

Loveland Rural Fire Protection District

Basic Financial Statements

Year ended December 31, 2022

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Independent Auditor's Report

Board of Directors
Loveland Rural Fire Protection District
Loveland, Colorado

Report on the Audit of the Financial Statements

Opinions

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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

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 information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 omitted information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and schedule of pension contributions on pages 24 and 25 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, which 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 this required supplementary information in accordance with GAAS, which consist of inquires 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Walker & Armstrong, LLP

Phoenix, Arizona
July 28, 2023

Loveland Rural Fire Protection District
Statement of Net Position
December 31, 2022

	Governmental Activities
Assets	
Cash and investments	\$ 5,306,372
Receivables, net:	
Taxes receivable	6,236,944
County Treasurer	22,626
Prepaid expenses	8,900
Proportionate share of LFRA net position	3,113,857
Capital assets, being depreciated, net	565,808
Total assets	15,254,507
Deferred outflows of resources	
Deferred outflows related to pensions	46,149
Total deferred outflows of resources	46,149
Liabilities	
Accounts payable	57,430
Accrued liabilities	230
Noncurrent liabilities:	
Net pension obligation	136,316
Total liabilities	193,976
Deferred inflows of resources	
Deferred inflows related to pensions	58,515
Total deferred inflows of resources	58,515
Net position	
Net investment in capital assets	565,808
Restricted	139,600
Unrestricted	14,342,757
Total net position	\$ 15,048,165

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

Loveland Rural Fire Protection District
Statement of Activities
Year Ended December 31, 2022

	Governmental Activities
Program expenses	
<i>Public safety-fire protection</i>	
Administration	\$ 223,324
Fire operations	60,049
Change in proportionate share of LFRA fund balance	3,230,851
Pension	(19,670)
Depreciation expense	21,085
Total program expenses	3,515,639
Program revenues	
Charges for services	24,471
Total program revenues	24,471
Net program expense	3,491,168
General revenues	
<i>Taxes:</i>	
Property taxes	6,225,508
Specific ownership taxes	313,915
Investment earnings	98,690
Other revenue	1,020
Total general revenues	6,639,133
Change in net position	3,147,965
Net position, January 1, 2022, as restated	11,900,200
Net position, December 31, 2022	\$ 15,048,165

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

Loveland Rural Fire Protection District
Balance Sheet
Governmental Fund
December 31, 2022

	General Fund
Assets	
Cash and investments	\$ 5,306,372
Receivables, net:	
Property taxes	6,236,944
County Treasurer	22,626
Prepaid expenses	8,900
Proportionate share of LFRA fund balance	2,014,696
Total assets	\$ 13,589,538
Liabilities	
Accounts payable	\$ 57,430
Accrued liabilities	230
Total liabilities	57,660
Deferred inflows of resources	
Unavailable revenues - property taxes	4,554,123
Total deferred inflows of resources	4,554,123
Fund balance	
Nonspendable	2,014,696
Restricted:	
Emergency reserves (TABOR)	139,600
Committed:	
Capital outlay	350,000
Unassigned	6,473,459
Total fund balance	8,977,755
Total liabilities, deferred inflows of resources and fund balance	\$ 13,589,538

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

**Loveland Rural Fire Protection District
Reconciliation of the Governmental Fund Balance Sheet
to the Government-wide Statement of Net Position
December 31, 2022**

Total fund balance		\$ 8,977,755
<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 funds.</p>		
Capital assets	\$ 822,309	
Less: accumulated depreciation	<u>(256,501)</u>	565,808
<p>Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current period expenditures and therefore are deferred in the funds.</p>		
		4,554,123
<p>Some investments used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Proportionate share of LFRA net position		1,099,161
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the funds as follows:</p>		
Net pension obligation		(136,316)
<p>Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future reporting periods and therefore, are not reported in the funds.</p>		
		<u>(12,366)</u>
Net position of governmental activities		<u><u>\$ 15,048,165</u></u>

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

Loveland Rural Fire Protection District
Statement of Revenues, Expenditures, and Change in Fund Balance -
Governmental Fund
Year Ended December 31, 2022

