restricted for net pension asset	385,237
Unrestricted	<u>174,779</u>
Total net position	<u>4,798,955</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,960,467</u>

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

Cortez Fire Protection District
Statement of Activities
For the Year Ended December 31, 2022

<u>Functions/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities					
Fire protection and emergency	\$ 2,748,375	\$ -	\$ 832,542	\$ -	\$ (1,915,833)
Interest on long-term obligations	<u>44,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,216)</u>
Total governmental activities	<u>\$ 2,792,591</u>	<u>\$ -</u>	<u>\$ 832,542</u>	<u>\$ -</u>	<u>\$ (1,960,049)</u>
General revenues:					
Property taxes					1,824,413
Interest earnings					<u>136</u>
Total General revenues					<u>1,824,549</u>
Change in net position					(135,500)
Net position - beginning of year					<u>4,934,455</u>
Net position - end of year					<u>\$ 4,798,955</u>

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

Cortez Fire Protection District
Governmental Fund Balance Sheet and
Reconciliation of the Governmental Fund Balance Sheet
with Government-wide Statement of Net Position
December 31, 2022

	General Fund	Total Governmental Fund
Assets		
Cash and cash equivalents	\$ 811,462	\$ 811,462
Property taxes receivable	1,654,430	1,654,430
Other receivables	16,980	16,980
Prepaid expenses	17,142	17,142
Total assets	2,500,014	2,500,014
Liabilities		
Accounts payable	66,750	66,750
Accrued liabilities	65,333	65,333
Due to pension trust fund	41,793	41,793
Total liabilities	173,876	173,876
Deferred Inflows of Resources		
Deferred property tax revenue	1,654,430	1,654,430
Total deferred inflows of resources	1,654,430	1,654,430
Fund Balance		
Nonspendable - prepaid expenses	17,142	17,142
Restricted for:		
Emergencies	85,440	85,440
Unassigned	586,268	586,268
Total fund balance	671,708	671,708
Total liabilities, deferred inflows of resources and fund balance	\$ 2,500,014	\$ 2,500,014
Fund Balance - Total Governmental Fund		\$ 671,708
<p>Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and are excluded from the fund.</p>		
Governmental capital assets, net		5,463,458
<p>Compensated absences are not payable with current resources</p>		
		(110,785)
<p>Long-term liabilities, such as pension assets (liability), accrued interest, and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Net pension asset - FPPA		413,862
Net pension liability - CFPDPP volunteer pension		(568,271)
Lease purchase obligations		(1,309,959)
Accrued interest		(14,144)
<p>Pension balances are not available resources and are not included in fund financial statements.</p>		
Deferred outflows related to pension - FPPA		258,007
Deferred outflows related to CFPDPP - volunteer pension		325,126
Deferred inflows related to pension - FPPA		(286,632)
Deferred inflows related to CFPDPP - volunteer pension		(43,415)
Net position of governmental activities		\$ 4,798,955

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

Cortez Fire Protection District
Statement of Revenues, Expenditures,
and Change in Fund Balance
December 31, 2022

	General Fund
Revenues	
Property tax	\$ 1,824,413
Interest income	136
Other income	832,542
Total Revenues	2,657,091
Expenditures	
Fire protection and emergency services	
Salaries and benefits	1,969,253
Facilities and utilities	70,497
Administration	176,357
Vehicle expenses	123,063
Training	22,139
Other	247,473
Capital outlay	102,619
Debt Service	
Principal	91,541
Interest	45,053
Total Expenditures	2,847,995
Excess (deficiency) of revenues over expenditures	(190,904)
Net Change in Fund Balance	(190,904)
Fund balance:	
Beginning of year	862,612
End of year	\$ 671,708

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

Cortez Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balance of Governmental Activities
to the Statement of Activities
December 31, 2022

Net change in fund balance—General Fund \$ (190,904)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives. Additionally, fund financial statements do not recognize contributions of capital assets as revenues.

