Sterling Rural Fire Protection District
Sterling, Colorado

Financial Statements

For the Year Ended December 31, 2022

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Independent Auditors' Report

Board of Directors
Sterling Rural Fire Protection District
Sterling, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Sterling 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 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 the 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 management's discussion and analysis and budgetary comparison information 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.

Supplementary Information

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
May 24, 2023

STERLING RURAL FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

This section of the Sterling Rural Fire Protection District's annual financial report presents our discussion and analysis of the Sterling Rural Fire Protection District's financial performance during the year ended December 31, 2022.

FINANCIAL HIGHLIGHTS

- The Sterling Rural Fire Protection District is in very sound financial condition.
- The total net position of the Sterling Rural Fire Protection District increased $434,641.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Sterling Rural Fire Protection District's basic financial statements.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Sterling Rural Fire Protection District as a whole and present a longer-term view of the Sterling Rural Fire Protection District's finances. Fund financial statements start on page 12. These statements tell how these services were financed in the short term as well as what remains for future spending. The Sterling Rural Fire Protection District's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The government-wide financial statements are designed to provide interested readers with information about the Sterling Rural Fire Protection District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the Sterling Rural Fire Protection District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Sterling Rural Fire Protection District is improving or deteriorating.

The statement of activities presents information showing how the Sterling Rural Fire Protection District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

Net Position

Net position of the Sterling Rural Fire Protection District as of December 31, 2022 and 2021 are shown in Table 1 below.

Table 1
NET POSITION

	2022	2021
Current assets	$ 2,115,932	$ 1,752,923
Capital assets	1,153,738	1,053,284
Total assets	$ 3,269,670	$ 2,806,207
Current liabilities	$ 41,332	$ 1,172
Deferred inflows of resources	829,274	840,612
Net investment in capital assets	1,153,738	1,053,284
Restricted for emergencies	19,700	13,600
Unrestricted	1,225,626	897,539
Total net position	2,399,064	1,964,423
Total liabilities, deferred inflows of resources and net position	$ 3,269,670	$ 2,806,207

The second largest portion of the Sterling Rural Fire Protection District's net position, 48%, reflects its investment in capital assets (buildings and improvements, and equipment). The Sterling Rural Fire Protection District uses these capital assets to provide services to area residents; consequently, these assets are not available for future spending. In addition, a portion of the Sterling Rural Fire Protection District's net position, 1%, represents sources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 51%, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of 2022, the Sterling Rural Fire Protection District is able to report positive balances in all three categories of net position.

Changes in Net Position

Changes in net position of the Sterling Rural Fire Protection District as of December 31, 2022 and 2021 are shown in Table 2 below.

Table 2
CHANGES IN NET POSITION

	2022	2021
General revenues		
Property taxes	$ 845,954	$ 765,664
Specific ownership taxes	90,771	85,797
Delinquent taxes and interest	(571)	1,136
Investment earnings	14,635	83
Building lease	24,000	24,000
Miscellaneous	32	431
Total revenues	974,821	877,111
Program expenses		
Fire protection	456,338	423,737
Depreciation	83,842	83,190
Total expenses	540,180	506,927
Change in net position	434,641	370,184
Net position at beginning of year	1,964,423	1,594,239
Net position at end of year	$ 2,399,064	$ 1,964,423

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has only one governmental fund.

Governmental funds. Most of the District's basic services are reported in the governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end are available for spending. The fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed, short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement is provided, or on the subsequent page, that explains the relationship (or differences) between them.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information this is essential to a full understanding of the data provided in the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and notes, this report also presents required supplementary information concerning the Sterling Rural Fire Protection District's annual budget and comparison to actual revenues and expenditures.

BUDGETARY HIGHLIGHTS

The District experienced a significant increase in property tax collections during 2022 resulting from an additional mill levy approved by the voters in 2016. Upgrades to various equipment items and buildings and improvements were completed in 2022 while upgrades to various trucks and equipment are anticipated in subsequent years.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of the year, the District had $1,153,738 invested in capital assets, ranging from fire trucks and related accessories to other types of firefighting equipment. Major asset purchases during the year included two new radios. The District remains committed to the upkeep and maintenance of its assets. More detailed information about the District's capital assets is presented in Table 3 and Note C to the financial statements. The following table reports the District's capital asset activity for the year.

Table 3
CAPITAL ASSETS

	Beginning Balances	Additions	Deletions / Transfers	Ending Balances
Land	$ 119,553	$ -	$ -	$ 119,553
Buildings and improvements	-	182,186	-	182,186
Equipment	1,254,362	2,110	-	1,256,472
Less accumulated depreciation	(320,631)	(83,842)	-	(404,473)
Capital assets, net	$ 1,053,284	$ 100,454	$ -	$ 1,153,738

DEBT ADMINISTRATION

The District does not have any outstanding debt at year-end.

