

FRANKTOWN FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
DECEMBER 31, 2025

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Franktown Fire Protection District
Franktown, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Franktown Fire Protection District (the District), as of and for the year ended December 31, 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 and the major fund 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the general fund budgetary comparison schedule and the GASB required pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

The Adorno Group, LLC

Greenwood Village, Colorado
March 24, 2026

BASIC FINANCIAL STATEMENTS

FRANKTOWN FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 6,122,739
Property tax receivable	4,472,724
EMS receivables, net of allowance	128,256
Lease receivable	1,079,049
Due from other government	12,330
Prepaid items	120,568
Accrued interest receivable	1,825
Capital assets, not being depreciated	48,279
Capital assets, net of depreciation	8,464,994
Net pension asset	4,025,816
Total Assets	24,476,580
 <u>Deferred Outflows of Resources</u>	
Related to pension	1,160,854
Total Deferred Outflows of Resources	1,160,854
 <u>Liabilities</u>	
Accounts payable	13,532
Accrued wages and benefits	6,779
Compensated absences	4,747
Total Liabilities	25,058
 <u>Deferred Inflows of Resources</u>	
Related to pension	93,490
Unavailable property taxes	4,472,724
Related to leases	969,421
Total Deferred Inflows of Resources	5,535,635
 <u>Net Position</u>	
Net investment in capital assets	8,513,273
Restricted	
Emergencies	167,000
Net pension asset	4,025,816
Unrestricted	7,370,652
Total Net Position	\$ 20,076,741

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

FRANKTOWN FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General administration	\$ 479,791	\$ 446,980	\$ -	\$ -	\$ (32,811)
Fire and emergency medical services	4,082,892	-	-	-	(4,082,892)
Total Governmental Activities	\$ 4,562,683	\$ 446,980	\$ -	\$ -	(4,115,703)
GENERAL REVENUES:					
Property taxes					4,322,723
Specific ownership taxes					331,862
Investment earnings					320,775
Other revenue					165,256
Total General revenues					5,140,616
Changes in net position					1,024,913
Net position, beginning					19,051,828
Net position, ending					\$ 20,076,741

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

FRANKTOWN FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2025

	<u>General Fund</u>
<u>Assets</u>	
Cash and investments	\$ 6,122,739
Property tax receivable	4,472,724
EMS receivables, net of allowance	128,256
Lease receivable	1,079,049
Due from other government	12,330
Prepaid items	120,568
Accrued interest receivable	1,825
Total Assets	\$ 11,937,491
 <u>Liabilities, deferred inflows of resources</u> <u>and fund balances</u>	
Liabilities:	
Accounts payable	\$ 13,532
Accrued salaries and benefits	6,779
Total Liabilities	20,311
 Deferred inflow of resources	
Unavailable property tax revenue	4,472,724
Unavailable EMS revenue	113,098
Related to leases	969,421
Total Deferred Inflow of Resources	5,555,243
 Fund balances:	
Nonspendable	
Prepaid items	120,568
Restricted	
Emergencies	167,000
Assigned	
Subsequent year budget	35,185
Unassigned	6,039,184
Total Fund Balance	6,361,937
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 11,937,491

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

FRANKTOWN FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total fund balance, governmental fund	\$	6,361,937
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.</p>		8,513,273
<p>Certain revenues are not available to pay current liabilities of the current period and are deferred in the governmental fund:</p>		
Emergency medical service fees		113,098
<p>Certain assets (liabilities) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:</p>		
Net pension asset - Volunteer Plan		4,025,816
<p>Long-term liabilities, are not due and payable in the current period, and therefore, are not reported in governmental funds:</p>		
Compensated absences		(4,747)
<p>Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds:</p>		
Related to pension		1,160,854
<p>Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds:</p>		
Related to pension		(93,490)
Total net position of governmental activities	\$	20,076,741

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

FRANKTOWN FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>General Fund</u>
<u>Revenues</u>	
Property taxes	\$ 4,322,723
Specific ownership taxes	331,862
Charges for services	409,757
Lease revenue	42,085
Investment earnings	320,775
Other revenue	123,171
Total revenues	5,550,373
 <u>Expenditures</u>	
Current:	
General administration	479,791
Fire and emergency medical services	3,569,504
Capital outlay	1,604,590
Total expenditures	5,653,885
Net changes in fund balance	(103,512)
 Fund balances - beginning	6,465,449
 Fund balances - ending	\$ 6,361,937

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

FRANKTOWN FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net changes in fund balance - total governmental fund: \$ (103,512)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	1,589,821
Depreciation expense	(641,238)

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

Emergency medical services	37,223
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund:

Compensated absences	(254)
Pension income (expense)	142,873

Changes in net position of governmental activities	\$ 1,024,913
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The accompanying notes are an integral part of the financial statements.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The District is not financially accountable for any other organization. The District is not a component unit of any other primary governmental entity.