Current year depreciation	(218,465)
Capital outlay - capitalized portion	102,619

Changes in long-term liabilities are reflected as income or expense on the statement of changes in fund balance but are not recorded as income or expenses on the statement of activities

Principal payments on lease purchase obligations	91,541
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(4,530)
Change in pension related items	83,402
Interest expense - change in accrued interest	<u>837</u>

Change in net position of governmental activities **\$ (135,500)**

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

Cortez Fire Protection District
Statement of Fiduciary Net Position
Pension Trust Fund
December 31, 2022

Assets	<u>2022</u>
Cash and cash equivalents	\$ 68,807
Investments	1,803,713
Due from general fund	<u>41,793</u>
Total assets	<u>\$ 1,914,313</u>
Liabilities	
Accrued Expenses	<u>1,681</u>
Total liabilities	<u>1,681</u>
Net Position	
Held in trust for pension benefits	<u>\$ 1,912,632</u>

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

Cortez Fire Protection District
Statement of Change in Fiduciary
Net Position - Pension Trust Fund
December 31, 2022

	2022
Additions	
Contributions	
State contributions	\$ 41,791
District contributions	35,250
Investment Income (Loss)	(287,026)
Total Additions (Loss)	(209,985)
Deductions	
Administrative expenses	15,399
Pension payments	185,697
Total Deductions	201,096
Change in Net Position	(411,081)
Net Position - Beginning of year	2,323,713
Net Position - End of year	\$ 1,912,632

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

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

1. Definition of Reporting Entity

The Cortez Fire Protection District (the District) was formed on June 25, 1986, for the purpose of providing fire protection and emergency services to Cortez, Colorado and the surrounding rural area in Montezuma County, Colorado.

The District has an elected governing board and levies taxes on the property within the District for operations and debt service.

The District's annual financial report includes the accounts of all District operations.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District, which is the primary government, is not considered a component unit of any other government and does not engage in any business-type activities.

2. Summary of Significant Accounting Policies

The financial statements of the Cortez Fire Protection District (District) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the District's accounting policies are described below.

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 activities of the District. Governmental activities are generally supported by taxes, charges for services and intergovernmental revenues. There are no business-type activities in the District for the year ended December 31, 2022.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a 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 those 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.

The fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Additionally, the District reports the following fund type:

Pension Trust Fund – The Pension Trust Fund is a *Fiduciary Fund* that accounts for the activities of the volunteer fire defined benefit pension plan. Fiduciary Funds are used to report assets held in a trustee capacity for others outside the government. These activities are reported in a separate statement of fiduciary net position. The District excludes this activity from government-wide financial statements because the District cannot use these assets to finance its operations.

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets and liabilities generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balance present increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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.

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Property taxes, intergovernmental grants, and investment income 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.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, reconciliations are presented that briefly explains the adjustments necessary to reconcile the ending net position and the change in net position.

In accordance with GASB, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Capital Assets

Capital assets used in governmental activities of the District are recorded at cost. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment and Vehicles	8 - 15 years
Improvements	7 - 30 years

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds. The resulting receivables and payables are classified on the Balance Sheet as Due from Other Funds and Due to Other Funds because they are short-term in nature.

Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources represents a consumption of net assets that applies to future periods, and a deferred inflow of resources represents an acquisition of net assets that applies to future periods. Both deferred outflows and inflows are reported in the Statement of Net Position but are not recognized in the financial statements as revenues and expenses until the period to which they relate.

Net Position and Fund Balance

In the government-wide financial statements, net position is classified in the following categories:

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents the net position of the District, which are not restricted for any project or other purpose. A deficit will require future funding.

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Statewide Defined Benefit Plan administered by the Fire and Police Pension Association of Colorado (FPPA) and additions to/deductions from the pension

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

plan's net position have been determined on the same basis as they are reported by FPPA. 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. Additionally, similar amounts are recorded for the Cortez Fire Protection District Pension Plan (CFPDPP) provided for volunteer firefighters of the District

Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the District by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the District.

In the fund financial statements, property taxes are recognized in the year for which levied provided they become available and measurable. Property tax revenues are considered available when they become due or past due and are received by the District within 60 days of the end of the fiscal year.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting

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

1. In accordance with State statutes, prior to October 15, the proposed operating budget is submitted to the District Board for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statutes require a more detailed line-item budget be submitted in summary form. In addition, more detailed line-item budgets are included for administration control.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. The District bookkeeper is required to present a monthly report to the District Board explaining any variance from the approved budget.

