

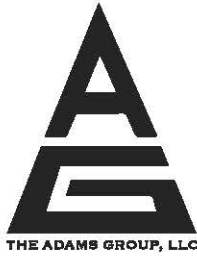
FRANKTOWN FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Franktown Fire Protection District
Franktown, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Franktown 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major 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 Auditors' 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 auditors' 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 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

Accounting principles generally accepted in the United States of America require that the general fund budgetary comparison schedule and the GASB required pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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.

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 opinions on the basic financial statements are not affected by this missing information.

Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The Adams Group, LLC

Denver, Colorado
April 21, 2023

BASIC FINANCIAL STATEMENTS

FRANKTOWN FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 5,887,546
Property tax receivable	3,370,000
EMS receivables, net of allowance	83,536
Lease receivable	1,067,156
Due from other government	20,538
Prepaid items	14,924
Accrued interest receivable	1,805
Capital assets, not being depreciated	62,233
Capital assets, net of depreciation	5,638,014
Net pension asset	4,882,083
Total Assets	21,027,835
 <u>Deferred Outflows of Resources</u>	
Related to pension	671,530
Total Deferred Outflows of Resources	671,530
 <u>Liabilities</u>	
Accounts payable	520,590
Accrued wages and benefits	5,497
Compensated absences	6,523
Total Liabilities	532,610
 <u>Deferred Inflows of Resources</u>	
Related to pension	1,249,172
Unavailable property taxes	3,370,000
Related to leases	1,041,229
Total Deferred Inflows of Resources	5,660,401
 <u>Net Position</u>	
Net investment in capital assets	5,700,247
Restricted	
Emergencies	125,175
Net pension asset	4,882,083
Unrestricted	4,798,849
Total Net Position	\$ 15,506,354

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

FRANKTOWN FIRE PROTECTINO DISTRICT
STATEMENT OF ACTIVITIES
FOR THE 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	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
General administration	\$ 384,708	\$ 424,165	\$ 19,799	\$ -	\$ 59,256
Fire and emergency medical services	2,330,742	-	-	149,900	(2,180,842)
Total Governmental Activities	\$ 2,715,450	\$ 424,165	\$ 19,799	\$ 149,900	(2,121,586)

GENERAL REVENUES:

Property taxes	3,236,818
Specific ownership taxes	266,697
Investment earnings	128,133
Other revenue	70,985
Total General revenues	3,702,633
Change in net position	1,581,047
Net position, beginning	13,925,307
Net position, ending	\$ 15,506,354

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

FRANKTOWN FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2022

	<u>General Fund</u>
<u>Assets</u>	
Cash and investments	\$ 5,887,546
Property tax receivable	3,370,000
EMS receivables, net of allowance	83,536
Lease receivable	1,067,156
Due from other government	20,538
Prepaid items	14,924
Accrued interest receivable	1,805
	\$ 10,445,505
 <u>Liabilities, deferred inflows of resources</u> <u>and fund balances</u>	
Liabilities:	
Accounts payable	\$ 520,590
Accrued salaries and benefits	5,497
Total Liabilities	526,087
 Deferred inflow of resources	
Unavailable property tax revenue	3,370,000
Unavailable EMS revenue	43,775
Related to leases	1,041,229
Total Deferred Inflow of Resources	4,455,004
 Fund balances:	
Nonspendable	
Prepaid items	14,924
Restricted	
Emergencies	125,175
Assigned	
Subsequent year budget	108,100
Unassigned	5,216,215
Total Fund Balance	5,464,414
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 10,445,505

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

FRANKTOWN FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

Total fund balance, governmental fund	\$	5,464,414
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.</p>		5,700,247
<p>Certain revenues are not available to pay current liabilities of the current period and are deferred in the governmental fund.</p>		
<p style="padding-left: 20px;">Emergency medical service fees</p>		43,775
<p>Certain assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:</p>		
<p style="padding-left: 20px;">Net pension asset - SWDB Plan</p>		1,022,957
<p style="padding-left: 20px;">Net pension asset - Volunteer Plan</p>		3,859,126
<p>Long-term liabilities, are not due and payable in the current period, and therefore, are not reported in governmental funds.</p>		
<p style="padding-left: 20px;">Compensated absences</p>		(6,523)
<p>Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.</p>		
<p style="padding-left: 20px;">Related to pension</p>		671,530
<p>Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.</p>		
<p style="padding-left: 20px;">Related to pension</p>		(1,249,172)
Total net position of governmental activities	\$	15,506,354