Significant accounting policies of the District are described as follows:

Government-wide and fund financial statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property tax, emergency medical service fees, and leasing activity. Expenditures, other than interest on long-term obligations and compensated absences are recorded when the liability is incurred or when the long-term obligation is paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

Cash and Investments

Investments are stated at net asset value.

Property Taxes

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

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

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

Lease Receivable

The District measured lease activity under GASB No. 87, *Leases*. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has recorded a lease receivable and deferred inflow of resources related to leases in place for the year ended December 31, 2025. See Note 5 for additional information.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Receivables

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

Prepaid Items

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

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, vehicles, fire trucks and equipment, and office equipment/furniture, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

<u>Asset Type</u>	<u>Years</u>
Buildings	10 - 40 years
Vehicles and Fire Trucks	5 - 25 years
Equipment	5 - 15 years
Office Furniture	7 years
Improvements	5 - 40 years

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Inflows of Resources

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

Compensated Absences

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

Fund Balances

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

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Committed fund balance – Amounts that can be used only for specific purposes determined by a formal action of the District’s Board of Directors (Board). The Board is the highest level of decision-making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

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

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

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

Net Position

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

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 consist of the following:

Cash deposits	169,382
Investments	<u>5,953,357</u>
Total cash and investments	<u><u>\$ 6,122,739</u></u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025, the bank balance and carrying amount of the District's deposits were \$378,548 and \$169,382, respectively.

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk.

Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

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

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

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

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

- Certain money market funds
- Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2025, the District had the following investments:

Colorado Local Government	
Liquid Asset Trust (ColoTrust)	\$ 5,890,162
Colorado Surplus Asset Fund	
Trust (CSAFE)	63,195
Total investments	\$ 5,953,357

Fair Value

As of December 31, 2025, the District had invested \$5,890,162 in the Colorado Local Government Liquid Asset Trust (ColoTrust) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds.

The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – ColoTrust PRIME, ColoTrust PLUS+, and ColoTrust EDGE.

ColoTrust PRIME and ColoTrust PLUS+ operate similarly to a money market fund and each share is equal in value to \$1.00 and offers daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. ColoTrust PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under C.R.S. 24-75-601.

ColoTrust EDGE, a variance Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. ColoTrust EDGE may invest in securities authorized by C.R.S 24-75-601.1, including U.S Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

ColoTrust is rated AAAM by Standard & Poor's. The District's investments are in ColoTrust PLUS+ and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

As of December 31, 2025, the District had invested \$63,195 in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces the requirements of creating and operating the pool. The pool operates in conformity with the Securities and Exchange Commission's Rule 2a-7 and functions similarly to a money market fund with each share valued at \$1.00. The pool is rated AAAM by Standard and Poor's. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The District's investment in CSAFE is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in governmental activities capital assets during the year ended December 31, 2025:

	Balance December 31, 2024	Additions	Deletions	Balance December 31, 2025
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 18,279	\$ -	\$ -	\$ 18,279
Construction in progress	53,954	30,000	53,954	30,000
Total capital assets, not being depreciated	<u>72,233</u>	<u>30,000</u>	<u>53,954</u>	<u>48,279</u>
Capital Assets, Being Depreciated				
Buildings	6,037,838	-	-	\$ 6,037,838
Furniture	45,739	-	-	45,739
Improvements	802,107	-	-	802,107
Equipment	2,005,700	64,816	152,470	1,918,046
Communications equipment	310,888	28,992	46,624	293,256
Vehicles	4,311,528	1,519,967	143,103	5,688,392
Total capital assets, being depreciated	<u>13,513,800</u>	<u>1,613,775</u>	<u>342,197</u>	<u>14,785,378</u>
Accumulated depreciation				
Buildings	(2,411,140)	(153,826)	-	(2,564,966)
Furniture	(41,307)	(4,432)	-	(45,739)
Improvements	(129,984)	(36,027)	-	(166,011)
Equipment	(814,382)	(121,658)	(152,470)	(783,570)
Communications equipment	(200,003)	(18,551)	(46,624)	(171,930)
Vehicles	(2,424,527)	(306,744)	(143,103)	(2,588,168)
Total accumulated depreciation	<u>(6,021,343)</u>	<u>(641,238)</u>	<u>(342,197)</u>	<u>(6,320,384)</u>
Net capital assets, depreciated	<u>7,492,457</u>	<u>972,537</u>	<u>-</u>	<u>8,464,994</u>
Net capital assets	<u>\$ 7,564,690</u>	<u>\$ 1,002,537</u>	<u>\$ 53,954</u>	<u>\$ 8,513,273</u>