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets for the Governmental and Fiduciary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each calendar year.
8. The District Board may authorize supplemental appropriations during the year

Compensated Absences

Full-time employees of the District are allowed to accumulate unused paid time off and sick leave. Upon termination of employment with the District, an employee is compensated for all accrued paid time off and sick leave on a sliding scale if these benefits have matured. As of December 31, 2022, there was \$110,785 accrued for compensated absences.

Recently Adopted Accounting Pronouncements

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases on January 1, 2022. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 had no effect to the district.

3. Deposits and Investments

Deposits with banks are comprised of the following at December 31, 2022:

	Carrying Amount	Bank Balance	Insured	Collateralized
Bank deposits	\$ 147,745	\$ 148,149	\$ 148,149	\$ -

Cash and cash equivalents as of December 31, 2022, consist of the following:

Bank deposits	\$ 147,745
Cash Equivalents	732,424
Petty cash	100
	\$ 880,269

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2022

3. Deposits and Investments (continued)

Cash equivalents are made up of government money market accounts and treasury bills which are not subject to credit risk.

Cash and cash equivalents as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position	\$ 811,462
Statement of Fiduciary Net Position	68,807
	\$ 880,269

Custodial Credit Risks – Deposits

Colorado state statutes govern the entity’s deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes (CRS) require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (PDPA) requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits.

Investments

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers’ acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

3. Deposits and Investments (continued)

Investments are reported at fair value which is determined using selected bases. Short term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits and money market mutual funds are reported at cost which reasonably approximates fair value.

Fair Value Measurement and Application

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; and Level 3 inputs are significant unobservable inputs. All investments are in mutual funds and are Level 1.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. U.S. treasuries and mutual funds are not subject to credit risk. The District does not hold any debt securities at year end.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Mutual funds are not subject to custodial credit risk. The District does not have a specific policy for custodial credit risk.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investments is the means of limiting exposure to fair value losses arising from increasing interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Colorado statutes limit authorized investments to those having a maturity of five years or less, unless the entity's governing body specifically authorizes longer maturities.

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2022

4. Capital Assets

The following table presents capital assets activity of the District for the year ended December 31, 2022:

	Balance December 31, 2021	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2022
Capital assets, not being depreciated:				
Land	\$ 38,439	\$ -	\$ -	\$ 38,439
Total capital assets, not being depreciated	<u>38,439</u>	<u>-</u>	<u>-</u>	<u>38,439</u>
Capital assets, being depreciated:				
Buildings	5,341,525	-	-	5,341,525
Equipment & vehicles	3,271,214	101,980	-	3,373,194
Improvements	<u>43,875</u>	<u>639</u>	<u>-</u>	<u>44,514</u>
Total capital assets, being depreciated	<u>8,656,614</u>	<u>102,619</u>	<u>-</u>	<u>8,759,233</u>
Less accumulated depreciation for:				
Buildings	(562,394)	(112,646)	-	(675,040)
Equipment & vehicles	(2,542,027)	(103,546)	-	(2,645,573)
Improvements	<u>(11,328)</u>	<u>(2,273)</u>	<u>-</u>	<u>(13,601)</u>
Total accumulated depreciation	<u>(3,115,749)</u>	<u>(218,465)</u>	<u>-</u>	<u>(3,334,214)</u>
Total capital assets, being depreciated, net	<u>5,540,865</u>	<u>(115,846)</u>	<u>-</u>	<u>5,425,019</u>
Capital assets, net	<u>\$ 5,579,304</u>	<u>\$ (115,846)</u>	<u>\$ -</u>	<u>\$ 5,463,458</u>

Depreciation expense totaling \$218,465 was charged to fire protection and emergency services during the year.