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

FRANKTOWN FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>General Fund</u>
<u>Revenues</u>	
Property taxes	\$ 3,236,818
Specific ownership taxes	266,697
Charges for services	450,145
Grants	19,799
Lease revenue	41,401
Investment earnings	128,133
Other revenue	29,584
Total revenues	4,172,577
 <u>Expenditures</u>	
Current:	
General administration	383,443
Fire and emergency medical services	2,602,211
Capital outlay	696,806
Total expenditures	3,682,460
Net change in fund balance	490,117
 Fund balances - beginning	4,974,297
 Fund balances - ending	\$ 5,464,414

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

FRANKTOWN FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Net change in fund balance - total governmental fund: \$ 490,117

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 allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	689,727
Capital contributions	149,900
Depreciation expense	(434,007)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Emergency medical services	(25,980)
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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 the governmental fund.

Compensated absences	(1,265)
Pension income (expense)	712,555

Change in net position of governmental activities	\$ 1,581,047
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The accompanying notes are an integral part of the financial statements.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Franktown Fire Protection District (the District) is a quasi-municipal corporation, governed pursuant to provisions of the Colorado Special District Act. The District was established to provide fire protection services and emergency medical services to Southeast Douglas County, Colorado.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which 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 is not financially accountable for any other organization. The District is not a component unit of any other primary governmental entity.

Significant accounting policies of the District are described as follows:

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Governmental activities are normally supported by taxes and emergency medical service revenue.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets. Employer and plan member contributions are recognized in the period that contributions are due.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within 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. The major sources of revenue susceptible to accrual are property tax, emergency medical service fees, and leasing activity. Expenditures, other than interest on long-term obligations and compensated absences are recorded when the liability is incurred or when the long-term obligation is paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

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

Budgets

In accordance with the State Budget Law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

Investments are stated at net asset value.

Property Taxes

Property taxes are levied by the District board of directors. The levy is based on assessed valuations determined by the County Assessors generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year.

The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally, sales of tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as a deferred inflow in the year they are levied and measurable. The deferred inflow property tax revenues are recorded as revenue in the year they are available or collected.

Lease Receivable

In June 2017, the Governmental Accounting Standards Board (GASB) adopted Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows or outflows of resources to be recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective January 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. See Note 5 for additional information.

Other Receivables

All service fee related receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. All receivables are expected to be collected within one year.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items and will be reported as expenditures in the following year. Prepayments are recorded using the consumption method.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, vehicles, fire trucks and equipment, and office equipment/furniture, are reported 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. Such assets are recorded at acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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 asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

<u>Asset Type</u>	<u>Years</u>
Buildings	10 - 40 years
Vehicles and Fire Trucks	5 - 10 years
Equipment	5 - 10 years
Office Furniture	7 years
Improvements	5 years

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources include certain amounts related to the District's defined benefit pension plan and volunteer pension plan which are to be amortized and recognized as revenue/expense in future periods.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District has a policy that allows employees to accumulate unused vacation, sick pay and compensatory time benefits up to certain maximum hours. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The District's General Fund is used to liquidate compensated absences of the governmental activities.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable and are recognized as an inflow of resources in the period they are collected. EMS revenue is considered a deferred inflow of resources in the fund financial statements for amounts not collected within the period of availability or 60 days. Lease activity is considered a deferred inflow of resources as collections are recognized as an inflow of resources in the period they are collected. Deferred inflows of resources also include certain amounts related to the District's defined benefit pension plans and volunteer pension plan which are to be amortized and recognized as revenue/expense in future periods.

