CORTEZ FIRE PROTECTION DISTRICT

AUDITED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

December 31, 2025

Haynie

Table of Contents

Page

INDEPENDENT AUDITORS' REPORT ..... i-iii

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

Statement of Net Position 1

Statement of Activities 2

Fund Financial Statements – Governmental Fund:

Balance Sheet and Reconciliation of Governmental Fund Balance Sheet with the Government-wide Statement of Net Position 3

Statement of Revenues, Expenditures and Change in Fund Balance 4

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Activities to the Statement of Activities 5

Fiduciary Fund Financial Statements:

Statement of Fiduciary Net Position – Pension Trust Fund 6

Statement of Change in Fiduciary Net Position- Pension Trust Fund 7

NOTES TO THE BASIC FINANCIAL STATEMENTS 8-30

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Revenues, Expenditures and Change in Fund Balance General Fund (Budget and Actual) 31

Schedule of Proportionate Share of the Net Pension Liability (Asset) and Related Ratios Statewide FPPA Pension Plan 32

Schedule of Employer Contributions – Statewide FPPA Pension Plan 33

Schedule of Employer Contributions – Volunteer Pension Plan 34

Schedules of Changes in Net Pension Liability and Related Ratios – Last 10 Years – Volunteer Pension Plan Fund 35

Schedule of Investment Returns – Cortez Fire Protection District Pension Plan 36

OTHER SUPPLEMENTARY INFORMATION:

Statement of Changes in Fiduciary Net Position – Pension Trust Fund (Budget and Actual) 37

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cortez Fire Protection District

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Cortez Fire Protection District (the "District") as of and for the year ended December 31, 2025, 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, the major fund, and the aggregate remaining fund information of the District as of December 31, 2025, 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 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.

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 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.

1221 West Mineral Avenue, Ste. 202, Littleton, CO 80120 303-734-4800 HaynieCPAs.com

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the General Fund budgetary comparison schedule, and required pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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 pension fund budgetary schedule 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,



Littleton, Colorado

September 23, 2026

Basic Financial Statements

Cortez Fire Protection District
Statement of Net Position
December 31, 2025

	Governmental Activities
Assets	
Cash and cash equivalents	$ 636,155
Restricted cash	108,733
Receivables	
Property tax receivable	2,028,794
Other receivables	698,054
Prepaid expenses	44,580
Noncurrent assets:	
Capital assets, depreciable, net	5,812,932
Total assets	9,329,248
Deferred Outflows of Resources	
Deferred outflows related to FPPA pension	478,525
Total deferred outflows of resources	478,525
Total assets and deferred outflows of resources	$ 9,807,773
Liabilities	
Accounts payable	$ 42,984
Accrued liabilities	51,679
Accrued interest	35,416
Noncurrent liabilities:	
Due within one year	232,090
Due in more than one year	2,520,757
Total liabilities	2,882,926
Deferred Inflows of Resources	
Deferred property tax revenue	2,028,794
Deferred inflows related to FPPA pension	69,732
Deferred inflows related to CFPDPP volunteer pension	33,369
Total deferred inflows of resources	2,131,895
Net Position	
Net investment in capital assets	3,898,138
Restricted for emergencies	108,733
Unrestricted	786,081
Total net position	4,792,952
Total liabilities, deferred inflows of resources, and net position	$ 9,807,773

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

Cortez Fire Protection District
Statement of Activities
For the Year Ended December 31, 2025

Functions/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities					
Fire protection and emergency	$ 3,747,781	$ -	$ 1,171,186	$ -	$ (2,576,595)
Interest on long-term obligations	80,165	-	-	-	(80,165)
Total governmental activities	$ 3,827,946	$ -	$ 1,171,186	$ -	$ (2,656,760)
General revenues:					
Property taxes					1,955,049
Sales tax					908,962
Other revenue					172,218
Interest earnings					134
Gain on sale of assets					9,200
Total General revenues					3,045,563
Change in net position					388,803
Net position - beginning of year					4,404,149
Net position - end of year					$ 4,792,952

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

Cortez Fire Protection District
Governmental Fund Balance Sheet and Reconciliation of the Governmental Fund Balance Sheet with Government-wide Statement of Net Position
December 31, 2025