	General Fund
Revenues	
<i>Taxes:</i>	
Property taxes	\$ 4,388,657
Specific ownership taxes	313,915
Charges for services	24,471
Investment earnings	98,690
Other revenue	1,020
Total revenues	4,826,753
Expenditures	
<i>Public safety-fire protection</i>	
Administration	223,324
Fire operations	60,049
Change in proportionate share of LFRA fund balance	4,330,012
Pension	40,000
Total expenditures	4,653,385
Net change in fund balance	173,368
Fund balance, January 1, 2022, as restated	8,804,387
Fund balance, December 31, 2022	\$ 8,977,755

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

Loveland Rural Fire Protection District
Reconciliation of the Governmental Fund Statement of Revenues,
Expenditures and Change in Fund Balance to the
Government-wide Statement of Activities
Year Ended December 31, 2022

Net change in fund balance - total governmental fund	\$	173,368
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds 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 in the current period:

Depreciation expense		(21,085)
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Property tax revenues and certain charges for services reported in the statement of activities do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.		1,836,851
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District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the District's report. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities:

District pension contributions		40,000
Pension expense		19,670

Some investments used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Proportionate share of LFRA net position		1,099,161
Change in net position of governmental activities	\$	<u>3,147,965</u>

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

Loveland Rural Fire Protection District
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
<i>Taxes:</i>			
Property taxes	\$ 4,390,021	\$ 4,388,657	\$ (1,364)
Specific ownership taxes	307,301	313,915	6,614
Charges for services	13,411	24,471	11,060
Investment earnings	1,000	98,690	97,690
Other revenue	600	1,020	420
Total revenues	<u>4,712,333</u>	<u>4,826,753</u>	<u>114,420</u>
Expenditures			
<i>Public safety-fire protection</i>			
Administration	328,379	223,324	105,055
Fire operations	12,500	60,049	(47,549)
Change in proportionate share of LFRA fund balance	3,686,882	4,330,012	(643,130)
Pension	40,000	40,000	-
Capital outlay	350,000	-	350,000
Total expenditures	<u>4,417,761</u>	<u>4,653,385</u>	<u>(235,624)</u>
Net change in fund balances	294,572	173,368	(121,204)
Fund balance, January 1, 2022	<u>4,455,465</u>	<u>8,804,387</u>	<u>4,348,922</u>
Fund balance, December 31, 2022	<u><u>\$ 4,750,037</u></u>	<u><u>\$ 8,977,755</u></u>	<u><u>\$ 4,227,718</u></u>

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

Loveland Rural Fire Protection District
Notes to Financial Statements
Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Loveland Rural Fire Protection District (the “District”) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended December 31, 2022, the District implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, there is no major affect on the District’s financial statements in regards to leased assets.

A. Reporting Entity

The Loveland Rural Fire Protection District was formed in 1950 and surrounds the City of Loveland, Colorado and covers approximately 194 square miles. From inception through 2011, the District relied upon a contractual relationship with the City of Loveland, and the volunteers of the Big Thompson Canyon Volunteer Fire Department to provide fire and emergency services within the District.

Effective January 2012, the City of Loveland and the District entered into an intergovernmental agreement establishing the Loveland Fire Rescue Authority (the “Authority”). Effective January 2017, the District leased its stations, and transferred its apparatus and equipment to the Authority. All fire and emergency services and related administration in the District is the responsibility of the Authority. The District is responsible for 18% of the annual expenses of the Authority. In addition, the District is responsible for the annual funding, as necessary, for the Big Thompson Canyon Volunteer Fire Department including the pension obligations.

As required by generally accepted accounting principles, these financial statements present the activities of the District (a primary government), which is legally separate and financially independent of other state and local government entities, and its component units. Component units are legally separate entities for which the District is considered to be financially accountable. The District has no component units.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide financial statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

Government-wide Financial Statements – These statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall District.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include charges to customers or applicants for fire services provided and grants and contributions that are restricted for operations or the purchase of new equipment.

Revenues not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Fund Financial Statements – provide information about the District's fund. The emphasis of fund financial statements is on the major governmental fund.

The District reports the *general fund* as its only fund and is the District's primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.

C. Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year they are levied. Grant and contract revenues are recognized when all eligibility requirements have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable.

Taxes, leases, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and 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 government.

Fund Balance Classifications – Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted (which includes committed, assigned, and unassigned fund balance classifications).

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

The nonspendable fund balance classification includes amounts that cannot be expended because they are either not in spendable form, such as prepaid items, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources.

Committed fund balances are self-imposed limitations approved by the District's Board of Directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the Board of Directors.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has authorized the Fire Chief to make assignments of resources for specific purposes.