Fund Balances

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – Amounts that cannot be spent either because they are in nonspendable form (i.e. inventories or prepaid items) or because they are legally or contractually required to be maintained intact.

Restricted fund balance – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance – Amounts that can be used only for specific purposes determined by a formal action of the District's Board of Directors (Board). The Board is the highest level of decision-making body for the District.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned fund balance – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes.

Unassigned fund balance – Amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is 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 District's Board of Directors has provided otherwise in its commitment or assignment actions.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District has net position consisting of three components - net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

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

Cash on hand	\$	1,146
Cash deposits		312,028
Investments		<u>5,574,372</u>
Total cash and investments	<u>\$</u>	<u>5,887,546</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. 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 State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2022, the bank balance and carrying amount of the District's deposits were \$353,349 and \$313,174, respectively.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Such actions are generally associated with a debt service reserve or sinking fund requirements. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- Obligations of the United States, certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2022, the District had the following investments:

Colorado Local Government		
Liquid Asset Trust (ColoTrust)	\$	5,519,785
Colorado Surplus Asset Fund		
Trust (CSAFE)		54,587
Total investments	\$	<u>5,574,372</u>

Fair Value

As of December 31, 2022, the District the District had invested \$5,519,785 in the Colorado Local Government Liquid Asset Trust (ColoTrust) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, ColoTrust Prime and ColoTrust Plus+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Fair Value (continued)

ColoTrust Plus+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under C.R.S. 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. ColoTrust is rated AAAM by Standard & Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

As of December 31, 2022, the District had invested \$54,587 in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces the requirements of creating and operating the pool. The pool operates in conformity with the Securities and Exchange Commission's Rule 2a-7 and functions similarly to a money market fund with each share valued at \$1.00. The pool is rated AAAM by Standard and Poor's. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The District's investment in CSAFE is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in governmental activities capital assets during the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 18,279	\$ -	\$ -	\$ 18,279
Construction in progress	43,954	-	-	43,954
Total capital assets, not being depreciated	<u>62,233</u>	<u>-</u>	<u>-</u>	<u>62,233</u>
Capital Assets, Being Depreciated				
Buildings	6,027,430	-	-	6,027,430
Furniture	41,588	7,089	-	48,677
Improvements	98,384	199,722	-	298,106
Equipment	877,121	472,916	-	1,350,037
Communications equipment	154,373	149,900	-	304,273
Vehicles	2,732,402	10,000	-	2,742,402
Total capital assets, being depreciated	<u>9,931,298</u>	<u>839,627</u>	<u>-</u>	<u>10,770,925</u>
Accumulated depreciation				
Buildings	(1,944,023)	(156,599)	-	(2,100,622)
Furniture	(39,588)	(709)	-	(40,297)
Improvements	(52,908)	(11,939)	-	(64,847)
Equipment	(511,121)	(69,783)	-	(580,904)
Communications equipment	(152,353)	(16,492)	-	(168,845)
Vehicles	(1,998,911)	(178,485)	-	(2,177,396)
Total accumulated depreciation	<u>(4,698,904)</u>	<u>(434,007)</u>	<u>-</u>	<u>(5,132,911)</u>
Net capital assets, depreciated	<u>5,232,394</u>	<u>405,620</u>	<u>-</u>	<u>5,638,014</u>
Net capital assets	<u>\$ 5,294,627</u>	<u>\$ 405,620</u>	<u>\$ -</u>	<u>\$ 5,700,247</u>

Depreciation expense of \$434,007 was charged to the fire and emergency medical services function for the year ended December 31, 2022.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 – COMPENSATED ABSENCES

The following is an analysis of changes in the District’s compensated absence liability for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Deletions	Balance December, 31 2022	Due In One Year
Compensated absences	\$ 5,258	\$ 49,627	\$ 48,362	\$ 6,523	\$ 6,523
Total	<u>\$ 5,258</u>	<u>\$ 49,627</u>	<u>\$ 48,362</u>	<u>\$ 6,523</u>	<u>\$ 6,523</u>

NOTE 5 – LEASES

The District, acting as lessor, leases land and building spaces to various telecommunications companies for the placement of cell phone towers under long-term, noncancelable lease agreements. The lease provides for renewal options for eight additional five-year terms. During the year ended December 31, 2022, the District recognized \$23,936 and \$21,220 in lease revenue and interest revenue, respectively, pursuant to the contracts accounted for under GASB Statement No. 87.