	General Fund	Total Governmental Fund
Assets		
Cash and cash equivalents	$ 636,155	$ 636,155
Restricted cash	108,733	108,733
Property taxes receivable	2,028,794	2,028,794
Other receivables	698,054	698,054
Prepaid expenses	44,580	44,580
Total assets	3,516,316	3,516,316
Liabilities		
Accounts payable	42,984	42,984
Accrued liabilities	51,679	51,679
Total liabilities	94,663	94,663
Deferred Inflows of Resources		
Deferred property tax revenue	2,028,794	2,028,794
Total deferred inflows of resources	2,028,794	2,028,794
Fund Balance		
Nonspendable - prepaid expenses	44,580	44,580
Restricted for:		
Emergencies	108,733	108,733
Unassigned	1,239,546	1,239,546
Total fund balance	1,392,859	1,392,859
Total liabilities, deferred inflows of resources and fund balance	$ 3,516,316	$ 3,516,316
Fund Balance - Total Governmental Fund		$ 1,392,859
Amounts reported for governmental activities in the statement of net position are excluded from the governmental fund balance because:		
Capital assets used in governmental activities are not current financial resources and are excluded from the fund.		
Governmental capital assets, net		5,812,932
Long-term liabilities, such as pension, accrued interest, and leases, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		(130,452)
Net pension liability - CFPDPP volunteer pension		(707,601)
Lease purchase obligations		(1,914,794)
Accrued interest		(35,416)
Pension balances are not available resources and are not included in fund financial statements.		
Deferred outflows related to pension - FPPA		478,525
Deferred inflows related to pension - FPPA		(69,732)
Deferred inflows related to CFPDPP - volunteer pension		(33,369)
Net position of governmental activities		$ 4,792,952

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

Cortez Fire Protection District
Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended December 31, 2025

	General Fund
Revenues	
Property tax	$ 1,955,049
Sales tax	908,962
Interest income	134
Wildland income	1,171,186
Other income	172,218
Total Revenues	4,207,549
Expenditures	
Fire protection and emergency services	
Salaries and benefits	2,111,962
Facilities and utilities	44,770
Administration	324,455
Vehicle expenses	107,314
Training	38,671
Wildland expenses	612,417
Other	147,200
Capital outlay	31,902
Debt Service	
Principal	124,198
Interest	81,549
Total Expenditures	3,624,438
Excess expenditures over revenues	583,111
Other Financing Sources	
Sale of assets	9,200
Total other financing sources	9,200
Net Change in Fund Balance	592,311
Fund balance:	
Beginning of year	800,548
End of year	$ 1,392,859

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

Cortez Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Activities to the Statement of Activities
December 31, 2025

Net change in fund balance—General Fund	$ 592,311
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives. Additionally, fund financial statements do not recognize contributions of capital assets as revenues.	
Depreciation/amortization expense	(268,593)
Capital outlay	31,902
Changes in long-term liabilities are reflected as income or expense on the statement of changes in fund balance but are not recorded as income or expense on the statement of activities	
Principal payments on lease purchase obligations	124,198
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	(5,792)
Change in pension-related items	(86,607)
Interest expense - change in accrued interest	1,384
Change in net position of governmental activities	$ 388,803

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

Cortez Fire Protection District
Statement of Fiduciary Net Position
Pension Trust Fund
December 31, 2025

Assets	**2025**
Cash and cash equivalents	$ 89,514
Investments	1,819,282
Total assets	1,908,796
Liabilities	
Accrued expenses	2,557
Total liabilities	2,557
Net Position	
Held in trust for pension benefits	$ 1,906,239

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

Cortez Fire Protection District
Statement of Change in Fiduciary Net Position - Pension Trust Fund
December 31, 2025

	2025
Additions	
Contributions	
State contributions	$ 41,791
District contributions	40,000
Investment Income	149,736
Total Additions	231,527
Deductions	
Administrative expenses	17,828
Pension payments	196,410
Total Deductions	214,238
Change in Net Position	17,289
Net Position - Beginning of year	1,888,950
Net Position - End of year	$ 1,906,239

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

Cortez Fire Protection District
Notes to Financial Statements
December 31, 2025

1. Definition of Reporting Entity

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

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. Governmental activities are generally supported by taxes, charges for services and intergovernmental revenues. There are no business-type activities in the District for the year ended December 31, 2025.