ECONOMIC FACTORS

The Sterling Rural Fire Protection District is in a good financial position. The largest source of operating funds for the District is the local property and related taxes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview to taxpayers, citizens, residents, funders and any others interested in the Sterling Rural Fire Protection District's finances. Accountability for the funds received and expended by the Sterling Rural Fire Protection District is taken very seriously. Questions or concerns regarding any of the information provided in this report or requests for additional financial information should be addressed to the Sterling Rural Fire Protection District, P.O. Box 583, Sterling, CO 80751.

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Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

STERLING RURAL FIRE PROTECTION DISTRICT
Statement of Net Position
December 31, 2022

	Governmental Activities
Assets	
Cash	$ 397,481
Cash with county treasurer	7,145
Investments	877,606
Property taxes receivable	829,274
Other receivables	2,000
Prepaids	2,426
Capital assets, net of accumulated depreciation	1,153,738
Total assets	$ 3,269,670
Liabilities	
Accounts payable	$ 41,332
Deferred inflows of resources	
Deferred property tax revenues	829,274
Net position	
Net investment in capital assets	1,153,738
Restricted for emergencies	19,700
Unrestricted	1,225,626
Total net position	2,399,064
Total liabilities, deferred inflows of resources and net position	$ 3,269,670

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

STERLING RURAL FIRE PROTECTION DISTRICT
Statement of Activities
For the Year Ended December 31, 2022

	Governmental Activities
Program expenses	
Fire protection	$ 456,338
Depreciation	83,842
Total program expenses	540,180
General revenues	
Property taxes, levied for general purposes	845,954
Specific ownership taxes	90,771
Delinquent taxes and interest	(571)
Earnings on investments	14,635
Building lease	24,000
Miscellaneous	32
Total general revenues	974,821
Change in net position	434,641
Net position at beginning of year	1,964,423
Net position at end of year	$ 2,399,064

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

STERLING RURAL FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Funds
December 31, 2022

	General Fund
Assets	
Cash	$ 397,481
Cash with county treasurer	7,145
Investments	877,606
Property taxes receivable	829,274
Other receivables	2,000
Prepaids	2,426
Total assets	$ 2,115,932
Liabilities	
Accounts payable	$ 41,332
Deferred inflows of resources	
Deferred property tax revenues	829,274
Fund balance	
Restricted for emergencies	19,700
Unassigned	1,225,626
Total fund balance	1,245,326
Total liabilities, deferred inflows of resources and fund balance	$ 2,115,932

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

STERLING RURAL FIRE PROTECTION DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2022

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

Total fund balance - governmental funds	$ 1,245,326
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	1,153,738
Net position of the governmental activities	$ 2,399,064

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

STERLING RURAL FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General Fund
Revenues	
Taxes	$ 936,154
Earnings on investments	14,635
Building lease	24,000
Miscellaneous	32
Total revenues	974,821
Expenditures	
Fire protection	456,338
Capital outlay	184,296
Total expenditures	640,634
Net change in fund balance	334,187
Fund balance at beginning of year	911,139
Fund balance at end of year	$ 1,245,326

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

STERLING RURAL FIRE PROTECTION DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

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

Net change in fund balance	$	334,187
Capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.		100,454
Change in net position of governmental activities	$	434,641

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

Note A – Summary of significant accounting policies

This summary of the Sterling Rural Fire Protection District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in numbers 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following is the District's major governmental fund:

<u>General Fund</u> – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes and specific ownership taxes.

Note A – Summary of significant accounting policies (continued)

Expenditures include all costs associated with the daily operation of the District.

A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds, if applicable.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements (where applicable) but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program of the District's governmental activities (the fire protection program is the only program maintained by the District). Direct expenses are those that are specifically associated with the program and therefore are clearly identifiable to the particular program. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of the program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the program is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The District has only one fund, the General Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Note A – Summary of significant accounting policies (continued)

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and nonexchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants and other miscellaneous sources. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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.

Note A – Summary of significant accounting policies (continued)

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenses/expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

The encumbrance system is not utilized by the District.