The lease provides for future increases to minimum annual rental payments based on formulas as outlined in the contract. Total future minimum lease payments to be received under the lease agreement is as follows:

Year ending December 31,	Principal	Interest	Total
2023	\$ -	\$ 17,424	\$ 17,424
2024	-	17,424	17,424
2025	-	17,424	17,424
2026	-	18,874	18,874
2027	-	20,904	20,904
2028 - 2032	2,440	107,996	110,436
2033 - and thereafter	1,064,716	504,326	1,569,042
Total Minimum Lease Payments	<u>\$ 1,067,156</u>	<u>\$ 704,372</u>	<u>\$ 1,771,528</u>

NOTE 6 – VOLUNTEERS’ PENSION FUND

Plan Description

The District, on behalf of its volunteer firefighters, contributes to a defined benefit pension plan which is administered by FPPA. Assets of the plan area commingled for investment purposes in the Fire and Police member’s Benefit Fund, an agent multiple-employer defined benefit pension plan administered by FPPA.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 – VOLUNTEERS’ PENSION FUND (CONTINUED)

Plan Description (continued)

The plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the pension fund board of trustees. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the plan. FPPA issues a publicly available annual financial report that includes the assets of the volunteer plan. That report may be obtained by calling FPPA at 303-770-3772.

Volunteer firefighters who complete the minimum annual training required by the District and are members in good standing of the volunteer organization, are eligible to participate in the plan for that year. Volunteers’ rights to a benefit vest after ten years of service. Volunteers who retire at, or after the age of 50, with twenty years of credited service are entitled to benefit. Volunteers who retire with ten years of credited service are entitled to a partial benefit. Surviving spouses are entitled to a 50% benefit.

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

Retirees and Beneficiaries	23
Inactive, Nonretired Members	1
Active Members	10
Total	34

Benefits Provided

The Plan provides retirement, survivor, death, and funeral benefits. Retirement benefit for a member is \$500 a month for 20 or more years of service. Those members with a minimum of 10 years of service receive \$25 per month for every year of service. Survivor’s death benefits range from \$250 monthly benefit payment to 50% of normal benefit depending on different variables. Funeral benefit to the family members is a one-time payment of \$250.

Contributions

Contributions are determined by the FPPA actuary, using the entry age normal cost method as of January 1, 2022.

Contributions into the pension fund are derived from two sources: contributions directly from the District and contributions from the State based on assessed property values and other formulas. For the year ended December 31, 2022, the District’s contributions were \$36,000.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 – VOLUNTEERS’ PENSION FUND (CONTINUED)

Pension Asset, 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 asset of \$3,859,126. The net pension asset 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 income of \$470,882. 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	\$ 395	\$ -
Net difference between projected and actual earnings on pension plan investments	-	483,348
Contributions subsequent to the measurement date	36,000	-
Total	<u>\$ 36,395</u>	<u>\$ 483,348</u>

\$36,000 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 December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2023	\$ (119,027)
2024	(172,392)
2025	(120,552)
2026	(70,982)
Total	<u>\$ (482,953)</u>

Actuarial Assumptions

The total pension liability is based on an actuarial valuation performed as of January 1, 2022 and a measurement date of December 31, 2021. 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 measurements:

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 – VOLUNTEERS’ PENSION FUND (CONTINUED)

Actuarial Assumptions (continued)

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	<p>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.</p> <p>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.</p> <p>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.</p>

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

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits). Being that the plan’s fiduciary net position is projected to be sufficient to pay benefits, the long-term expected rate of return of 7.00% was used as the discount rate.