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

2. Summary of Significant Accounting Policies (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund type:

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

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets and liabilities generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balance present increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

2. Summary of Significant Accounting Policies (continued)

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

Property taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

Cash and Cash Equivalents

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

Capital Assets

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

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

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

2. Summary of Significant Accounting Policies (continued)

Interfund Receivables and Payables

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

Long-Term Obligations

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

Deferred Outflows/Inflows of Resources

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

Net Position and Fund Balance

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

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

2. Summary of Significant Accounting Policies (continued)

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

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

Pensions

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

2. Summary of Significant Accounting Policies (continued)

position have been determined on the same basis as they are reported by FPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Additionally, similar amounts are recorded for the Cortez Fire Protection District Pension Plan (CFPDPP) provided for volunteer firefighters of the District.

Revenue Recognition/Property Taxes

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

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

Estimates

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

Budgets and Budgetary Accounting

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

1. In accordance with State statutes, prior to October 15, the proposed operating budget is submitted to the District Board for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statutes require a more detailed line-item budget be submitted in summary form. In addition, more detailed line-item budgets are included for administration control.

2. Public hearings are conducted to obtain taxpayer comment.

3. Prior to December 31, the budget is legally enacted through passage of a resolution.

4. The District bookkeeper is required to present a monthly report to the District Board explaining any variance from the approved budget.

2. Summary of Significant Accounting Policies (continued)

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

Compensated Absences

Full-time employees of the District are allowed to accumulate unused paid time off and sick leave. Upon termination of employment with the District, an employee is compensated for all accrued paid time off and sick leave on a sliding scale if these benefits have matured. As of December 31, 2025, there was $130,452 accrued for compensated absences reflected in noncurrent liabilities, of which $103,057 is classified as due within one year and the remaining $27,395 is classified as due within more than one year.

3. Deposits and Investments

Cash, cash equivalents, and investments are comprised of the following at December 31, 2025:

Governmental Activities	Carrying Amount	Bank Balance	Insured	Collateralized
Bank deposits	$ 56,362	$ 63,644	$ 63,644	$ -
Cash equivalents	688,526	688,526	N/A	
Total	$ 744,888	$ 752,170		

Fiduciary Activities	Carrying Amount	Bank Balance	Insured	Collateralized
Bank deposits	$ 89,514	$ 89,514	$ 89,514	$ -
Investments	1,819,282	1,819,282	N/A	
Total	$ 1,908,796	$ 1,908,796		

3. Deposits and Investments (continued)

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

Cash and cash equivalents as of December 31, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	$ 617,046
Restricted cash	127,842
Subtotal of Statement of Net Position	744,888
Statement of Fiduciary Net Position	
Cash and cash equivalents	89,514
Total Cash and cash equivalents	$ 834,402

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

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

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

3. Deposits and Investments (continued)

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

Fair Value Measurement and Application
The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All investments are in mutual funds and are Level 1.

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

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

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

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

4. Capital Assets

The following table presents capital assets activity of the District for the year ended December 31, 2025:

	Balance December 31, 2024	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2025
Capital assets, not being depreciated:				
Land	$ 38,439	$ -	$ -	$ 38,439
Work in process	92,279	45,831	(138,110)	-
Total capital assets, not being depreciated	130,718	45,831	(138,110)	38,439
Capital assets, being depreciated:				
Buildings	5,196,212	-	-	5,196,212
Equipment & vehicles	4,388,118	9,271	(12,483)	4,384,906
Improvements	48,330	114,910	-	163,240
Total capital assets, being depreciated	9,632,660	124,181	(12,483)	9,744,358
Less accumulated depreciation for:				
Buildings	(805,159)	(107,909)	-	(913,068)
Equipment & vehicles	(2,903,242)	(157,933)	12,483	(3,048,692)
Improvements	(5,354)	(2,751)	-	(8,105)
Total accumulated depreciation	(3,713,755)	(268,593)	12,483	(3,969,865)
Total capital assets, being depreciated, net	5,918,905	(144,412)	-	5,774,493
Capital assets, net	$ 6,049,623	$ (98,581)	$ (138,110)	$ 5,812,932

Depreciation expense totaling $268,593 was charged to fire protection and emergency services during the year.

