

SUNSHINE FIRE PROTECTION DISTRICT

Boulder County, Colorado

FINANCIAL REPORT

December 31, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS:	
Government (General) Funds Balance Sheet and Statement of Net Assets	7
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities and Changes in Net Assets	8
Reconciliation of Governmental Fund Balances to Net Assets of Governmental Activities and Reconciliation of Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities and Changes in Net Assets	9
Notes to Basic Financial Statements	10-13
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	14
Note to Required Supplementary Information	15

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sunshine Fire Protection District
Boulder, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Sunshine Fire Protection District (SFPD), Colorado as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise SFPD's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sunshine Fire Protection District as of December 31, 2022, and the changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility 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; this includes 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 Sunshine Fire Protection District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sunshine Fire Protection 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 Sunshine Fire Protection 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

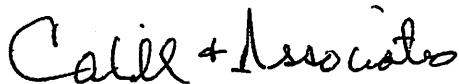
Management Discussion and Analysis - Unaudited

The Management's Discussion and Analysis on pages 3 through 6 is presented to supplement the basic financial statements and to provide operational, economic and historical context to the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion or any other form of assurance.

Individual Fund Statements

The Schedule of Revenues, Expenditures, Expenses and Changes in Fund Balance Budget and Actual - for the General Fund on page 13, with related notes on page 14, is presented to supplement the basic financial statements by providing general fund operational results (Non-GAAP Budgetary Basis) for the year.

We have applied certain limited procedures to the information presented on pages 13 - 14, which consisted principally of inquiries of management regarding the methods of measurement and presentation of these individual fund statements; however, we did not audit the information and express no opinion or any other form of assurance on them.



CAHILL & ASSOCIATES, P.C.

February 14, 2023

**SUNSHINE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Sunshine Fire Protection District (SFPD) covers approximately four square miles in the foothills west of Boulder, Colorado. The district was established in 1969 with community-donated work and surplus equipment. The district provides protection to a wildland urban interface community in the foothills of the Rocky Mountains. The district currently has two fire stations with thirty active firefighters, EMR/EMT and fire support personnel.

This discussion and analysis of Sunshine Fire Protection District's (SFPD) financial performance provides an overview of SFPD's financial activities for the fiscal year ended December 31, 2022. This section is a summary of financial activities based on currently known facts, decisions, or conditions. The Management's Discussion and Analysis section is an introduction and should be read in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The net assets of SFPD exceeded the liabilities at December 31, 2022, by \$1,294,184. Of this amount, \$909,608 represents net assets that are invested in capital assets, \$130,687 is restricted for the Community Wildfire Protection Plans Program, \$144,710 is restricted for capital improvements, \$100,000 is restricted for emergencies and \$9,179 is restricted for the Cistern Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction of SFPD's basic financial statements.

The financial statements of SFPD report information about SFPD using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term information about SFPD's overall financial status. The Statement of General Fund Balance reconciled to the Statement of Net Assets presents information on SFPD's assets and liabilities, with the difference between the two reported as general fund balance and net assets. The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances reconciled to the Changes in Net Assets presents information showing how SFPD's General Fund Balance and Net Assets changed during the year. The basic financial statements can be found on pages 6-8 of this report.

The financial statements also include notes that further discuss information in the statements and provide more detailed data. The notes to the financial statements can be found on pages 9-12. The notes are followed by a section of required and other supplemental information.

**SUNSHINE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

FINANCIAL ANALYSIS

For the year ended December 31, 2022, assets exceeded liabilities by \$1,294,184. Firefighting is a capital-intensive enterprise, and approximately 70 percent of the net assets are invested in capital assets. The following is a summary of SFPD's net assets.

	<u>2022</u>
Assets	
Current Assets	\$ 601,486
Capital Assets (Net of Depreciation)	<u>909,608</u>
Total Assets	<u>1,511,094</u>
Liabilities	
Current Liabilities	<u>216,910</u>
Net assets	
Invested in Capital Assets net of Related Debt	909,608
Restricted for Emergencies	100,000
Restricted for Capital Improvements	144,710
Temporarily Restricted for Community Wildfire Protection Plan Program	130,687
Cistern Fund	<u>9,179</u>
Total Net Assets	<u><u>\$ 1,294,184</u></u>

SFPD's General Fund balances decreased by \$236,889 in 2022. The following Summary Statement of Revenues, Expenses and Changes in General Fund Balances shows components of the 2022 changes.