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Deficits in fund balances of the other governmental funds are reported as unassigned. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

Cash and Investments – The District's cash and cash equivalents are considered to be cash on hand, demand deposits and money market accounts.

Prepaid Items – Prepaid items are accounted for using the purchase method in the governmental fund financial statements. Under this method, expenditures are reported at the time of purchase and unexpended amounts at year-end are reported on the balance sheet as a prepaid item for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources."

In the government-wide financial statements, prepaid purchases are recorded as assets when the goods or services are purchased and are expensed over the period consumed.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Receivables – Receivables outstanding at year-end consist of amounts due for property taxes and intergovernmental grants. Management periodically evaluates the collectability of receivables based on their age and collection efforts and an allowance is established for estimated uncollectible accounts. Uncollectible accounts are written off after all efforts for collection have been exhausted. As of December 31, 2022, there is no allowance for uncollectible accounts.

Capital Assets – Capital assets are reported in the government-wide financial statements at actual cost or estimated historical cost if historical records are not available. Donated capital assets are reported at estimated fair value when received. Generally, capital assets are assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding one year. Capital assets consist of fire stations and other related grounds which are depreciated using the straight-line method with an estimated useful life of 39 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed as incurred.

Deferred Outflows/Inflows of Resources – The statement of net position and balance sheet include separate sections, as appropriate, for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

Estimates – The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the tax calendar reporting period. Actual results may differ from those estimates.

Property Tax Calendar - The District levies real and personal property taxes on December 15 of each year and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Larimer County bills and collects the property taxes on behalf of the District and remits the collections, less the Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Budgetary Accounting - The District's annual budget is prepared on a modified accrual basis for the District's General Fund. An annual appropriated budget is adopted for the General Fund. The annual appropriation lapses at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado revised Statutes in the establishment of the budgetary information reflected in the accompanying financial statements.

Prior to October 15, the District's Treasurer submits a proposed operating budget for the subsequent fiscal year to the District's board of directors. The board of directors may change the proposed budget prior to the publication of the notice of budget. Within ten days of the submission, a notice of the proposed budget is published. The operating budget includes proposed expenditures and the means of financing the expenditures.

Public hearings are held at the regular District board of directors' meetings to obtain taxpayer input on the proposed operating budget.

On or before December 15, the operating budget is legally adopted through passage of a budget resolution. Upon adoption, the District's Treasurer is authorized to transfer the budgeted amounts within the function and objects of the fund(s). The District's board of directors must approve revisions that change the total expenditures of the fund(s).

Appropriations are controlled and the budget can only be amended in accordance with the State of Colorado Revised Statutes that allows the District to amend the budget and adopt a supplemental appropriation, if funds for a specific purpose, other than ad valorem taxes, become available.

State of Colorado Statutes requires a balanced budget. For 2022, the District's budgeted revenues exceeded budgeted expenditures by \$294,572.

Taxpayers' Bill of Rights - Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

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. Cash equal to the required emergency reserve is reflected as restricted.

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 calculation of the fiscal year spending limits will require judicial interpretation.

Notes to Financial Statements - Continued

Note 2 – Cash and Investments

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance levels must be collateralized. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

Deposits - As of December 31, 2022, the carrying amount of the Districts deposits was \$25,981, and the bank balance was \$25,981, all of which were either insured by the FDIC and held in eligible depositories.

Investments - In addition, State of Colorado Statute specifies investments that meet defined rating and risk criteria in which local governments may hold. The allowed investments include participation in state regulated investment pools. The District participates in the Colorado Local Government Liquid Asset Trust (“COLOTRUST”). As of December 31, 2022, the District had the following on deposit with COLOTRUST:

<u>Investment Type</u>	<u>Amount</u>
COLOTRUST Plus+	\$ 5,201,955
COLOTRUST Prime	78,436
	<u>\$ 5,280,391</u>

COLOTRUST is measured at fair value. The investments are valued at the pools share price multiplied by the number of shares the District held. The fair value of a participants position in the pools approximates the value of that participants pool shares.

Credit Risk - At December 31, 2022, the District's investments were invested as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
COLOTRUST Plus+	AAAm	Standard and Poor’s	\$ 5,201,955
COLOTRUST Prime	AAAm	Standard and Poor’s	78,436
			<u>\$ 5,280,391</u>

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk – At December 31, 2022, the District’s investments can be withdrawn from the pools at will and therefore, are not subject to a significant amount of interest rate risk.