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5. Long-term Obligations

The following is a summary of long-term debt transactions for the governmental activities of the District for the year ended December 31, 2025:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Due Within One Year
Lease Purchase Obligations					
HSE Leasing, LLC 2017 Lease	$ 864,075	$ -	$ (56,740)	$ 807,335	$ 58,642
Community First National Bank 2020 Lease	275,072	-	(21,495)	253,577	22,137
Community First National Bank 2023 Lease	899,845	-	(45,963)	853,882	48,254
Total long-term lease purchase obligations	2,038,992	-	(124,198)	1,914,794	129,033
Other Obligations					
Compensated Absences	124,660	5,792	-	130,452	103,057
Net pension liability	775,698	-	(68,097)	707,601	-
Total other obligations	900,358	5,792	(68,097)	838,053	103,057
Total long-term obligations	$ 2,939,350	$ 5,792	$ (192,295)	$ 2,752,847	$ 232,090

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

The District has entered into two lease agreements with Community First National Bank for the purchase of equipment in 2020 and in 2023. The 2020 lease requires annual lease payments of $29,703 through December 2035, bears interest at 2.984% per annum, and is collateralized by fire equipment. The 2023 lease requires annual lease payments of $90,816 through June 2038, bears interest at 4.98% per annum, and is collateralized by fire equipment.

Lease purchase obligations to maturity are as follows:

	Principal	Interest	Total
2026	$ 129,033	$ 76,701	$ 205,733
2027	134,079	71,654	205,733
2028	139,333	66,401	205,733
2029	144,801	60,932	205,733
2030	150,494	55,239	205,733
2031-2035	846,426	182,240	1,028,666
2036-Thereafter	370,627	29,227	399,854
Total	$ 1,914,794	$ 542,392	$ 2,457,186

6. Fire Protection Employee Retirement Plan

State Fire and Police Pension Plan (FPPA)

The following information presented is from the Statewide Retirement Plan (SRP) GASB 68 report which has a measurement date of December 31, 2024.

Plan Description. The District participates in the Statewide Retirement Plan (SRP), a cost-sharing multiple-employer defined benefit pension plan The Plan consists of four components: Defined Benefit Component, Hybrid Defined Benefit Component, Social Security Component and Money Purchase Component. The Plan currently has 229 participating employer fire and police departments.

The Defined Benefit Component and Social Security Component cover substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978, provided that they are not already covered by a statutorily exempt plan. Employers once had the option to withdraw from the Plan, but a change in state statutes eliminated this option effective January 1, 1988, unless the employer elects and is determined to be eligible to participate in the Statewide Money Purchase Plan.

In 2003, legislation was enacted that allows departments who cover their firefighters and police officers in money purchase plans to elect coverage under the Plan. As of August 5, 2003, clerical and other personnel from fire districts whose services are auxiliary to fire protection may also participate in the Plan. As of January 1, 2020, Colorado police and sheriff departments who participate in Social Security have the option of affiliating for coverage under the Plan.

The Plan assets are in the Fire & Police Members' Benefit Investment Fund Long-Term Pool and the Fire & Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Money Purchase Component assets). The Long-Term Pool is designed primarily for open plans with a longer time horizon, appropriate risk tolerance, and lower liquidity needs. The investment return assumption is 7.00 percent.

Members participating in DROP or in the Money Purchase Component choose among various investment options offered by an outside investment manager.

The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available annual comprehensive financial report that can be obtained on FPPA's website at http://www.FPPAco.org.

Description of Benefits. The FPPA Board of Directors may change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The Normal Retirement Age should not be less than age 55 or more than age 60. Any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension. Members with combined age and years of service totaling 80 or more, with a minimum age of 50 also qualify for a normal retirement pension.

6. Fire Protection Employee Retirement Plan (continued)

A member is eligible for retirement after attainment of age 55 with at least five years of credited service. A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis.

The annual retirement benefit for the Defined Benefit Component is 2.0 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent of the average of the member's highest three years' base salary for each year of service thereafter.

Beginning January 1, 2007, the annual normal retirement benefit for the Social Security Component is 1.0 percent of the average of the member's highest three years base salary for each year of credited service up to ten years plus 1.25 percent of the average of the member's highest three years' base salary for each year thereafter. Prior to 2007, the benefit for members of the Social Security Component will be reduced by the amount of social security income the member receives annually, calculated as if the social security benefit started as of age 62.

The annual retirement benefit of the Hybrid Defined Benefit Component is 1.9 percent of the average of the member's highest three years' base salary for each year of credited service through December 31, 2022 and 1.5 percent of the average of the member's highest three years' base salary for each year of credited service after January 1, 2023.