Summary Statement of Revenues, Expenses and Changes in Fund balances - General Fund

	<u>2022</u>
Revenues	\$ 641,360
Expenditures	<u>878,249</u>
Excess of Expenditures Over Revenues	<u><u>\$ (236,889)</u></u>

Revenue in 2022 includes \$422,394 for contracted firefighting services provided outside the district; expenditures include \$351,143 in payments to firefighters for these services.

Operating Revenues

As shown below, firefighting income from outside the district accounted for 65.8% of total revenue, while 27.3% came from property taxes assessed in 2021 and collected by the county in 2022.

	<u>2022 Amount</u>	<u>Percent of Total</u>
General Property Taxes	\$ 123,503	19.3%
Community Wildfire Protection Plan Property Taxes	51,848	8.0%
Grants/Donations	33,114	5.1%
Investment Earnings	3001	0.4%
Firefighting Income	422,394	65.8%
Gain on Disposal of Asset	<u>7,500</u>	<u>1.4%</u>
	<u><u>\$ 641,360</u></u>	<u><u>100.0%</u></u>

**SUNSHINE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

FINANCIAL ANALYSIS (Continued)

	2022 Amount	Percent Of Total
Operating Expenses		
Capital Outlay	\$ 397,669	45.2 %
Firefighting Operations	434,672	49.4 %
Administration	45,907	5.4 %
	<u>\$ 878,248</u>	100.0 %

The District's 2022 expenses relate to fire protection, which includes fire fighting prevention and medical response. In addition to the 2022 depreciation expense and repairs and maintenance expenses the district also made the final payment of \$385,523 on the purchase of a new fire engine that has a total value of \$506,896. As a service organization providing fire protection, the majority of the expenses are for employee costs, firefighter contract payments, wildland mitigation, insurance and repairs and maintenance. Total expenses include payments of \$243,914 in contract payments to firefighters for firefighting services provided to other districts, as well as \$110,099 in wages related to these services. SFPD acts as an agent for the firefighters and collects funds from other districts for the work performed and then remits these funds to the firefighters providing the services.

Capital Assets

SFPD's investment in capital assets (original cost less accumulated depreciation) as of December 31, 2022 was \$909,608. Capital assets consist of fire trucks, support vehicles, land, buildings, and firefighting equipment. Major capital asset acquisitions totaled \$385,523 during 2022, less depreciation of \$72,294, resulting in a net decrease of \$313,229.

	<u>2022</u>
Land, Building and Improvements (net)	275,077
Firefighting and Other Equipment (net)	<u>634,531</u>
Total	<u>\$ 909,608</u>

This year's additions to firefighting equipment was \$385,523 for final payment on the purchase of a new fire engine.

Economic Factors and Future Outlook

Property tax income will decrease slightly in 2023. The operating tax mill levy stayed the same at 8.480 to mills and the Community Wildfire Protection Plan levy remained at 3.560. The assessed valuation decreased from \$14,154,334 to \$14,000,708. The result of the changes in the valuation will result in an approximate decrease in revenue of approximately \$18,000 in 2023 when compared to 2022.

The District's 2023 budget provides for general property tax revenue of \$118,780 and wildland mitigation tax revenue of \$49,789 based on an operating tax mill levy of 8.480 mills and wildland mitigation mill levy of 3.560 mills.

The District's 2023 budget also provides for grant income and donations of \$15,000 and contract income of \$5,000 from fighting fires outside the district.

In addition to the normal firefighter training, repairing and maintaining fire trucks and firefighting equipment, providing and facilitating fire mitigation, and paying other operating expenses, the District's 2023 budget also includes \$64,300 for capital improvements to the stations and new equipment for operations

**SUNSHINE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

FINANCIAL ANALYSIS (Continued)

The following presents revenue and expenditures on a cash basis as utilized by the District for budgeting, reporting and analysis. The category for Reserves are the amount anticipated/required from pre-existing funds.