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.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 – VOLUNTEERS’ PENSION FUND (CONTINUED)

Actuarial Assumptions (continued)

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 nominal 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>
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 Equity	39.00%	8.23%
Private Markets	26.00%	10.63%
Total	<u>100.00%</u>	

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	[a]	[b]	[a] - [b]
Balance, December 31, 2021	\$ 1,339,629	\$ 4,534,382	\$ (3,194,753)
Changes for the year:			
Service cost	9,758	-	9,758
Interest	90,918	-	90,918
Net investment income	-	672,316	(672,316)
Contributions - employer	-	36,000	(36,000)
Benefit payments including refunds of employee contributions	(92,750)	(92,750)	-
Administrative expense	-	(8,067)	8,067
State of Colorado supplemental discretionary payment	-	64,800	(64,800)
Net changes	<u>7,926</u>	<u>672,299</u>	<u>(664,373)</u>
Balance, December 31, 2022	<u>\$ 1,347,555</u>	<u>\$ 5,206,681</u>	<u>\$ (3,859,126)</u>

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 – VOLUNTEERS’ PENSION FUND (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (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 Liability (Asset)	\$ (3,715,597)	\$ (3,859,126)	\$ (3,979,074)

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 7 – STATEWIDE FIRE AND POLICE DEFINED PENSION PLAN

Plan Description

The District contributes to the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan. The plan is administered by the Fire and Police Pension Association of Colorado (FPPA). The Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997 through the Plan. All full-time, paid firefighters of the District are members of the SWDB 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 District to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and requires supplementary information for both the SWDB and the Statewide Death and Disability Plan. FPPA issues a publicly available financial report that includes information on the plan. That report may be obtained at www.fppaco.org.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – STATEWIDE FIRE AND POLICE DEFINED PENSION PLAN (CONTINUED)

Benefits Provided

A plan 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' pensionable earnings 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 covered under Statewide Defined Benefit Social Security Component will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefit adjustments paid to retired members are evaluated annually 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 for Urban Wage Earners and Clerical Workers (CPI-W).

A member is eligible for early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited 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' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions

The District and eligible employees are required to contribute to the plan at rates established by State statutes. Employer contributions rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13.0 percent of pensionable earnings.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – STATEWIDE FIRE AND POLICE DEFINED PENSION PLAN (CONTINUED)

Contributions (continued)

In 2021, members of the SWDB plan and their employers contributed at a rate of 11.5 percent and 8.5 percent, respectively, of pensionable earnings for a total contribution rate of 20.0 percent. In 2022, members of the SWDB plan and their employers contributed at a rate of 12 percent and 9 percent, respectively, of pensionable earnings for a total contribution rate of 21 percent.

The District’s contributions to the plan of the year ended December 31, 2022, were \$128,646, equal to the required contributions.

Pension Asset, Pension Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2022, the District reported a net pension asset of \$1,022,957, representing its proportionate share of the net pension asset of the plan. The net pension asset was measured at December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The District’s proportion of the net pension asset was based on the 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 0.1888% which was an increase of 0.0236% from its proportion measured at December 31, 2020.

For the year ended December 31, 2022, the District recognized pension income of \$242,195.

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	\$ 292,927	\$ 23,858
Changes of Assumptions or other Inputs	145,881	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	684,621
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
of Contributions	67,681	57,345
Contributions Subsequent to the Measurement Date	128,646	-
Total	<u>\$ 635,135</u>	<u>\$ 765,824</u>

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – STATEWIDE FIRE AND POLICE DEFINED PENSION PLAN (CONTINUED)

Pension Asset, Pension Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

\$128,646 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as an increase in the net pension asset in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2023	\$ (91,013)
2024	(161,829)
2025	(90,162)
2026	(24,448)
2027	61,958
Thereafter	46,159
Total	<u>\$ (259,335)</u>

Actuarial Assumptions

The actuarial valuations as of January 1, 2022, determined the total pension liability using the following actuarial assumptions and other inputs:

	<u>Total Pension Liability</u>	<u>Actuarial Determined Contributions</u>
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%
*Includes Inflation at	2.5%	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.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – STATEWIDE FIRE AND POLICE DEFINED PENSION PLAN (CONTINUED)

Actuarial Assumptions (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 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 percent). 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income - Rates	10%	4.01%
Fixed Income - Credit	5%	5.25%
Absolute Return	10%	5.60%
Cash	2%	2.32%
Total	<u>100%</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 Board’s funding policy, which establishes the contractually required rates under Colorado statutes.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – STATEWIDE FIRE AND POLICE DEFINED PENSION PLAN (CONTINUED)

Discount Rate (continued)

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.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits).