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

5. Long-term Obligations

The following is a summary of long-term debt transactions for the governmental activities of the District for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One Year
Lease Purchase Obligations					
HSE Leasing, LLC 2013 Lease	\$ 42,200	\$ -	\$ (20,503)	\$ 21,697	\$ 21,114
HSE Leasing, LLC 2017 Lease	1,023,410	-	(51,358)	972,052	53,079
Community First National Bank 2020 Lease	<u>335,890</u>	<u>-</u>	<u>(19,680)</u>	<u>316,210</u>	<u>20,267</u>
Total long-term leases	<u>\$ 1,401,500</u>	<u>\$ -</u>	<u>\$ (91,541)</u>	<u>\$ 1,309,959</u>	<u>\$ 94,460</u>
Other Obligations					
Compensated Absences	106,255	4,530	-	110,785	60,797
Net pension liability	<u>232,013</u>	<u>336,258</u>	<u>-</u>	<u>568,271</u>	<u>-</u>
Total other obligations	<u>\$ 338,268</u>	<u>\$ 340,788</u>	<u>\$ -</u>	<u>\$ 679,056</u>	<u>\$ 60,797</u>
Total long-term obligations	<u>\$ 1,739,768</u>	<u>\$ 340,788</u>	<u>\$ (91,541)</u>	<u>\$ 1,989,015</u>	<u>\$ 155,257</u>

The District has entered into two leases with HSE Leasing, LLC for the purchase of equipment in 2013 and for the financing of a fire station and related equipment in 2017. The 2013 equipment lease requires annual lease payments of \$21,708 through May, 2023, bears interest at 2.78% per annum, and is collateralized by fire equipment. The 2017 building and equipment lease requires semi-annual lease payments of \$42,607 through February 2037, bears interest at 3.35% per annum, and is collateralized by a fire station and related equipment.

The District entered into a lease agreement with Community First National Bank for the purchase of equipment in 2020. The lease requires annual lease payments of \$29,703 through December 2035, bears interest at 2.984% per annum, and is collateralized by fire equipment.

Lease purchase payments to maturity are as follows:

	Principal	Interest	Total
2023	\$ 94,460	\$ 42,166	\$ 136,626
2024	75,724	39,173	114,898
2025	78,201	36,697	114,898
2026	80,758	34,139	114,898
2027	83,400	31,498	114,898
2028-2032	459,856	114,733	574,588
2033-2037	<u>437,560</u>	<u>35,303</u>	<u>472,863</u>
Total	<u>\$ 1,309,959</u>	<u>\$ 333,708</u>	<u>\$ 1,643,668</u>

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

6. Fire Protection Employee Retirement Plan

State Fire and Police Pension Plan (FPPA)

The District contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan (SWDB) provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997, through the Statewide Death and Disability Plan, which is also administered by the FPPA. This is a noncontributory plan. All full-time, paid firefighters of the District are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Local revenue sources are responsible for funding of the Death and Disability benefits for firefighters hired on or after January 1, 1997.

Colorado statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. FPPA issues a publicly available annual comprehensive financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Description of Benefits

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 with at least five years of credited service or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2022

6. Fire Protection Employee Retirement Plan (continued)

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB plan and their employers are contributing at the rate of 12.0 percent and 9.0 percent, respectively, of base salary for a total contribution rate of 21.0 percent in 2022. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13 percent of pensionable earnings. Contributions to the SWDB plan from the District were \$68,451 for the year ended December 31, 2022.

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

At December 31, 2022, the District reported a pension asset of \$413,862 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2022. The District's proportion of the net pension asset was based on District's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2021, the District's proportion was .076368 percent, which was a decrease of .001806 percent from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the District recognized pension income of \$38,353. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 118,510	\$ 9,652
Changes in assumptions	59,020	-
Net difference between projected and actual earnings		
on pension plan investments	-	276,980
Change in proportionate share	12,026	-
Contributions subsequent to the measurement date	68,451	-
Total	\$ 258,007	\$ 286,632

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2022

6. Fire Protection Employee Retirement Plan (continued)

The \$68,451 in total reported as deferred outflows of resources related to pension resulting from District contributions subsequent to measurement date will be recognized as an addition of the net pension asset 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	\$	(51,139)
2024		(49,488)
2025		(51,157)
2026		(3,269)
2027		31,808
Thereafter		26,169
	<u>\$</u>	<u>(97,076)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Total Pension Liability	Actuarially Determined Contributions
Actuarial Valuation Date	January 1, 2022	January 1, 2021
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 years
Long-Term Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases*	4.25 – 11.25%	4.25 – 11.25%
Cost of Living Adjustments (COLA)	0.0%	0.0%
*Includes Inflation at 2.5%		