A.6 – Receivables

No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

A.7 – Capital assets

Capital assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets with a unit cost greater than $1,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) will be capitalized on a prospective basis, from 2004. Infrastructure prior to 2004 will not be capitalized.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Buildings and Improvements	20-50 years
Equipment	5-15 years

Note A – Summary of significant accounting policies (continued)

A.8 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

A.9 – Net position

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

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

A.10 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

A.11 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different type of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires fund balance amounts to be properly reported within one of the fund balance categories listed below:

- *Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or though enabling legislation,

Note A – Summary of significant accounting policies (continued)

- *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of directors (the District's highest level of decision-making authority),

- *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

- *Unassigned* fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of directors through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, followed by committed fund balance, assigned fund balance and unassigned fund balance.

Note B – Cash and investments

Cash and deposits – Colorado State Statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District had total deposits of $397,481, of which $250,000 was insured and $147,481 was collateralized with securities held by the pledging institution's trust department of agent in the District's name.

Note B – Cash and investments (Continued)

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the District's own investment policies and procedures. Investments of the District may include:

- Obligations of the United States Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

During the year, the District invested in Colotrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission 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. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. 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. As of December 31, 2022, the District had invested $877,606 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of $1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

At year-end, the District had the following investments:

		Investment maturities (in years)		
Investment type	Fair value	Less than 1	1-5	6-10
State investment pool	$ 877,606	$ 877,606	$ -	$ -

Note B – Cash and investments (Continued)

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. At year-end, the District's investment in ColoTrust was rated AAA by Standard and Poor's.

Note C – Capital assets

Capital asset activity for the year was as follows:

	Beginning Balances	Additions	Deletions/ Transfers	Ending Balances
Capital assets, not being depreciated				
Land	$ 119,553	$ -	$ -	$ 119,553
Capital assets, being depreciated				
Buildings and improvements	-	182,186	-	182,186
Equipment	1,254,362	2,110	-	1,256,472
Total capital assets, being depreciated	1,254,362	184,296	-	1,438,658
Total capital assets	1,373,915	184,296	-	1,558,211
Less accumulated depreciation	(320,631)	(83,842)	-	(404,473)
Capital assets, net	$ 1,053,284	$ 100,454	$ -	$ 1,153,738

Note D – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including workers' compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note E – Commitments and contingencies

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. On November 5, 1996, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has restricted funds in the amount of $19,700 for the emergency reserve.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

STERLING RURAL FIRE PROTECTION DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
General property taxes	$ 840,612	$ 840,612	$ 845,954	$ 5,342
Specific ownership taxes	70,000	70,000	90,771	20,771
Delinquent taxes and interest			(571)	(571)
Earnings on investments	3,000	3,000	14,635	11,635
Building lease	24,000	24,000	24,000	-
Miscellaneous			32	32
Total revenues	937,612	937,612	974,821	37,209
Expenditures				
Administrative				
Secretary compensation	6,000	6,000	6,800	(800)
Office supplies	3,000	3,000	1,363	1,637
Professional fees	11,000	11,000	9,022	1,978
Bonds	500	500	352	148
Insurance	2,250	2,250	2,493	(243)
Board meeting expense	2,500	2,500	2,070	430
Treasurer's fees	17,000	17,000	16,908	92
Building lease	37,200	37,200	37,200	-
Miscellaneous	320	320	1,992	(1,672)
Total administrative	79,770	79,770	78,200	1,570
Operational				
City participation	319,879	319,879	319,395	484
Merino participation	50,000	50,000	50,000	-
Dispatch center fees	8,400	8,400	7,822	578
Repairs	25,000	25,000	728	24,272
Supplies	5,000	5,000	193	4,807
Total operational	408,279	408,279	378,138	30,141
Capital outlay	300,000	300,000	184,296	115,704
Contingency reserve	610,121	610,121		610,121
Total expenditures	1,398,170	1,398,170	640,634	757,536
Net change in fund balance	$ (460,558)	$ (460,558)	334,187	$ 794,745
Fund balance at beginning of year			911,139	
Fund balance at end of year			$ 1,245,326	

Note A – Budgets and budgetary accounting

Annual budgets are adopted as required by Colorado Statutes. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Expenditures may not legally exceed appropriations at the fund level. Budget amounts included in the financial statements are based on the final amended budget. After budget approval, the District board of directors may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted. A supplemental appropriation was made during the year.

The following is a summary of the significant dates and procedures used in establishing budgetary data reflected in the financial statements:

- On or before October 15th, the finance committee submits to the board of directors, a proposed budget for the following calendar year.
- A proposed budget is made available for public inspection, and public hearings are conducted to obtain taxpayer comments.
- Prior to December 15th, the District must adopt the budget by formal resolution and certify the mill levy to the County Commissioners.
- On or before December 31st, the District must enact a resolution making appropriations for the following calendar year.