

Loveland Rural Fire Protection District

Basic Financial Statements

Year ended December 31, 2025

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1-3
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
<i>Governmental Fund:</i>	
Balance Sheet.....	6
Reconciliation of the Governmental Fund Balance Sheet to the Government-wide Statement of Net Position	7
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund	8
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balance to the Government-wide Statement of Activities.....	9
Notes to Financial Statements.....	10-22
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	23
Schedule of Changes in the District's Net Pension Liability	24
Schedule of District Pension Contributions	25

Independent Auditor's Report

Board of Directors
Loveland Rural Fire Protection District
Loveland, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major governmental fund of Loveland Rural Fire Protection District (the District), as of and for the year ended December 31, 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 governmental 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 omitted information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 23 and the schedule of changes in net pension liability and schedule of pension contributions on pages 24 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Walton & Armstrong, LLP

Phoenix, Arizona
July 27, 2026

Loveland Rural Fire Protection District
Statement of Net Position
December 31, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 9,793,477
Property tax receivables, net	5,955,047
Due from County Treasurer	37,455
Proportionate share of LFRA net position	11,202,606
Capital assets, being depreciated, net	502,553
Total assets	27,491,138
Deferred outflows of resources	
Deferred outflows related to pensions	96,084
Total deferred outflows of resources	96,084
Liabilities	
Accounts payable	33,436
Accrued liabilities	230
Noncurrent liabilities:	
Net pension obligation	146,803
Total liabilities	180,469
Deferred inflows of resources	
Deferred inflows related to property taxes	5,947,267
Deferred inflows related to pensions	25,634
Total deferred inflows of resources	5,972,901
Net position	
Net investment in capital assets	502,553
Restricted	168,186
Unrestricted	20,763,113
Total net position	\$ 21,433,852

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

Loveland Rural Fire Protection District
Statement of Activities
Year Ended December 31, 2025

	Governmental Activities
Program expenses	
<i>Public safety-fire protection</i>	
Administration	\$ 394,249
Fire operations	2,137
Change in proportionate share of LFRA net position	4,685,792
Pension	34,285
Depreciation expense	21,085
Total program expenses	5,137,548
General revenues	
<i>Taxes:</i>	
Property taxes	7,890,443
Specific ownership taxes	494,179
State property tax backfill	18,776
Investment earnings	430,310
Other revenue	4,584
Total general revenues	8,838,292
Change in net position	3,700,744
Net position, January 1, 2025	17,733,108
Net position, December 31, 2025	\$ 21,433,852

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

**Loveland Rural Fire Protection District
Balance Sheet
Governmental Fund
December 31, 2025**

	General Fund
Assets	
Cash and investments	\$ 9,793,477
Property tax receivables, net	5,955,047
Due from County Treasurer	37,455
Proportionate share of LFRA fund balance	<u>9,016,225</u>
Total assets	<u><u>\$ 24,802,204</u></u>
Liabilities	
Accounts payable	\$ 33,436
Accrued liabilities	<u>230</u>
Total liabilities	33,666
Deferred inflows of resources	
Unavailable revenues - property taxes	<u>5,947,267</u>
Total deferred inflows of resources	5,947,267
Fund balance	
Nonspendable	9,016,225
Restricted:	
Emergency reserves (TABOR)	168,186
Unassigned	<u>9,636,860</u>
Total fund balance	<u>18,821,271</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 24,802,204</u></u>

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

Loveland Rural Fire Protection District
Reconciliation of the Governmental Fund Balance Sheet
to the Government-wide Statement of Net Position
December 31, 2025

Total fund balance	\$ 18,821,271
---------------------------	---------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 822,309	
Less: accumulated depreciation	<u>(319,756)</u>	
		502,553

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

Proportionate share of LFRA net position	11,202,606	
Proportionate share of LFRA fund balance	<u>(9,016,225)</u>	
		2,186,381

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the funds as follows:

Net pension obligation	(146,803)
------------------------	-----------

Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore, not reported in the funds.