For determining the total pension liability and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2022

6. Fire Protection Employee Retirement Plan (continued)

At least every five years the FPPA’s Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA’s actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019. The actuarial assumptions impact actuarial factors for benefit purposes such as the purchases of service credit and other benefits where actuarial factors are used.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	39.0%	8.23%
Equity Long/Short	8.0%	6.87%
Private Markets	26.0%	10.63%
Fixed Income-Rates	10.0%	4.01%
Fixed Income- Credit	5.0%	5.25%
Absolute Return	10.0%	5.60%
Cash	2.0%	2.32%
Total	<u>100.0%</u>	

Discount Rate

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 FPPA Board’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2022

6. Fire Protection Employee Retirement Plan (continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net pension liability (asset), calculated using a discount rate of 7.00 percent, as well as what the District’s proportionate share of the net pension liability (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 Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability (asset)	(57,074)	(413,862)	(709,441)

Pension Plan Fiduciary Net Position

Detailed information about the SWDB's fiduciary net position is available in FPPA's annual comprehensive financial report, which can be obtained at <http://www.fppaco.org>.

7. Defined Benefit Volunteer Pension Plan

Plan Description and Provisions

The District's defined benefit pension plan, Cortez Fire Protection District Pension Plan (CFPDPP), provides pensions for all volunteer firemen with 10 or 20 years of qualifying service. The plan is a single-employer defined benefit pension plan administered by a Board of Trustees composed of District Board members and firefighters selected in accordance with Colorado State Statutes. Article 15 of the Regulations of the State grants the authority to establish and amend the benefit terms to the Board of Trustees.

Benefits Provided

The Cortez Fire Protection District Pension Plan provides retirement and death benefits. Retirement benefits for volunteer fireman with ten years of volunteer service are calculated as \$27.29 per month per year of qualifying volunteer service. Volunteer firemen with 10 or 20 years of service are eligible to retire at age 50. Volunteer firemen with qualifying service are eligible for death benefits. Death benefits include a monthly annuity to the surviving spouse and a one-time general benefit reimbursement. The monthly annuity equals up to 50% of the retiree's benefit if the member is married. The general benefit reimbursement may be up to twice their monthly retirement benefit.

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

7. Defined Benefit Volunteer Pension Plan (continued)

Firefighters Covered by Benefit Terms

At December 31, 2022, the following firefighters were covered by the benefit terms:

Retirees and beneficiaries	39
Inactive, non-retired members	6
Active members	-
Total	45

Contributions

Article 15 of the Regulations of the State grants the authority to establish and amend the contribution requirements of the District. The board establishes rates based on an actuarially determined rate recommended by an independent actuary. The contribution for the District is not to exceed one mill of the assessed valuation of the District. The State of Colorado's contribution has been established by the legislature and is based upon the amounts contributed by the district. The State currently matches 90% of the District's contributions up to a maximum of ½ mill on the assessed valuation. The firefighters do not contribute to the plan.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022, with procedures applied to update the liability to the measurement date of December 31, 2022.

Actuarial assumptions: The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining Amortization Period	20 years
Asset Valuation Method	Market Value
Inflation	Implicit
Salary Increases	N/A
Investment Rate of Return	4.50%
Retirement Age	50% rate assumed until age 65 at which 100% retirement is assumed
Mortality	RP-2014 Mortality Tables for annuitants, adjusted back to 2006 with Scale MP-2104 and projected forward to 2018 with Scale MP-2017, fully generational using the ultimate rates from Scale MP-2017.