GENERAL FUND	2022 <u>Budget</u>	2022 <u>Actual</u>	2023 <u>Budget</u>
Revenue			
General Property Taxes	120,029	123,503	118,726
Community Wildfire Protection			
Plan Program Property Taxes	50,389	51,848	49,843
Grants and Donations	20,000	33,114	15,000
Investment Income	750	3,001	5,000
Contract Firefighter Income	140,000	422,394	5,000
Other Income	-	7,500	-
	<u>\$ 331,168</u>	<u>\$ 641,360</u>	<u>\$ 193,569</u>
Expenditures			
Employee Costs	\$ 10,000	\$ 118,785	\$ 2,000
Firefighter Contract Payments	130,000	241,044	3,000
Wildland Mitigation	48,475	18,945	25,900
Equipment	22,000	23,261	10,000
Insurance	20,000	22,665	20,000
Repairs & Maintenance	15,000	20,189	12,000
Bank Charges	120	10	120
Dues and Subscriptions	1,500	3,256	2,500
Grounds/Building Maintenance	2,000	7,914	4,300
Legal and Accounting	2,000	4,804	10,000
Office Supplies	200	273	300
Printing and Reproduction	350	106	300
Utilities	6,500	6,880	8,220
Fire Fighting Expenses	4,000	7,381	4,500
Machine Hire	200	200	200
Medical Director Services	-	-	1,000
Special Event Expense	1,500	2,185	4,500
Training and Education	6,500	2,683	6,000
Capital Improvements	366,731	397,667	64,300
	<u>\$ 637,076</u>	<u>\$ 878,248</u>	<u>\$ 179,140</u>

BASIC FINANCIAL STATEMENTS

SUNSHINE FIRE PROTECTION DISTRICT
Governmental (General) Fund Balance Sheet and
Statement of Net Assets
December 31, 2022

	Primary Government - 2022		
	General Fund	Adjustments Note A	Statement of Net Assets
ASSETS			
CURRENT ASSETS			
Cash and Equivalents	\$ 430,869	\$ -	\$ 430,869
Payroll Tax Refund Receivable	2,048	-	2,048
Property Tax Receivable	168,569	-	168,569
CAPITAL ASSETS, NET OF DEPRECIATION			
Buildings & Improvements	-	275,077	275,077
Equipment	-	634,531	634,531
Total Capital Assets, Net of Depreciation	-	909,608	909,608
TOTAL ASSETS	\$ 601,486	\$ 909,608	\$ 1,511,094
LIABILITIES AND FUND BALANCES/NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 5,093	\$ -	\$ 5,093
Payroll Liabilities	43,248	-	43,248
Deferred Property Tax Revenue	168,569	-	168,569
Total Liabilities	216,910	-	216,910
FUND BALANCES			
Restricted for Emergencies	100,000	(100,000)	
Restricted for Capital Improvements	144,710	(144,710)	
Restricted for Wildfire Mitigation	130,687	(130,687)	-
Cistern Fund Balance	9,179	(9,179)	
Total Fund Balances	384,576	(384,576)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 601,486		
NET ASSETS			
Invested in Capital Assets, Net of Related Debt		909,608	909,608
Restricted for Emergencies		100,000	100,000
Restricted for Capital Improvements		144,710	144,710
Restricted for Community Wildfire Protection			
Plans Program		130,687	130,687
Cistern Fund Balance		9,179	9,179
Total Net Assets		1,294,184	1,294,184
TOTAL LIABILITIES AND NET ASSETS		\$ 909,608	\$ 1,511,094

See Accompanying Notes to Basic Financial Statements

SUNSHINE FIRE PROTECTION DISTRICT
Statement of Governmental Fund Revenues
Expenditures, and Changes in Fund Balance and
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	Primary Government - 2022		
	General Fund	Adjustments Note B	Statement of Activities
REVENUES			
General Property Taxes	\$ 123,503	\$ -	\$ 123,503
Community Wildfire Protection Plans Property Taxes	51,848		51,848
Grants/Donations (Net)	33,114	-	33,114
Investment Income	3,001	-	3,001
Firefighter Income	422,394	-	422,394
Gain on Disposal of Asset	7,500	-	7,500
Total General Revenues	\$ 641,360	\$ -	\$ 641,360
EXPENDITURES/EXPENSES			
Capital Outlay	397,669	(385,523)	12,146
Depreciation	-	72,294	72,294
Firefighting Operations	434,672	-	434,672
Administration	45,907	-	45,907
Total Expenditures/Expenses	878,248	(313,229)	565,019
REVENUES OVER (UNDER) EXPENDITURES	(236,888)	236,888	-
CHANGE IN NET ASSETS		\$ 76,341	\$ 76,341
FUND BALANCE/NET ASSETS			
Beginning of year	621,464		1,217,843
End of Year	\$ 384,576		\$ 1,294,184