Foreign Currency Risk – The District does not have a formal investment policy with respect to foreign currency risk because state statutes do not allow for foreign investments.

Notes to Financial Statements - Continued

Note 3 – Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance, January 1, 2022	Increases	Decreases	Balance, December 31, 2022
Capital assets being depreciated:				
Stations and grounds	\$ 822,309	\$ -	\$ -	\$ 822,309
Total capital assets being depreciated	822,309	-	-	822,309
Less accumulated depreciation for:				
Stations and grounds	(235,416)	(21,085)	-	(256,501)
Total accumulated depreciation	(235,416)	(21,085)	-	(256,501)
Total capital assets being depreciated, net	586,893	(21,085)	-	565,808
Total capital assets, net	\$ 586,893	\$(21,085)	\$ -	\$ 565,808

Governmental activities depreciation expense, excluding infrastructure, in the amount of \$21,085 was charged to the public safety – fire protection function of the District.

Note 4 – Changes in Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended December 31, 2022, follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within 1 Year
Net pension liability	\$ 218,689	\$ -	\$(82,373)	\$ 136,316	\$ -
	\$ 218,689	\$ -	\$(82,373)	\$ 136,316	\$ -

Notes to Financial Statements - Continued

Note 5 – Pension Plan

The District, on behalf of Big Thompson Canyon Volunteer Fire Department, participates in a defined benefit pension plan. The plan is affiliated with and administered by the Colorado Fire and Police Pension Association (“FPPA”).

Description of the Plan - The Fire & Police Pension Association (FPPA) 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 annual comprehensive financial report that can be obtained at FPPAco.org.

Benefits provided - The benefit, payable at age 50 with 20 years of experience is payable monthly in the amount of \$425. The amount would be prorated based upon the number of years of service accrued at termination, with a minimum vesting of 10 years. Surviving spouses of deceased retirees are entitled to 50% of the retirement benefit until remarriage or their death. Pre-retirement death and disability benefits are only available if incurred in the line of duty. The plan also provides for a lump-sum burial benefit upon death of an active or retired firefighter.

Employees covered by benefit terms - As of December 31, 2022, the most recent actuarial valuation date, the membership of the Loveland and Rural Consolidated Volunteer Firefighters Pension Plan is:

Retirees and beneficiaries	14
Inactive, non-retired members	3
Active	<u>12</u>
Total Participants	<u><u>29</u></u>

Contributions - In accordance with funding agreements and actuarial studies, the District contributes amounts to FPPA. The plan members do not make contributions. Also, the State of Colorado may make annual contributions to the Plan in amounts established by State Statutes. During the year ended December 31, 2022, the District contributed \$40,000 to the plan which was paid from the general fund.

Liability - At December 31, 2022, the District reported a liability of \$136,316. The net assets and liabilities were measured as of December 31, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Notes to Financial Statements - Continued

Note 5 – Pension Plan - Continued

Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	December 31, 2021
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	2.5%
Investment rate of return	7.0%
Retirement age	50% per year of eligibility until 100% at age 65
Mortality rates	<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>

The long-term expected rate of return on pension plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Notes to Financial Statements - Continued

Note 5 – Pension Plan - Continued

The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Global equity	39%	8.23%
Private markets	26%	10.63%
Absolute return	10%	5.60%
Fixed income – rates	10%	4.00%
Long short	8%	6.87%
Fixed income – credit	5%	5.25%
Cash	2%	2.32%
Total	100%	

Discount Rate - At December 31, 2022, the discount rate used to measure the FPPA total pension liability is 7 percent. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Based on these assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefits payments of current plan members.

Changes in net pension liability

	Increase (Decrease)		
Pension	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at December 31, 2021	\$ 703,165	\$ 484,476	\$ 218,689
Changes for the current year:			
Service cost	8,771	-	8,771
Interest on the total pension liability	47,695	-	47,695
Net investment income	-	71,382	(71,382)
Contributions - employer	-	40,000	(40,000)
Benefit payments	(53,125)	(53,125)	-
Pension plan administrative expense	-	(7,623)	7,623
State of Colorado supplemental discretionary payment	-	35,080	(35,080)
Net changes	3,341	85,714	(82,373)
Balances at December 31, 2022	\$ 706,506	\$ 570,190	\$ 136,316

Notes to Financial Statements - Continued

Note 5 – Pension Plan - Continued

Sensitivity of the Districts net pension liability to changes in the discount rate – The following table presents the District’s net pension (asset) liability calculated using a discount rate of 7%, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%), or 1 percentage point higher (8%) than the current rate:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net pension liability	\$ 211,774	\$ 136,316	\$ 73,292

Expense - For the year ended December 31, 2022, the District recognized pension expense of \$(19,670).