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2022

7. Defined Benefit Volunteer Pension Plan (continued)

A Single Discount Rate of 4.50% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 4.50% and a municipal bond rate of 4.05%. The projection of cash flows used to determine this Single Discount Rate assumed that the State contributions will be made at the current contribution rate and the District contribution will be made at rates equal to the difference between actuarially determined contribution rates and the State rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and in-active firemen. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2021	\$ 2,555,725	\$ 2,323,713	\$ 232,012
Changes for the year:			
Interest	110,875		110,875
Differences between expected and actual experience	-		-
Change of benefit terms	-		-
Service costs	-		-
Contributions - State		41,791	(41,791)
Contributions - District		35,250	(35,250)
Net investment income		(287,027)	287,027
Benefit payments	(185,697)	(185,697)	-
Administrative expenses		(15,398)	15,398
Net Changes	(74,822)	(411,081)	336,259
Balances at 12/31/2022	\$ 2,480,903	\$ 1,912,632	\$ 568,271

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2022

7. Defined Benefit Volunteer Pension Plan (continued)

Sensitivity of the Net Pension Liability (Asset) to the changes in the discount rate

The following table presents the net pension liability (asset) of the District, calculated using the discount rate of 4.50% as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (3.50%) or one percentage point higher (5.50%) than the current rate.

	1% Decrease (3.50%)	Current Rate (4.50%)	1% Increase (5.50%)
District's net pension liability (asset)	864,007	568,271	324,911

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

For the year ended December 31, 2022, the district recognized pension expense of \$58,653 for the Single Employer Pension Plan. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 325,126	\$ 43,415
Total	<u>\$ 325,126</u>	<u>\$ 43,415</u>

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

Year ended December 31:

2023	\$ 47,372
2024	74,119
2025	82,454
2026	77,766
	<u>\$ 281,711</u>

Payable to the Pension Plan

At December 31, 2022, the District had a \$41,793 payable for the State contribution to the Plan.

Cortez Fire Protection District

Notes to Financial Statements

December 31, 2022

8. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The District carries commercial insurance coverage for all risks of loss. Claims have not exceeded commercial coverage since inception.

9. TABOR Compliance

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations, which apply to the State of Colorado and all local governments. During 2013, the District passed a ballot question authorizing the District to collect, retain, and spend for any lawful purpose the revenues generated from all sources in each fiscal year thereafter.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenues.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an Enterprise will require judicial interpretation.

10. Insurance Proceeds

During 2022, the District received \$36,844 in insurance proceeds which are included in "Other Income" in the Statement of Revenues, Expenditures, and Change in Fund Balance. These funds are intended for a roof replacement on one of the fire stations and were received in the year prior to the anticipated replacement. The District anticipates completion of roof replacement in 2023 and will expend these proceeds at such time, along with additional proceeds expected to be received in the following year. There has been no associated impairment with this capital asset replacement due to age and use.

Cortez Fire Protection District

Required Supplementary Information

Cortez Fire Protection District
Schedule of Revenues, Expenditures
and Change in Fund Balance
General Fund (Budget and Actual)
December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property tax	\$ 1,697,385	\$ 1,824,413	\$ 127,028
Other local sources			
Interest income	200	136	(64)
Other	<u>781,917</u>	<u>832,542</u>	<u>50,625</u>
Total Revenues	<u>2,479,502</u>	<u>2,657,091</u>	<u>177,589</u>
Expenditures:			
Fire protection and emergency services			
Salaries and benefits	2,010,988	1,969,253	41,735
Facilities and utilities	61,300	70,497	(9,197)
Administration	280,207	176,357	103,850
Vehicle expenses	103,000	123,063	(20,063)
Training	42,000	22,139	19,861
Other	<u>189,899</u>	<u>247,473</u>	<u>(57,574)</u>
	2,687,394	2,608,782	78,612
Debt service	<u>142,704</u>	<u>136,594</u>	<u>6,110</u>
Total debt service	<u>142,704</u>	<u>136,594</u>	<u>6,110</u>
Capital outlay	<u>199,000</u>	<u>102,619</u>	<u>96,381</u>
Total Expenditures	<u>3,029,098</u>	<u>2,847,995</u>	<u>181,103</u>
Excess Revenue Over (Under)			
Expenditures	<u>(549,596)</u>	<u>(190,904)</u>	<u>358,692</u>
Net change in fund balances	<u>(549,596)</u>	<u>(190,904)</u>	<u>358,692</u>
Fund Balance—Beginning of year	<u>(489,478)</u>	<u>862,612</u>	<u>1,352,090</u>
Fund Balance—End of Year	<u><u>\$(1,039,074)</u></u>	<u><u>\$ 671,708</u></u>	<u><u>\$ 1,710,782</u></u>