See Accompanying Notes to Basic Financial Statements

**SUNSHINE FIRE PROTECTION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
RECONCILIATION OF STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES D
TO STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
December 31, 2022 and the Year Then Ended**

**NOTE A
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

GOVERNMENTAL FUND BALANCE - GENERAL FUND	\$ 384,576
Amounts reported in governmental activities in the Statement of Net Assets are adjusted to reflect:	
Capital assets of \$1,639,614 net of accumulated depreciation (\$730,006) are not financial resources and therefore are not reported in the general fund	<u>909,608</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>1,294,184</u>

**NOTE B
RECONCILIATION OF STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS**

EXCESS (DEFICIT) REVENUES OVER EXPENDITURES - GENERAL FUND	\$ (236,888)
Amounts reported to arrive at the Statement of Activities are adjusted to reflect:	
Governmental General Fund reports capital outlay and capital lease payments as expenditures. In the statement of activities, the cost of acquired capital assets are recoded as assets and expensed over estimated useful lives as depreciation expense. Payments on capital leases reduce the outstanding balance of the lease obligation. Adjustments are:	
Capital outlays capitalized - Building Improvements and Equipment	385,523
Depreciation expense	<u>(72,294)</u>
CHANGE IN NET ASSETS	\$ <u>76,341</u>

SUNSHINE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Sunshine Fire Protection District (SFPD), is governed pursuant to provisions of the Colorado Special District Act, by a five member Board of Directors. The District's service area is located in the foothills west of Boulder, Colorado. The District was established in 1969 to provide fire protection, rescue, and emergency services to the citizens and property within its boundaries. The District receives a portion of its revenue from taxes assessed on the property within its boundaries.

The District is served by an all volunteer department, which usually varies between thirty and forty members. The District is the primary special purpose government responsible for all fire protection within its service areas. As a result, all significant activities have been included in the basic financial statements. The District's financial statements represent those of a stand-alone government, as there are no component units.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the District are discussed below.

Basic Financial Statements - Government Statements

The governmental financial statements report information on all activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Revenues include property tax revenues, interest income, and miscellaneous revenues that are used to meet the operational and capital requirements of the function.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property tax revenue, and interest income associated with the current year are considered being susceptible to accrual, and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting: The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses one major governmental fund, the General Fund.

Governmental Funds: Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance or net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued): The District reports one major government fund: The General Fund which is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Cash and Cash Equivalents

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Highly liquid investments with a maturity of three months or less are also considered cash equivalents.

Receivables and Deferred Revenue

The District reports unearned deferred revenue in the governmental fund balance sheet. Deferral arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. The District has accrued 2022 property taxes to be collected in 2023 as deferred revenue and a receivable in the accompanying governmental funds balance sheet. (See Property Tax below).

Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are expensed. Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives for asset types are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings and Improvements	17-50 years
Firefighting Equipment	10-25 years

Property Tax

Annual property taxes are levied and assessed on property as of January 1 and are certified by the County by November 1 of the current year. On January 1 of the following year, the County Treasurer bills the property owners, thus establishing an enforceable lien on the property, and collects the property taxes on behalf of the District and remits them to the District on a monthly basis. The District has accrued the 2022 taxes to be collected in 2023 in the accompanying financial statements with a corresponding offset to Deferred Revenue. Property taxes are recognized as revenue in the year in which they are intended to finance operating expenditures.

Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the governmental financial statements of net assets regardless of whether they will be liquidated with current resources or future resources. Obligations that will be paid from governmental funds are reported as a liability in the general fund to the extent that they will be paid with current resources. In general, payments made within thirty days after year-end are considered to have been made with current available financial resources. Long-term obligations against net assets are obligations to be paid by restricted funds or from future revenue.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH

Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. This risk is mitigated in that the District's deposits are subject to and in accordance with the State of Colorado's Public Deposit Protection Act ("PDPA"). Under this act, all uninsured deposits of public funds are to be fully collateralized. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. At December 31, 2022, all of the District's cash and cash equivalents were either insured by FDIC or collateralized under PDPA.