For the purpose of the valuation, the long-term expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.84% (based on the weekly rate closest to but not later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting single discount rate is 7.00%.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as the District’s proportionate share of the net pension liability (asset) if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate, as follows:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Proportionate Share of the Net Pension Liability (Asset)	<u>\$ (141,072)</u>	<u>\$ (1,022,957)</u>	<u>\$ (1,753,550)</u>

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in FPPA’s separately issued financial report, which may be obtained at www.fppaco.org.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – STATEWIDE FIRE AND POLICE DEFINED PENSION PLAN (CONTINUED)

Deferred Compensation Plan

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by ICMA (International City Managers Association). Participation in the plan is optional for all employees. The plan allows the employee to defer a portion of their salary until future years. For the years ended December 31, 2022 and December 31, 2021, the District contributed \$38,873 and \$29,440, respectively.

NOTE 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 volunteers; or acts of God. The District maintains commercial insurance coverage for all risks of loss. The District did not have any claim settlements in excess of coverage for each of the past three years.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Tax, Spending, and Debt Limitations

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.

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 revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending. 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 will require judicial interpretation.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Tax, Spending, and Debt Limitations (continued)

One election issue was put to the voters in November of 1997, under the TABOR amendment and passed:

Shall Franktown Fire Protection District taxes be increased \$116,000 annually in 1998 and by whatever additional amounts are raised thereafter from an increase in the District's property tax levy of 2 mills; and commencing January 1, 1997, and continuing thereafter, shall the District be authorized to collect, retain, and spend for fire protection, ambulance and emergency medical services such tax revenue and all other revenues and other funds received from any source, as a voter-approved revenue change, offset and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution, Section 29-1-301, C.R.S., or any other law.

Another election issue was put to the voters in May 2004 under TABOR amendment and passed:

Shall Franktown Fire Protection District taxes be increased \$424,025 annually in the first full fiscal year, or by such amount as may be raised by the imposition of an additional ad valorem property tax rate of 3.882 mills, commencing January 1, 2005, and continuing thereafter to provide fire, rescue, emergency medical and ambulance services, resulting in a total District mill levy rate, exclusive of refunds, abatements, or debt service, not to exceed 13.000 mills; and shall the District be authorized to collect, retain and spend all tax revenue collected from such property tax rate, and all other revenue received from any source, commencing January 1, 2015, and continuing thereafter, as a voter approved revenue change, offset and exception to the limited which would otherwise apply under TABOR (Article X, Section 20 of the Colorado Constitution) or any other law and as a permanent waiver of the 5.5% limitation under Section 29-1-301, C.R.S.

The following election issue put to the voters in November 2020 under the TABOR amendment was passed:

Shall Franktown Fire Protection District be authorized to adjust up or down its operating mill levy beginning in collection year 2021 and annually thereafter to offset any revenue losses from refunds, abatements, and changes to the percentage of actual valuation used to determine assessed valuation to offset revenues that would otherwise be lost due to the "Gallagher Amendment" to the Colorado Constitution, or any other changes to the methods of calculating the assessed valuation, so that to the extent possible the actual tax revenue collected is the same as if such changes had not occurred.