Benefits paid to retired members and beneficiaries may be increased annually on October 1 via cost of living adjustment (COLA). COLAs may be compounding or non-compounding. The increase in benefits, if any, is based on the FPPA Board of Director's discretion. Compounding COLAs can range from 0 percent to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers. Non-compounding COLAs take into consideration the investment returns, compounding COLAs and other economic factors. COLAs may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

Upon termination, the vested account balance within the Money Purchase Component becomes available to the member.

Upon termination, a member may elect to have their member contributions, along with 5.0 percent as interest, returned as a lump sum distribution in lieu of a retirement benefit.

Contributions. Contribution rates for the Plan are set by state statute. The FPPA Board of Directors may further increase the required contributions, equally between employer and member, upon approval through an election of both employers and members.

6. Fire Protection Employee Retirement Plan (continued)

Members of the Defined Benefit Component contribute 12.0 percent of base salary. In 2020, legislation was enacted to increase the employer contributions rate to the Plan beginning in 2021. Employer contribution rates will increase 0.5 percent annually through 2030 to a total of 13.0 percent of base salary. These increases result in a combined contribution rate of 25.0 percent of base salary in 2030. In 2024, the total combined member and employer contribution rate was 22.0 percent.

Contributions from Defined Benefit Component members and employers of plans reentering the Defined Benefit Component are established by resolution and approved by the FPPA Board of Directors. The continuing rate of contribution for reentry groups is determined for each reentry group. The additional contribution amount is determined locally and may be paid by the member, the employer or split 50/50. Per the 2020 legislation, the required employer contribution rate for reentry departments also increases 0.5 percent annually. These increases result in a minimum combined contribution rate of 25.2 percent in 2030. In 2024, the total minimum required member and employer contribution rate was 22.2 percent.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan. Additional voluntary contributions from the employer are made on a pre-tax basis.

Within the Money Purchase Component, members are always fully vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer's contributions within the Money Purchase Component, and earnings on those contributions occurs according to the vesting schedule set by the plan document at 20 percent per year after the first year of service and to be 100 percent vested after five years of service or the attainment of age 55. Employer and member contributions are invested in funds at the discretion of members.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan. Additional voluntary contributions from the employer are made on a pre-tax basis.

Pension. At December 31, 2025, the District reported a liability of $0 for its proportionate share of the net pension liability. The net pension liability as of December 31, 2024, is based upon the January 1, 2025, actuarial valuation. The actuarially determined contributions as of December 31, 2024, are based upon the January 1, 2024, actuarial valuation.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2024, the District's proportion was approximately 0.1015 percent, an increase of 0.0132 percent from the prior year.

6. Fire Protection Employee Retirement Plan (continued)

Actuarial Assumptions. The actuarial valuations for the Statewide Retirement Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2024. The valuations used the following actuarial assumptions and other inputs:

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2025	January 1, 2024
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-term Investment Rate of Return, net*	7.0%	7.0%
Projected Salary Increases*	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%	0%
*Includes Inflation at	2.5%	2.5%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, and then projected using the ultimate values of the MP-2020 projection scale for all years. The pre-retirement mortality assumption uses Pub-2010 Safety Healthy Employee Mortality Tables for males and females, amount-weighted, and then projected with the MP-2020 Ultimate projection scale. The pre-retirement non-duty mortality tables are adjusted to 60% multiplier. The on-duty mortality rate is 0.00015.

For determining the actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables projected with the ultimate values of the MP-2020 projection scale. The pre-retirement off-duty mortality tables are adjusted to 60% of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2023 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Company, based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2024. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

6. Fire Protection Employee Retirement Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	33%	7.00%
Equity Long/Short	6%	6.20%
Private Markets	34%	8.80%
Fixed Income - Rates	7%	5.00%
Fixed Income - Credit	7%	6.50%
Absolute Return	9%	5.70%
Cash	4%	4.20%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Statewide Retirement Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The COLA assumption reflects the true nature of Board's Benefits Policy which includes a variable COLA and supplemental payments. Consistent with Board's policy, the COLA assumption will fluctuate from year to year depending on plan experience and is the long-term COLA assumption which results in no Net Pension Asset. If current assets do not support Total Pension Liabilities using a COLA assumption of greater than 0.00%, then a COLA assumption of 0.00% will be used and a Net Pension Liability will be reported.

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

6. Fire Protection Employee Retirement Plan (continued)

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 4.08 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting single discount rate is 7.00 percent.

Sensitivity Analysis. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	$ 495,203	$ -	$ -

The net pension liability of $0 reflects a reserve for cost of living adjustments and to manage adverse experience of each stated discount rate above.