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

Cortez Fire Protection District
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability (Asset) and Related Ratios
Statewide FPPA Pension Plan

Measurement Period Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Payroll	Net Pension (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)
12/31/2022	0.08%	\$ (413,862)	\$ 598,271	-69.2%	116.2%
12/31/2021	0.08%	\$ (169,716)	\$ 627,125	-27.1%	106.7%
12/31/2020	0.08%	\$ (46,082)	\$ 595,288	-7.7%	101.9%
12/31/2019	0.09%	\$ 112,220	\$ 596,713	18.8%	95.2%
12/31/2018	0.09%	\$ (131,475)	\$ 534,550	-24.6%	106.3%
12/31/2017	0.08%	\$ 28,368	\$ 401,787	7.1%	98.2%
12/31/2016	0.10%	\$ (1,728)	\$ 400,288	-0.4%	100.1%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

* The data provided in this schedule is based as of the measurement date of the District's net pension liability, which is as of the beginning of the year.

Cortez Fire Protection District
Required Supplementary Information
Schedule of Employer Contributions
Statewide FPPA Pension Plan
As of Measurement Period Ended

<u>Measurement Period Ended*</u>	<u>Actuarially Required Contributions</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/ (Deficiency)</u>	<u>Actual Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/2022	\$ 68,451	\$ 68,451	-	\$ 760,561	9%
12/31/2021	\$ 50,583	\$ 50,583	-	\$ 598,271	8%
12/31/2020	\$ 50,170	\$ 50,170	-	\$ 627,125	8%
12/31/2019	\$ 47,623	\$ 47,623	-	\$ 595,288	8%
12/31/2018	\$ 47,737	\$ 47,737	-	\$ 596,713	8%
12/31/2017	\$ 42,764	\$ 42,764	-	\$ 534,550	8%
12/31/2016	\$ 32,143	\$ 32,143	-	\$ 401,787	8%
12/31/2015	\$ 32,023	\$ 32,023	-	\$ 400,288	8%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Cortez Fire Protection District
Required Supplementary Information
Schedule of Employer Contributions
Volunteer Pension Plan
As of Measurement Period Ended

<u>Measurement Period Ended*</u>	<u>Actuarially Required Contributions</u>	<u>Actual Employer Contributions*</u>	<u>Contribution Excess/ (Deficiency)</u>	<u>Actual Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/2022	\$ 29,313	\$ 77,041	\$ 47,728	N/A	N/A**
12/31/2021	\$ 34,565	\$ 88,791	\$ 54,226	N/A	N/A**
12/31/2020	\$ 34,565	\$ 88,791	\$ 54,226	N/A	N/A**
12/31/2019	\$ 44,855	\$ 88,971	\$ 44,116	N/A	N/A**
12/31/2018	\$ 44,855	\$ 88,791	\$ 43,936	N/A	N/A**
12/31/2017	\$ 88,791	\$ 88,791	\$ -	N/A	N/A**
12/31/2016	\$ 88,791	\$ 96,000	\$ 7,209	N/A	N/A**
12/31/2015	\$ 72,006	\$ 76,000	\$ 3,994	N/A	N/A**
12/31/2014	\$ 70,309	\$ 81,791	\$ 11,482	N/A	N/A**
12/31/2013	\$ 90,021	\$ 113,616	\$ 23,595	N/A	N/A**
12/31/2012	\$ 85,734	\$ 114,413	\$ 28,679	N/A	N/A**

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

* Includes both employer and State of Colorado Supplemental Discretionary Payment.