REQUIRED SUPPLEMENTARY INFORMATION

FRANKTOWN FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Property taxes	\$ 3,237,523	\$ 3,236,818	\$ (705)
Specific ownership taxes	270,000	266,697	(3,303)
Charges for services	300,000	450,145	150,145
Grants	-	19,799	19,799
Lease revenue	32,000	41,401	9,401
Investment earnings	5,000	128,133	123,133
Other revenue	20,000	29,584	9,584
Total Revenues	3,864,523	4,172,577	308,054
<u>Expenditures</u>			
Current:			
Abatements	25,700	2,516	23,184
Administration	2,500	17,718	(15,218)
Commodities	160,000	145,073	14,927
Maintenance	119,500	108,838	10,662
Operations	222,700	237,726	(15,026)
Payroll expense	1,948,700	1,708,636	240,064
Payroll taxes	480,800	401,938	78,862
Pension contributions	81,500	53,820	27,680
Professional services	306,100	260,877	45,223
Treasurer fees	49,000	48,512	488
Capital outlay	467,500	696,806	(229,306)
Total Expenditures	3,864,000	3,682,460	181,540
Net change in fund balances	523	490,117	489,594
Fund balances - beginning	3,605,074	4,974,297	(1,369,223)
Fund balances - ending	\$ 3,605,597	\$ 5,464,414	\$ (879,629)

See accompanying Independent Auditors' Report.

FRANKTOWN FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
STATEWIDE DEFINED BENEFIT PLAN
LAST NINE FISCAL YEARS

Measurement period ending December 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.18880%	0.16510%	0.17480%	0.17720%	0.20470%	0.21140%	0.21060%	0.21300%	0.21160%
District's proportionate share of the net pension liability (asset)	\$ (1,022,957)	\$ (358,514)	\$ (98,855)	\$ 224,063	\$ (294,432)	\$ 76,383	\$ (3,713)	\$ (240,413)	\$ (189,216)
District's covered payroll	\$ 1,523,036	\$ 1,326,400	\$ 1,240,275	\$ 1,185,550	\$ 1,214,463	\$ 1,075,900	\$ 1,016,678	\$ 961,511	\$ 921,567
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(67.2%)	(27.0%)	(8.0%)	18.9%	(24.2%)	7.1%	(0.4%)	(25.0%)	(20.5%)
Plan fiduciary net pension as a percentage of the total pension liability	116.2%	106.7%	101.9%	95.2%	106.3%	98.2%	100.1%	106.8%	105.8%

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the plan. The District implemented GASB Statement No. 68 in 2015; therefore, 10 years of data is not available.

See accompanying Independent Auditors' Report.

FRANKTOWN FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
STATEWIDE DEFINED BENEFIT PLAN
LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 128,646	\$ 129,169	\$ 106,112	\$ 99,222	\$ 94,844	\$ 97,157	\$ 86,072	\$ 81,334	\$ 76,921	\$ 73,725
Contributions in relation to the statutorily required contributions	<u>128,646</u>	<u>129,169</u>	<u>106,112</u>	<u>99,222</u>	<u>94,844</u>	<u>97,157</u>	<u>86,072</u>	<u>81,334</u>	<u>76,921</u>	<u>73,725</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,432,127	\$ 1,523,036	\$ 1,326,400	\$ 1,240,275	\$ 1,185,550	\$ 1,214,463	\$ 1,075,900	\$ 1,016,678	\$ 961,511	\$ 921,567
Contributions as a percentage of covered payroll	9.0%	8.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

*The amounts presented for each fiscal year were determined as of December 31. The District implemented GASB Statement No. 68 in 2015.

See accompanying Independent Auditors' Report.