NOTE 3 - CAPITAL ASSETS

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

	<u>Balance</u> <u>Jan. 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
Land and Buildings	\$ 566,908	\$ -	\$ -	\$ 566,908
Firefighting Equipment	<u>752,183</u>	<u>385,523</u>	<u>(65,000)</u>	<u>1,072,706</u>
Total General Fixed Assets	1,319,091	385,523	(65,000)	1,639,614
Less Accumulated Depreciation	<u>(722,712)</u>	<u>(72,294)</u>	<u>65,000</u>	<u>(730,006)</u>
NET CAPITAL ASSET	<u>\$ 596,379</u>	<u>\$ 313,229</u>	<u>\$ -</u>	<u>\$ 909,608</u>

The District's policy is to capitalize individual equipment expenditures exceeding \$5,000.

NOTE 4 - TAX SPENDING AND DEBT LIMITATIONS (TABOR COMPLIANCE)

In November 1992, Colorado voters passed an amendment ("TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves. The amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding volunteer firefighters to existing pension plans, the Constitution specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

The Constitution requires that emergency reserves be established. These reserves must be at least three percent of Fiscal Year Spending. Emergency reserves as of December 31, 2022 total \$100,000.

The District passed a ballot initiative in 1996 which made the District exempt from the provisions of TABOR.

NOTE 5 - 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 covering specific and general risks of loss, including worker's compensation and health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two years. There have been no significant reductions in insurance coverage.

SUNSHINE FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL REVENUES/RESERVES			
General Revenues			
General Property Taxes	\$ 120,029	\$ 123,503	\$ 3,474
Community Wildfire Protection Plans Property Taxes	50,389	51,848	1,459
Investment Earnings	750	3,001	2,251
Firefighter Income	140,000	422,394	282,394
Grants/Donations/Fundraisers	20,000	33,114	13,114
Gain on Sale of Asset	-	7,500	7,500
Total General Revenues	<u>331,168</u>	<u>641,360</u>	<u>310,192</u>
Budgeted Capital Reserves			
General Fund Balance Reserved for CWPP	28,086		(28,086)
General Fund Balance Reserved for Capital Outlay	277,822	-	(277,822)
Total Capital Reserves	<u>305,908</u>	<u>-</u>	<u>(305,908)</u>
Total Revenues and Capital Reserves	637,076	641,360	4,284
EXPENDITURES/EXPENSES			
Fire Protection Operations	237,675	434,672	(196,997)
Administrative Services	32,670	45,907	(13,237)
Capital Outlay	366,731	397,669	(30,938)
Total Expenditures/Expenses	<u>637,076</u>	<u>878,248</u>	<u>(241,172)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	(236,888)	<u>\$ (236,888)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>621,464</u>	
FUND BALANCE, END OF YEAR		<u>\$ 384,576</u>	

See Accompanying Note to Required Supplementary Information

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During September of each year, the Board of Directors for the District meets to prepare a proposed budget for the forthcoming year. At this meeting, requests from interested parties are heard and considered in the preparation of the budget. A notice as to the proposed budget is then published in a local newspaper, in order that interested citizens can voice their concerns about the proposed budget. In this notice, concerned citizens are requested to attend a Board of Directors meeting, usually held in October, at which time the proposed budget is considered by the Board.

After hearing any comments from concerned citizens, and after making any amendments to the proposed budget that may be forthcoming, the budget is approved by the entire Board of Directors and the mill levy request is certified to the County Treasurer.

At the same meeting that the budget is adopted, or at a meeting later in the year but prior to December 31, the necessary resolutions to adopt the budget, appropriate sums of money for the operation of the District, and to adopt the mill levy certification, are made by the Board.

The budget is used by the Board of Directors during the District's year to control expenditures and as a management device for assessment of how the District is meeting its obligations on a month-to-month basis. The board of Directors is authorized to transfer budgeted amounts between accounts within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the entire Board of Directors and formalized by a resolution prior to the close of the budget year. The final amended budget is used in this report.