Deferred Outflows/Inflows of Resources - At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,262
Net difference between projected and actual earnings on plan investments	6,149	54,253
District contributions subsequent to the measurement date	40,000	-
Total	\$ 46,149	\$ 58,515

The amounts 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 ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows:

Year Ending June 30,	Pension
2023	\$ (15,598)
2024	(17,485)
2025	(11,887)
2026	(7,396)

Notes to Financial Statements - Continued

Note 6 – Joint Venture

Effective January 1, 2012, the City of Loveland and the District completed a Joint Power Authority agreement (JPA). The JPA agreement created a new legal entity under authority provided in the State Statutes. Pursuant to the JPA, the District and the City transferred and combined their personnel, equipment, fire stations, all other assets and liabilities and services into the new entity, Loveland Fire Rescue Authority (LFRA). LFRA provides the administrative and public safety functions of the District. The District and the City provide funding to LFRA for these activities pursuant to budgets approved by the respective boards. The purpose of creating LFRA is to facilitate the efficient operation of both organizations through combined resources while reducing costs through combining purchasing, providing services and vendor accounts. Both the District and the City continue to exist as legal entities for the purpose of collecting taxes.

During the fiscal year ended December 31, 2022, the District had net expenses from LFRA totaling \$4,330,012. For financial reporting purposes, LFRA is treated as a joint venture. As such, an equity interest is reported on the government-wide financial statements as an asset or liability on the statement of net position, and the change in the equity interest is reported as program income or expense in the statement of activities. At December 31, 2022, the District’s proportionate share in LFRA’s net position was \$2,014,696. LFRA is considered a related party and separate financial statements are available. Total transfers to LFRA during the fiscal year were \$3,684,180.

The following table summarizes the assets and liabilities transferred to LFRA during the year ended December 31, 2022:

	<u>Net Position</u>	<u>Governmental Funds</u>
Proportionate share of net position/fund balance, beginning of year	\$ 2,660,528	\$ 2,660,528
Revenues transferred to LFRA	3,684,180	3,684,180
Proportionate share of LFRA revenues and expenses	<u>(3,230,851)</u>	<u>(4,330,012)</u>
Proportionate share of net position/fund balance, end of year	<u>\$ 3,113,857</u>	<u>\$ 2,014,696</u>

Note 7 - Expenditures in Excess of Appropriations

For the year ended December 31, 2022, expenditures exceeded final budget amounts in the general fund for the following line items:

Fire operations	\$ 47,549
Change in proportionate share of LFRA fund balance	643,130

The excesses of fire operations were primarily due to the purchase of supplies that were not budgeted related to wildland fires. The change in proportionate share of LFRA fund balance was primarily the result of the recognition of the Districts share in the decrease in fund balance of LFRA.

Notes to Financial Statements - Continued

Note 8 – Risk Management

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. No provision has been made in the financial statements for possible losses of this nature. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 – Correction of an Errors

The January 1, 2022 net position and fund balance were restated to properly report the District's proportionate share of the joint venture and the correct of unavailable revenues received within 60 days of year end. The effect on the January 1, 2022 net position and fund balance is as follows:

	<u>Net Position</u>	<u>Fund Balance</u>
Beginning balances, as originally reported	\$ 4,849,651	\$ 4,471,110
Increase for proportionate share of LFRA	2,660,528	2,660,528
Increase for unavailable revenues related to property tax	<u>4,390,021</u>	<u>1,672,749</u>
Beginning balances, as restated	<u>\$ 11,900,200</u>	<u>\$ 8,804,387</u>

The effect of these errors on the 2021 change in net position and fund balance as previously reported was an increase of \$4,390,021 and \$1,620,112, respectively.

Note 10 – Subsequent Events

In May 2023, the District board approved the transfer of \$2,200,000 to LFRA for the Training Center building improvements. The transfer was contingent upon LFRA receiving land on a 99-year lease from the City of Loveland as of July 2022, which was agreed to and completed in May 2023. The board approved the transfer in May 2023 for the designated purposes.