Other Information. For the year ended December 31, 2025, the District recognized a pension expense of $155,669. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 243,850	$ 7,627
Changes of assumptions or other inputs	87,272	-
Net difference between projected and actual earnings on pension plan investments	34,640	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	62,105
District contributions subsequent to the measurement date	112,763	-
	$ 478,525	$ 69,732

The $112,763 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026.

6. Fire Protection Employee Retirement Plan (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Amortization
2026	$ 94,291
2027	141,922
2028	4,980
2029	4,170
2030	22,077
Thereafter	28,591
	$ 296,031

Average Remaining Expected Service Life. The average of the expected remaining service lives of all members in the plan, including active and inactive members, is 8.3043 years determined as of the beginning of the December 31, 2024 measurement period.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

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7. Defined Benefit Volunteer Pension Plan

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

Benefits Provided. The Cortez Fire Protection District Pension Plan provides retirement and death benefits. Retirement benefits for volunteer firefighters with ten years of volunteer service are calculated as $30.09 per month per year of qualifying volunteer service. Volunteer firefighters with 10 or 20 years of service are eligible to retire at age 50. Volunteer firefighters with qualifying service are eligible for death benefits. Death benefits include a monthly annuity to the surviving spouse and a one-time general benefit reimbursement. The monthly annuity equals up to 50% of the retiree's benefit if the member is married. The general benefit reimbursement may be up to twice their monthly retirement benefit.

Firefighters Covered by Benefit Terms. At December 31, 2025, the following firefighters were covered by the benefit terms:

Retirees and beneficiaries	39
Inactive, non-retired members	4
Active members	0
Total	43

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

Net Pension Liability. The District's net pension liability was measured as of December 31, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2026.

7. Defined Benefit Volunteer Pension Plan (continued)

Actuarial assumptions: The total pension liability in the January 1, 2026 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining Amortization Period	20 years
Asset Valuation Method	Market Value
Inflation	Implicit
Salary Increases	N/A
Investment Rate of Return	4.50%
Retirement Age	50% rate assumed until age 65 at which 100% retirement is assumed
Mortality	Pub-2010 Public Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, projected with the ultimate values of the MP-2020 projection scale.

A Single Discount Rate of 4.50% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 4.50% and a municipal bond rate of 4.83%. The projection of cash flows used to determine this Single Discount Rate assumed that the State contributions will be made at the current contribution rate and the District contribution will be made at rates equal to the difference between actuarially determined contribution rates and the State rate.

Based on these assumptions, the pension plan's fiduciary net position and future contributions were expected to be sufficient to finance all future benefit payments.

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

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

	1% Decrease (3.50%)	Discount Rate (4.5%)	1% Increase (5.50%)
District's net pension liability	$ 1,003,631	$ 707,601	$ 461,660

7. Defined Benefit Volunteer Pension Plan (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2024	$ 2,664,648	$ 1,888,950	$ 775,698
Changes for the year:			
Interest	115,525	-	115,525
Differences between expected and actual experience	30,677	-	30,677
Change of benefit terms	-	-	-
Changes of assumptions	-	-	-
Service costs	-	-	-
Contributions - State	-	41,791	(41,791)
Contributions - District	-	40,000	(40,000)
Net investment income	-	149,737	(149,737)
Benefit payments	(197,010)	(197,010)	-
Administrative expenses	-	(17,229)	17,229
Net Changes	(50,808)	17,289	(68,097)
Balances at December 31, 2025	$ 2,613,840	$ 1,906,239	$ 707,601

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

For the year ended December 31, 2025, the district recognized pension expense of $83,701 for the Single Employer Pension Plan. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	$ -	$ 33,369
Total	$ -	$ 33,369

7. Defined Benefit Volunteer Pension Plan (continued)

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

Year ended December 31:		
2026	$	39,428
2027		(38,339)
2028		(20,920)
2029		(13,538)
	$	(33,369)

8. Risk Management

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

9. TABOR Compliance

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

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

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

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

10. Related Party

During the year, the District's accounting services were provided by Rogers & Company, P.C., owned by a Board member. During 2025, Rogers & Company, P.C. received $57,335 from the District for accounting services. As of December 31, 2025, the District owed Rogers & Company, P.C. $3,674 for accounting services rendered in 2025.