Depreciation expense of \$641,238 was charged to the fire and emergency medical services function for the year ended December 31, 2025.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 – COMPENSATED ABSENCES

The following is an analysis of changes in the District’s compensated absence liability for the year ended December 31, 2025:

	Balance December 31, 2024	Additions	Deletions	Balance December, 31 2025	Due In One Year
Compensated absences	\$ 4,493	\$ 254	\$ -	\$ 4,747	\$ 4,747
Total	<u>\$ 4,493</u>	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 4,747</u>	<u>\$ 4,747</u>

NOTE 5 – LEASES

The District, acting as lessor, leases land and building spaces to various telecommunications companies for the placement of cell phone towers under long-term, noncancelable lease agreements. The lease provides for renewal options for eight additional five-year terms. During the year ended December 31, 2025, the District recognized \$42,085 and \$21,455 in lease revenue and interest revenue, respectively, pursuant to the contracts accounted for under GASB Statement No. 87.

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

Year ending December 31,	Principal	Interest	Total
2026	\$ -	\$ 18,874	\$ 18,874
2027	-	20,904	20,904
2028	-	20,904	20,904
2029	-	20,904	20,904
2030	-	20,904	20,904
2031 - 2035	15,552	107,412	122,964
2036 - Thereafter	1,063,497	440,119	1,503,616
Total Minimum Lease Payments	<u>\$ 1,079,049</u>	<u>\$ 650,021</u>	<u>\$ 1,729,070</u>

NOTE 6 – VOLUNTEERS’ PENSION FUND

Plan Description

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

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 – VOLUNTEERS’ PENSION FUND (CONTINUED)

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

Volunteer firefighters who complete the minimum annual training required by the District and are members in good standing of the volunteer organization, are eligible to participate in the plan for that year. Volunteers’ rights to a benefit vest after ten years of service.

Volunteers who retire at, or after the age of 50, with twenty years of credited service are entitled to benefit. Volunteers who retire with ten years of credited service are entitled to a partial benefit. Surviving spouses are entitled to a 50 percent benefit.

At December 31, 2025, the following members were covered by the benefit terms:

Retirees and Beneficiaries	25
Inactive, Nonretired Members	2
Active Members	<u>10</u>
Total	<u><u>37</u></u>

Benefits Provided

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

Contributions

Actuarially determined contributions rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2023 determines the contribution amounts for 2024 and 2025. For the year ended December 31, 2025, the District’s contributions were \$36,000, not including contributions from the State.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 – VOLUNTEERS' PENSION FUND (CONTINUED)

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

At December 31, 2025, the District reported a net pension asset of \$4,025,816. The net pension asset was measured as of December 31, 2024 and was determined by an actuarial valuation as of January 1, 2025. Standard update procedures were used to roll forward the total pension liability to December 31, 2025. For the year ended December 31, 2025, the District recognized pension income of \$234,158. 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
Difference between expected and actual experience	\$ 15,503	\$ -
Change in assumptions	73,768	-
Net difference between projected and actual earnings on pension plan investments	55,015	-
Contributions subsequent to the measurement date	36,000	-
Total	\$ 180,286	\$ -

\$36,000 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2026	\$ 121,669
2027	103,381
2028	(52,771)
2029	(27,993)
Total	\$ 144,286

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 – VOLUNTEERS' PENSION FUND (CONTINUED)

Actuarial Assumptions

The total pension liability in the January 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.00%
Retirement Age	50% per year of eligibility until 100% at age 65

Mortality rates were based on the following:

- **Pre-retirement:** Pub-2010 Safety Healthy Employee Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale, 60% multiplier for off-duty mortality.
- **Post-retirement:** Pub-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale.
- **Disabled:** Pub-2010 Public Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, set forward five years projected with the MP-2020 Ultimate projection scale, with minimum probability of 3.5% for males and 2.5% for females.