** Ratio not applicable (N/A) since payroll is zero due to the plan covering volunteers.

Cortez Fire Protection District
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Volunteer Pension Plan Fund
Last 10 Years

Measurement period ended December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability							
Service cost	\$ -	\$ 3,965	\$ 3,965	\$ 7,610	\$ 7,610	\$ 7,610	\$ 8,628
Interest	110,875	108,550	111,617	118,965	121,172	123,319	117,550
Changes of benefit terms	-	126,779	-	-	-	-	-
Difference between expected and actual experience	-	(48)	-	(83,462)	-	(5,259)	10,375
Changes of assumptions	-	-	-	(25,377)	-	-	155,478
Benefit Payments	<u>(185,697)</u>	<u>(185,524)</u>	<u>(181,995)</u>	<u>(176,524)</u>	<u>(179,084)</u>	<u>(169,563)</u>	<u>(165,713)</u>
Net change in total pension liability	(74,822)	53,722	(66,413)	(158,788)	(50,302)	(43,893)	126,318
Total pension liability - Beginning	2,555,726	2,502,004	2,568,417	2,727,205	2,777,507	2,821,400	2,695,082
Total pension liability - Ending (a)	2,480,904	2,555,726	2,502,004	2,568,417	2,727,205	2,777,507	2,821,400
Plan fiduciary net position							
Employer contributions	35,250	47,000	47,000	47,000	47,000	47,000	60,000
Net investment income	(287,026)	79,951	143,403	229,713	(40,526)	111,534	156,806
Benefit payments	(185,697)	(185,525)	(181,995)	(176,524)	(179,084)	(169,563)	(172,307)
Administrative expense	(15,399)	(9,336)	(14,392)	(8,215)	(14,723)	(2,350)	(5,468)
State of Colorado supplemental discretionary payment	41,791	41,791	41,791	41,971	41,791	41,791	36,000
Other	-	-	-	-	(8,606)	12,531	(3,925)
Net change in plan fiduciary net position	(411,081)	(26,119)	35,807	133,945	(154,148)	40,943	71,106
Plan fiduciary net position - beginning	2,323,714	2,349,833	2,314,026	2,180,081	2,334,229	2,293,286	2,222,180
Plan fiduciary net position - end (b)	<u>1,912,633</u>	<u>2,323,714</u>	<u>2,349,833</u>	<u>2,314,026</u>	<u>2,180,081</u>	<u>2,334,229</u>	<u>2,293,286</u>
District's net pension liability - ending (a)-(b)	<u>\$ 568,271</u>	<u>\$ 232,012</u>	<u>\$ 152,171</u>	<u>\$ 254,391</u>	<u>\$ 547,124</u>	<u>\$ 443,278</u>	<u>\$ 528,114</u>
Plan fiduciary net position as a percentage of the total pension liability	77.09%	90.92%	93.92%	90.10%	79.94%	84.04%	81.28%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Note 2: The data provided in this schedule is based as of the measurement date of the District's net pension liability.

Cortez Fire Protection District
Schedule of Investment Returns
Cortez Fire Protection District Pension Plan

Measurement period ended December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	4.5%	4.5%	6.15%	10.47%	-1.87%	5.04%	7.28

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Cortez Fire Protection District

Other Supplementary Information

Cortez Fire Protection District
Statement of Change in Fiduciary Net Position
Pension Trust Fund (Budget and Actual)
December 31, 2022

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Additions			
Contributions			
State contribution	\$ 41,791	\$ 41,791	\$ -
District contribution	47,000	35,250	(11,750)
Investment income (loss)	<u>180,000</u>	<u>(287,026)</u>	<u>(467,026)</u>
Total Additions (Loss)	<u>268,791</u>	<u>(209,985)</u>	<u>(478,776)</u>
Deductions			
Administrative expenses	18,803	15,399	3,404
Pension payments	<u>183,351</u>	<u>185,697</u>	<u>(2,346)</u>
Total Deductions	<u>202,154</u>	<u>201,096</u>	<u>1,058</u>
Change in Net Position	<u>66,637</u>	<u>(411,081)</u>	<u>(477,718)</u>
Net Position—Beginning of year	<u>5,418</u>	<u>2,323,713</u>	<u>2,318,295</u>
Net Position—End of Year	<u><u>\$ 72,055</u></u>	<u><u>\$ 1,912,632</u></u>	<u><u>\$ 1,840,577</u></u>

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