Loveland Rural Fire Protection District
Required Supplementary Information
Schedule of Changes in the District's Net Pension Liability
December 31, 2022

	Reporting fiscal year (measurement date)										2014 through 2013	
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013	2014 through 2013		
Total pension liability												
Service cost	\$ 8,771	\$ 7,911	\$ 7,911	\$ 9,666	\$ 9,666	\$ 8,299	\$ 8,299	\$ 8,300	\$ 8,300	\$ 8,300	\$ 8,300	Information not available
Interest on total pension liability	47,695	45,691	45,243	44,765	43,955	36,906	36,241	37,021	37,021	37,021	37,021	
Changes of benefit terms	-	41,496	-	-	-	70,687	-	-	-	-	-	
Difference between expected and actual experience in the measurement of the pension liability	-	(15,770)	-	13,294	-	3,867	-	(22,201)	-	-	-	
Changes of assumptions or other inputs	-	-	-	27,017	-	13,175	-	-	-	-	-	
Benefit payments, including refunds of employee contributions	(53,125)	(49,177)	(44,400)	(44,400)	(41,300)	(38,000)	(33,425)	(33,600)	(33,600)	(33,600)	(33,600)	
Net change in pension liability	3,341	30,151	8,754	50,342	12,321	94,934	11,115	(10,480)	(10,480)	(10,480)	(10,480)	
Total pension liability - beginning	703,165	673,014	664,260	613,918	601,597	506,663	495,548	506,028	506,028	506,028	506,028	
Total pension liability - ending (a)	\$ 706,506	\$ 703,165	\$ 673,014	\$ 664,260	\$ 613,918	\$ 601,597	\$ 506,663	\$ 495,548	\$ 495,548	\$ 495,548	\$ 495,548	
Plan fiduciary net position												
Contributions - employer	\$ 40,000	\$ 40,000	\$ 30,000	\$ 30,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	
Net investment income	71,382	52,993	55,728	187	54,716	19,231	6,737	23,167	23,167	23,167	23,167	
Benefit payments, including refunds of employee contributions	(53,125)	(49,177)	(44,400)	(44,400)	(41,300)	(38,000)	(33,425)	(33,600)	(33,600)	(33,600)	(33,600)	
Administrative expenses	(7,623)	(4,920)	(8,108)	(5,808)	(7,764)	(851)	(2,871)	(923)	(923)	(923)	(923)	
State of Colorado supplemental discretionary contribution	35,080	4,971	-	9,942	-	4,971	4,971	4,971	4,971	4,971	4,971	
Net change in plan fiduciary net position	85,714	43,867	33,220	(10,079)	30,652	10,351	412	18,615	18,615	18,615	18,615	
Plan fiduciary net position - beginning	484,476	440,609	407,389	417,468	386,816	376,465	376,053	357,438	357,438	357,438	357,438	
Plan fiduciary net position - ending (b)	\$ 570,190	\$ 484,476	\$ 440,609	\$ 407,389	\$ 417,468	\$ 386,816	\$ 376,465	\$ 376,053	\$ 376,053	\$ 376,053	\$ 376,053	
District's net pension liability - ending (a) - (b)	\$ 136,316	\$ 218,689	\$ 232,405	\$ 256,871	\$ 196,450	\$ 214,781	\$ 130,198	\$ 119,495	\$ 119,495	\$ 119,495	\$ 119,495	
Plan fiduciary net position as a percentage of the total pension liability	80.71%	68.90%	65.47%	61.33%	68.00%	64.30%	74.30%	75.89%	75.89%	75.89%	75.89%	
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
District's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

**Loveland Rural Fire Protection District
Required Supplementary Information
Schedule of District Pension Contributions
Year Ended December 31, 2022**

	Reporting Fiscal Year										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
PSPRS - Pension											
Actuarially determined contribution	\$ 40,462	\$ 40,462	\$ 40,462	\$ 29,466	\$ 29,466	\$ 19,056	\$ 19,056	\$ 23,900	\$ 23,900	Information not available	
District's contributions in relation to the actuarially determined contribution	40,000	75,080	44,971	30,000	39,942	25,000	29,971	29,971	29,971		
District's contribution deficiency (excess)	\$ 462	\$ (34,618)	\$ (4,509)	\$ (534)	\$ (10,476)	\$ (5,944)	\$ (10,915)	\$ (6,071)	\$ (6,071)		
District's covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
District's 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		