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

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

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 – VOLUNTEERS’ PENSION FUND (CONTINUED)

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 6.00 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 6.00 percent.

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. Best estimates of arithmetic nominal rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Liquidity	4.00%	4.20%
Fixed Income - Rates	7.00%	5.00%
Fixed Income - Credit	7.00%	6.50%
Diversifiers	9.00%	5.70%
Long Short	6.00%	6.20%
Global Public Equity	33.00%	7.00%
Private Markets	34.00%	8.80%
Total	<u>100.00%</u>	

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 – VOLUNTEERS’ PENSION FUND (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (Asset) [a]	Plan Fiduciary Net Position [b]	Net Pension Liability (Asset) [a] - [b]
Balance, December 31, 2024	\$ 1,396,256	\$ 5,153,671	\$ (3,757,415)
Changes for the year:			
Service cost	10,778	-	10,778
Interest	94,486	-	94,486
Net investment income	-	499,111	(499,111)
Contributions - employer	-	36,000	(36,000)
Benefit payments including refunds of employee contributions	(105,300)	(105,300)	-
Difference between expected and actual experience of total pension liability	31,919	-	31,919
Changes in assumptions	151,878	-	151,878
Administrative expense	-	(10,049)	10,049
State of Colorado supplemental discretionary payment	-	32,400	(32,400)
Net changes	<u>183,761</u>	<u>452,162</u>	<u>(268,401)</u>
Balance, December 31, 2025	<u>\$ 1,580,017</u>	<u>\$ 5,605,833</u>	<u>\$ (4,025,816)</u>

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

The following presents the net pension liability (asset) calculated using the discount rate of 6.00 percent, as well as the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00 percent) or 1- percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Proportionate Share of the Net Pension Liability (Asset)	<u>\$ (3,842,690)</u>	<u>\$ (4,025,816)</u>	<u>\$ (4,177,694)</u>

The Fire & Police Pension Association administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 – STATEWIDE RETIREMENT PLAN

Plan Description

The District contributes to the Statewide Retirement Plan. The Statewide Retirement Plan is 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 a combined age and years of service totaling 80 or more, with a minimum age of 50 also qualify for a normal retirement pension.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 – STATEWIDE 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 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 then 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, a member may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution in lieu of a retirement benefit.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 – STATEWIDE RETIREMENT PLAN (CONTINUED)

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.

Members of the defined benefit component contributed 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 2025, the members of the defined benefit component and their employers contributed at a rate of 12.0 percent and 10.5 percent, respectively, of base salary for a total contribution rate of 22.5 percent. The District's contributions to the plan for the year ended December 31, 2025 were \$244,589, equal to the required contributions.

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.

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

At December 31, 2025, the District reported a net pension liability of \$0, representing its proportionate share of the net pension liability of the plan. The net pension liability was measured at December 31, 2024. The collective total 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 the District's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2024, the District's proportion was 0.1776% which was an increase of 0.0052% from its proportion measured at December 31, 2023.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 – STATEWIDE RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2025, the District recognized pension expense of \$142,255.

At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 426,701	\$ 13,347
Changes of Assumptions or other Inputs	152,712	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	60,617	-
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	95,949	80,143
Contributions Subsequent to the Measurement Date	<u>244,589</u>	-
Total	<u>\$ 980,568</u>	<u>\$ 93,490</u>

\$244,589 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as an increase in the net pension asset in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2026	\$ 182,464
2027	265,515
2028	22,986
2029	27,688
2030	57,440
Thereafter	<u>86,396</u>
Total	<u>\$ 642,489</u>

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 – STATEWIDE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The actuarial valuations as of January 1, 2025 determined the total pension liability using the following actuarial assumptions and other inputs:

	<u>Total Pension Liability</u>	<u>Actuarial Determined Contributions</u>
Actuarial Valuation Date	January 1, 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*	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 preretirement 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 & Co., 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.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 – STATEWIDE 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board’s funding policy, which establishes the contractually required rates under Colorado statutes. 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.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 – STATEWIDE RETIREMENT PLAN (CONTINUED)

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

For the purpose of the valuation, the long-term expected rate of return on pension plan investments is 7.00 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.