FRANKTOWN FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS – VOLUNTEER PENSION PLAN
LAST SIX FISCAL YEARS

Measurement period ending December 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Total Pension Liability</u>						
Service Cost	9,758	\$ 8,360	\$ 8,360	\$ 6,482	\$ 6,482	\$ 7,043
Interest	90,918	63,551	63,362	61,955	61,326	62,336
Benefit changes	-	399,417	-	-	-	-
Differences between actual and expected experience	-	5,015	-	28,891	-	(45,178)
Changes in assumptions	-	-	-	39,683	-	25,042
Benefit payments	(92,750)	(79,600)	(58,800)	(58,800)	(60,025)	(64,750)
Net change in total pension liability	<u>7,926</u>	<u>396,743</u>	<u>12,922</u>	<u>78,211</u>	<u>7,783</u>	<u>(15,507)</u>
Total pension liability - beginning	<u>1,339,629</u>	<u>942,886</u>	<u>929,964</u>	<u>851,753</u>	<u>843,970</u>	<u>859,477</u>
Total pension liability - ending	<u>\$ 1,347,555</u>	<u>\$ 1,339,629</u>	<u>\$ 942,886</u>	<u>\$ 929,964</u>	<u>\$ 851,753</u>	<u>\$ 843,970</u>
<u>Plan Fiduciary Net Position</u>						
Contributions - employer	\$ 36,000	\$ 36,000	\$ 36,000	\$ 72,000	\$ 36,000	\$ -
Net investment income	672,316	529,944	507,510	(254)	450,906	157,618
Benefit payments including refunds of employee contributions	(92,750)	(79,600)	(58,800)	(58,800)	(60,025)	(64,750)
Pension plan administrative expense	(8,067)	(6,509)	(9,876)	(7,529)	(7,303)	(4,937)
State of Colorado discretionary payment	64,800	-	32,400	32,400	32,400	32,400
Net change in plan fiduciary net position	<u>672,299</u>	<u>479,835</u>	<u>507,234</u>	<u>37,817</u>	<u>451,978</u>	<u>120,331</u>
Plan Fiduciary net position - beginning	<u>4,534,382</u>	<u>4,054,547</u>	<u>3,547,313</u>	<u>3,509,496</u>	<u>3,057,518</u>	<u>2,937,187</u>
Plan Fiduciary net position - ending	<u>\$ 5,206,681</u>	<u>\$ 4,534,382</u>	<u>\$ 4,054,547</u>	<u>\$ 3,547,313</u>	<u>\$ 3,509,496</u>	<u>\$ 3,057,518</u>
Net pension liability (asset) - ending	\$ (3,859,126)	\$ (3,194,753)	\$ (3,111,661)	\$ (2,617,349)	\$ (2,657,743)	\$ (2,213,548)
Plan fiduciary net position as a percentage of total pension liability	386.38%	338.48%	430.01%	381.45%	412.03%	362.28%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

*Fiscal year 2015 was the first year of implementation, therefore, only available years are shown.

See accompanying Independent Auditors' Report.

FRANKTOWN FIRE PROTECTION DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
VOLUNTEER PENSION PLAN
LAST NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	36,000	36,000	36,000	36,000	72,000	36,000	-	36,000	36,000
Contribution deficiency (excess)	\$ (36,000)	\$ (36,000)	\$ (36,000)	\$ (36,000)	\$ (72,000)	\$ (36,000)	\$ -	\$ (36,000)	\$ (36,000)
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation Date

Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2019 determines the contribution amounts for 2020 and 2021.

Methods 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.

See accompanying Independent Auditors' Report.

STATISTICAL INFORMATION

FRANKTOWN FIRE PROTECTION DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND
PROPERTY TAXES COLLECTED (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Year ended December 31,</u>	<u>Valuation for Current Year Property Taxes Levied*</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2016	\$ 174,942,340	13.020	\$ 2,277,749	\$ 2,278,207	100.02%
2017	180,811,500	13.020	2,354,166	2,350,836	99.86%
2018	190,301,980	13.026	2,478,874	2,448,973	98.79%
2019	188,118,010	13.026	2,450,425	2,446,083	99.82%
2020	217,889,860	13.111	2,856,754	2,848,806	99.72%
2021	220,972,560	13.026	2,878,388	2,879,917	100.05%
2022	248,840,040	13.020	3,238,656	3,236,818	99.94%
Estimated for the year ending December 31,					
2023	\$ 252,358,810	13.354	\$ 3,370,000		

Note:

Property taxes collected in any one year included collection of delinquent property taxes levied and/or abatements of valuations in prior years. Information received from the County Treasurer does not permit identification specific to the year of assessment.

*On October 14, 1999, the Division of Local Government reviewed the District's November 1997 election question and found the language of the ballot question sufficient to waive the 5.5% property tax revenue limitation.