11. Subsequent Events

Subsequent to year-end, the District entered into a lease-purchase financing agreement for the acquisition of a new mini-pumper fire truck. On January 28, 2026, the District's Board approved and authorized execution of a Master Equipment Lease Purchase Agreement with Community First National Bank. The agreement provides financing of approximately $361,171 for the purchase of one Fouts Four Mini-Pumper Truck.

The lease requires annual payments of approximately $45,682 beginning July 15, 2026 and continuing through July 15, 2035. Total payments over the term of the agreement are approximately $456,821, including interest.

CORTEZ FIRE PROTECTION DISTRICT

Required Supplementary Information

Cortez Fire Protection District
Schedule of Revenues, Expenditures and Change in Fund Balance General Fund (Budget and Actual) December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property tax	$ 1,936,820	$ 1,955,049	$ 18,229
Sales tax	1,600,000	908,962	(691,038)
Other local sources			
Interest income	150	134	(16)
Wildland income	708,500	1,171,186	462,686
Other	275,650	172,218	(103,432)
Total Revenues	4,521,120	4,207,549	(313,571)
Expenditures:			
Fire protection and emergency services			
Salaries and benefits	2,486,978	2,111,962	375,016
Facilities and utilities	120,885	44,770	76,115
Administration	705,497	324,455	381,042
Vehicle expenses	107,050	107,314	(264)
Training	35,000	38,671	(3,671)
Wildland expenses	55,000	612,417	(557,417)
Other	142,700	147,200	(4,500)
	3,653,110	3,386,789	266,321
Debt service	205,900	205,747	153
Total debt service	205,900	205,747	153
Capital outlay	65,000	31,902	33,098
Total Expenditures	3,924,010	3,624,438	299,572
Excess Expenditures Over Revenue	597,110	583,111	(13,999)
Other Financing Sources			
Insurance proceeds	-	-	-
Sale of assets	-	9,200	9,200
Total Other Financing Sources	-	9,200	9,200
Net change in fund balance	597,110	592,311	(4,799)
Fund Balance—Beginning of year	2,759,127	800,548	(1,958,579)
Fund Balance—End of Year	$ 3,356,237	$ 1,392,859	$ (1,963,378)

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

Measurement Period Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Payroll	Net Pension (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)
12/31/2025	0.10%	$ -	$ 1,059,452	0.0%	100.0%
12/31/2024	0.09%	130,452	916,920	14.2%	100.0%
12/31/2023	0.08%	71,598	760,561	9.4%	97.6%
12/31/2022	0.08%	(413,862)	598,271	-69.2%	116.2%
12/31/2021	0.08%	(169,716)	627,125	-27.1%	106.7%
12/31/2020	0.08%	(46,082)	595,288	-7.7%	101.9%
12/31/2019	0.09%	112,220	596,713	18.8%	95.2%
12/31/2018	0.09%	(131,475)	534,550	-24.6%	106.3%
12/31/2017	0.08%	28,368	401,787	7.1%	98.2%
12/31/2016	0.10%	(1,728)	400,288	-0.4%	100.1%

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

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

Measurement Period Ended*	Actuarially Required Contributions	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2025	$ 112,763	$ 112,763	-	$ 1,073,940	10.5%
12/31/2024	105,682	105,682	-	1,059,452	10.0%
12/31/2023	87,108	87,108	-	916,920	9.5%
12/31/2022	68,451	68,451	-	760,561	9.0%
12/31/2021	50,583	50,583	-	598,271	8.5%
12/31/2020	50,170	50,170	-	627,125	8.0%
12/31/2019	47,623	47,623	-	595,288	8.0%
12/31/2018	47,737	47,737	-	596,713	8.0%
12/31/2017	42,764	42,764	-	534,550	8.0%
12/31/2016	32,143	32,143	-	401,787	8.0%

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

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

Measurement Period Ended*	Actuarially Required Contributions	Actual Employer Contributions*	Contribution Excess/ (Deficiency)	Actual Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2025	$ 76,107	$ 81,791	5,684	N/A	N/A**
12/31/2024	76,107	76,150	43	N/A	N/A**
12/31/2023	29,313	50,225	20,912	N/A	N/A**
12/31/2022	29,313	77,041	47,728	N/A	N/A**
12/31/2021	34,565	88,791	54,226	N/A	N/A**
12/31/2020	34,565	88,791	54,226	N/A	N/A**
12/31/2019	44,855	88,971	44,116	N/A	N/A**
12/31/2018	44,855	88,791	43,936	N/A	N/A**
12/31/2017	88,791	88,791	-	N/A	N/A**
12/31/2016	88,791	96,000	7,209	N/A	N/A**