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

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 866,530</u>	<u>\$ -</u>	<u>\$ -</u>

Deferred Compensation Plan

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by ICMA (International City Managers Association). Participation in the plan is optional for all employees. The plan allows the employee to defer a portion of their salary until future years. For the year ended December 31, 2025, the District contributed \$41,193.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to volunteers; or acts of God. The District maintains commercial insurance coverage for all risks of loss. The District did not have any claim settlements in excess of coverage for each of the past three years.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Tax, Spending, and Debt Limitations

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

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

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

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

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

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

FRANKTOWN FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Property taxes	\$ 4,311,596	\$ 4,322,723	\$ 11,127
Specific ownership taxes	290,000	331,862	41,862
Charges for services	350,000	409,757	59,757
Lease revenue	35,000	42,085	7,085
Investment earnings	175,000	320,775	145,775
Other revenue	20,000	123,171	103,171
Total Revenues	<u>5,181,596</u>	<u>5,550,373</u>	<u>368,777</u>
<u>Expenditures</u>			
Current:			
Abatements	5,000	1,247	3,753
Administration	31,750	14,254	17,496
Commodities	198,500	136,274	62,226
Maintenance	131,000	114,599	16,401
Operations	208,500	220,005	(11,505)
Payroll expense	2,694,700	2,559,654	135,046
Payroll taxes	643,100	538,972	104,128
Pension contributions	81,000	59,846	21,154
Professional services	323,500	339,642	(16,142)
Treasurer fees	63,000	64,802	(1,802)
Capital outlay	1,820,000	1,604,590	215,410
Total Expenditures	<u>6,200,050</u>	<u>5,653,885</u>	<u>546,165</u>
Net changes in fund balances	<u>\$ (1,018,454)</u>	(103,512)	<u>\$ 914,942</u>
Fund balance - beginning		<u>6,465,449</u>	
Fund balance - ending		<u>\$ 6,361,937</u>	

See accompanying Independent Auditors' Report.

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

Fiscal year	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Plan measurement date	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
District's proportion of the net pension liability	0.17757%	0.17240%	0.16430%	0.18880%	0.16510%	0.17480%	0.17720%	0.20470%	0.21140%	0.21060%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ 145,831	\$ (1,022,957)	\$ (358,514)	\$ (98,855)	\$ 224,063	\$ (294,432)	\$ 76,383	\$ (3,713)
District's covered payroll	\$ 1,940,009	\$ 1,697,025	\$ 1,432,127	\$ 1,523,036	\$ 1,326,400	\$ 1,240,275	\$ 1,185,550	\$ 1,214,463	\$ 1,075,900	\$ 1,016,678
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.0%	0.0%	10.2%	(67.2%)	(27.0%)	(8.0%)	18.9%	(24.2%)	7.1%	(0.4%)
Plan fiduciary net pension as a percentage of the total pension liability	100.0%	100.0%	97.6%	116.2%	106.7%	101.9%	95.2%	106.3%	98.2%	100.1%

See accompanying Independent Auditors' Report.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions	\$ 244,589	\$ 193,619	\$ 160,887	\$ 128,646	\$ 129,169	\$ 106,112	\$ 99,222	\$ 94,844	\$ 97,157	\$ 86,072
Contributions in relation to the statutorily required contributions	<u>244,589</u>	<u>193,619</u>	<u>160,887</u>	<u>128,646</u>	<u>129,169</u>	<u>106,112</u>	<u>99,222</u>	<u>94,844</u>	<u>97,157</u>	<u>86,072</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,333,397	\$ 1,940,009	\$ 1,697,025	\$ 1,432,127	\$ 1,523,036	\$ 1,326,400	\$ 1,240,275	\$ 1,185,550	\$ 1,214,463	\$ 1,075,900
Contributions as a percentage of covered payroll	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	8.0%	8.0%	8.0%	8.0%

See accompanying Independent Auditors' Report.

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

Measurement period ending December 31,	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>Total Pension Liability</u>									
Service Cost	10,778	10,778	9,758	9,758	\$ 8,360	\$ 8,360	\$ 6,482	\$ 6,482	\$ 7,043
Interest	94,486	94,488	91,166	90,918	63,551	63,362	61,955	61,326	62,336
Benefit changes	-	-	-	-	399,417	-	-	-	-
Differences between actual and expected experience	31,919	-	37,151	-	5,015	-	28,891	-	(45,178)
Changes in assumptions	151,878	-	12,344	-	-	-	39,683	-	25,042
Benefit payments	(105,300)	(105,300)	(101,684)	(92,750)	(79,600)	(58,800)	(58,800)	(60,025)	(64,750)
Net change in total pension liability	183,761	(34)	48,735	7,926	396,743	12,922	78,211	7,783	(15,507)
Total pension liability - beginning	1,396,256	1,396,290	1,347,555	1,339,629	942,886	929,964	851,753	843,970	859,477
Total pension liability - ending	<u>\$ 1,580,017</u>	<u>\$ 1,396,256</u>	<u>\$ 1,396,290</u>	<u>\$ 1,347,555</u>	<u>\$ 1,339,629</u>	<u>\$ 942,886</u>	<u>\$ 929,964</u>	<u>\$ 851,753</u>	<u>\$ 843,970</u>
<u>Plan Fiduciary Net Position</u>									
Contributions - employer	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 72,000	\$ 36,000	\$ -
Net investment income	499,111	454,533	(417,710)	672,316	529,944	507,510	(254)	450,906	157,618
Benefit payments including refunds of employee contributions	(105,300)	(105,300)	(101,684)	(92,750)	(79,600)	(58,800)	(58,800)	(60,025)	(64,750)
Pension plan administrative expense	(10,049)	(11,328)	(8,321)	(8,067)	(6,509)	(9,876)	(7,529)	(7,303)	(4,937)
State of Colorado discretionary payment	32,400	32,400	32,400	64,800	-	32,400	32,400	32,400	32,400
Net change in plan fiduciary net position	452,162	406,305	(459,315)	672,299	479,835	507,234	37,817	451,978	120,331
Plan Fiduciary net position - beginning	5,153,671	4,747,366	5,206,681	4,534,382	4,054,547	3,547,313	3,509,496	3,057,518	2,937,187
Plan Fiduciary net position - ending	<u>\$ 5,605,833</u>	<u>\$ 5,153,671</u>	<u>\$ 4,747,366</u>	<u>\$ 5,206,681</u>	<u>\$ 4,534,382</u>	<u>\$ 4,054,547</u>	<u>\$ 3,547,313</u>	<u>\$ 3,509,496</u>	<u>\$ 3,057,518</u>
Net pension liability (asset) - ending	\$ (4,025,816)	\$ (3,757,415)	\$ (3,351,076)	\$ (3,859,126)	\$ (3,194,753)	\$ (3,111,661)	\$ (2,617,349)	\$ (2,657,743)	\$ (2,213,548)
Plan fiduciary net position as a percentage of total pension liability	354.80%	369.11%	340.00%	386.38%	338.48%	430.01%	381.45%	412.03%	362.28%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying Independent Auditors' Report.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution*	36,000	36,000	36,000	36,000	36,000	36,000	36,000	72,000	36,000	-
Contribution deficiency (excess)	\$ (36,000)	\$ (36,000)	\$ (36,000)	\$ (36,000)	\$ (36,000)	\$ (36,000)	\$ (36,000)	\$ (72,000)	\$ (36,000)	\$ -
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Does not include the State of Colorado Supplemental Discretionary Payment

Notes to Schedule:

Valuation Date

Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2023 determines the contribution amounts for 2024 and 2025.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.00%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: Pub-2010 Safety Healthy Employee Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale, 60% multiplier for off-duty mortality. Post-retirement: Pub-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale. Disabled: Pub-2010 Public Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, set forward five years projected with the MP-2020 Ultimate project scale, with minimum probability of 3.5% for males and 2.5% for females.

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

See accompanying Independent Auditors' Report.

STATISTICAL INFORMATION

FRANKTOWN FIRE PROTECTION DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND
PROPERTY TAXES COLLECTED (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2025

<u>Year ended December 31,</u>	Valuation for Current Year Property Taxes Levied*	Mills Levied	<u>Total Property Taxes</u>		Percent Collected to Levied
			<u>Levied</u>	<u>Collected</u>	
2017	\$ 180,811,500	13.020	\$ 2,354,166	\$ 2,350,836	99.86%
2018	190,301,980	13.026	2,478,874	2,448,973	98.79%
2019	188,118,010	13.026	2,450,425	2,446,083	99.82%
2020	217,889,860	13.111	2,856,754	2,848,806	99.72%
2021	220,972,560	13.026	2,878,388	2,879,917	100.05%
2022	248,840,040	13.020	3,238,656	3,236,818	99.94%
2023	252,358,810	13.354	3,370,000	3,370,134	100.00%
2024	328,351,910	13.000	4,268,575	4,245,374	99.46%
2025	331,661,220	13.000	4,311,596	4,322,723	100.26%
Estimated for the year ending December 31,					
2026	\$ 319,594,430	13.995	\$ 4,472,724		

Note:

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

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