** Includes both employer and State of Colorado Supplemental Discretionary Payment.*
*** Ratio not applicable (N/A) since payroll is zero due to the plan covering volunteers.*

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

Measurement period ended December 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	$ -	$ -	$ -	$ -	$ 3,965	$ 3,965	$ 7,610	$ 7,610	$ 7,610	$ 8,628
Interest	115,525	119,090	107,126	110,875	108,550	111,617	118,965	121,172	123,319	117,550
Changes of benefit terms	-	-	268,336	-	126,779	-	-	-	-	-
Difference between expected and actual experience	30,677	-	71,323	-	(48)	-	(83,462)	-	(5,259)	10,375
Changes of assumptions	-	-	20,348	-	-	-	(25,377)	-	-	155,478
Benefit Payments	(197,010)	(199,571)	(202,908)	(185,697)	(185,524)	(181,995)	(176,524)	(179,084)	(169,563)	(165,713)
Net change in total pension liability	(50,808)	(80,481)	264,225	(74,822)	53,722	(66,413)	(158,788)	(50,302)	(43,893)	126,318
Total pension liability - Beginning	2,664,648	2,745,129	2,480,904	2,555,726	2,502,004	2,568,417	2,727,205	2,777,507	2,821,400	2,695,082
Total pension liability - Ending (a)	2,613,840	2,664,648	2,745,129	2,480,904	2,555,726	2,502,004	2,568,417	2,727,205	2,777,507	2,821,400
Plan fiduciary net position										
Employer contributions	40,000	59,500	18,500	35,250	47,000	47,000	47,000	47,000	47,000	60,000
Net investment income	149,737	119,900	169,484	(287,026)	79,951	143,403	229,713	(40,526)	111,534	156,806
Benefit payments	(197,010)	(199,571)	(202,908)	(185,697)	(185,525)	(181,995)	(176,524)	(179,084)	(169,563)	(172,307)
Administrative expense	(17,229)	(24,679)	(12,284)	(15,399)	(9,336)	(14,392)	(8,215)	(14,723)	(2,350)	(5,468)
State of Colorado supplemental discretionary payment	41,791	16,650	31,725	41,791	41,791	41,791	41,971	41,791	41,791	36,000
Other	-	-	-	-	-	-	-	(8,606)	12,531	(3,925)
Net change in plan fiduciary net position	17,289	(28,200)	4,517	(411,081)	(26,119)	35,807	133,945	(154,148)	40,943	71,106
Plan fiduciary net position - beginning	1,888,950	1,917,150	1,912,633	2,323,714	2,349,833	2,314,026	2,180,081	2,334,229	2,293,286	2,222,180
Plan fiduciary net position - end (b)	1,906,239	1,888,950	1,917,150	1,912,633	2,323,714	2,349,833	2,314,026	2,180,081	2,334,229	2,293,286
District's net pension liability - ending (a)-(b)	$ 707,601	$ 775,698	$ 827,979	$ 568,271	$ 232,012	$ 152,171	$ 254,391	$ 547,124	$ 443,278	$ 528,114
Plan fiduciary net position as a percentage of the total pension liability	72.93%	70.89%	69.84%	77.09%	90.92%	93.92%	90.10%	79.94%	84.04%	81.28%

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

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

Measurement period ended December 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	4.50%	4.50%	4.50%	4.50%	4.50%	6.15%	10.47%	-1.87%	5.04%	7.28%

CORTEZ FIRE PROTECTION DISTRICT

Other Supplementary Information

Cortez Fire Protection District
Statement of Change in Fiduciary Net Position
Pension Trust Fund (Budget and Actual)
12/31/2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Additions			
Contributions			
State contribution	$ 23,000	$ 41,791	$ 18,791
District contribution	53,550	40,000	(13,550)
Investment income (loss)	95,000	149,736	54,736
Total Additions (Loss)	171,550	231,527	59,977
Deductions			
Administrative expenses	19,750	17,828	1,922
Pension payments	210,000	196,410	13,590
Total Deductions	229,750	214,238	15,512
Change in Net Position	(58,200)	17,289	75,489
Net Position—Beginning of year	1,888,926	1,888,950	24
Net Position—End of Year	$ 1,830,726	$ 1,906,239	$ 75,513

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