Deferred outflows related to pensions	96,084	
Deferred inflows related to pensions	<u>(25,634)</u>	
		<u>70,450</u>

Net position of governmental activities	<u><u>\$ 21,433,852</u></u>
--	-----------------------------

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

Loveland Rural Fire Protection District
Statement of Revenues, Expenditures, and Change in Fund Balance -
Governmental Fund
Year Ended December 31, 2025

	General Fund
Revenues	
<i>Taxes:</i>	
Property taxes	\$ 7,890,443
Specific ownership taxes	494,179
State property tax backfill	18,776
Investment earnings	430,310
Other revenue	4,584
Total revenues	8,838,292
Expenditures	
<i>Public safety-fire protection</i>	
Administration	394,249
Fire operations	2,137
Change in proportionate share of LFRA fund balance	5,169,809
Pension	40,000
Total expenditures	5,606,195
Excess of revenues over expenditures	3,232,097
Fund balance, January 1, 2025, as originally reported	18,126,108
Aggregate amount of adjustments to and restatement of beginning fund balance	(2,536,934)
Fund balance, January 1, 2025, as restated	15,589,174
Fund balance, December 31, 2025	\$ 18,821,271

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

Loveland Rural Fire Protection District
Reconciliation of the Governmental Fund Statement of Revenues,
Expenditures and Change in Fund Balance to the
Government-wide Statement of Activities
Year Ended December 31, 2025

Net change in fund balance - total governmental fund	\$ 3,232,097
---	---------------------

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:

Depreciation expense	(21,085)
----------------------	----------

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the District's report. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities:

District pension contributions	40,000
Pension expense	(34,285)

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

Change in proportionate share of LFRA net position	(4,685,792)
Change in proportionate share of LFRA fund balance	5,169,809

Change in net position of governmental activities	\$ 3,700,744
--	---------------------

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

Loveland Rural Fire Protection District
Notes to Financial Statements
Year Ended December 31, 2025

Note 1 – Summary of Significant Accounting Policies

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

Effective for the fiscal year ended December 31, 2025, the District implemented the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. This statement requires governments to disclose certain risks that could affect the provision of services or the ability to meet obligations as they come due, including vulnerabilities due to concentrations or constraints. The implementation of this standard did not have a material impact on the District’s financial statements or related note disclosures.

A. Reporting Entity

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

Effective January 2012, the City of Loveland and the District entered into an intergovernmental agreement establishing the Loveland Fire Rescue Authority (the “Authority”). Effective January 2017, the District leased its stations and transferred its apparatus and equipment to the Authority. All fire and emergency services and related administration in the District is the responsibility of the Authority. The District is responsible for 20% of the annual expenses of the Authority. In addition, the District is responsible for the annual funding, as necessary, for the Big Thompson Canyon Volunteer Fire Department including the pension obligations.

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

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

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

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

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

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

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

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

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

C. Basis of Accounting

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

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

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Taxes, leases, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

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

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

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

Cash and Investments – The District's cash and cash equivalents are considered to be cash on hand, demand deposits and money market accounts. Investments are stated at fair value. Investment earnings are comprised primarily of interest earnings.

Receivables – Receivables outstanding at year-end consist of amounts due for property taxes. Management periodically evaluates the collectability of receivables based on their age and collection efforts and an allowance is established for estimated uncollectible accounts. Uncollectible accounts are written off after all efforts for collection have been exhausted. As of December 31, 2025, there is no allowance for uncollectible accounts.

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies - Continued

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

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

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

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

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

Investment Earnings – Investment earnings are composed of interest, dividends, and net change in fair value of applicable investments.

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

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

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies – Continued

In the fund financial statements, property taxes are recognized in the year they are levied, provided they become available and measurable. In the government-wide financial statements, the property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, as the revenues are restricted for use for the following year.

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

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

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

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

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

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

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Cash equal to the required emergency reserve is reflected as restricted net position/fund balance.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits, will require judicial interpretation.

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies - Continued

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

Note 2 – Correction of an Error

During the year ended December 31, 2025, a correction of an error resulted in a restatement of beginning fund balance as follows:

	Fund Balance December 31, 2024, as previously reported	Correction of an Error	Fund Balance January 1, 2025, as restated
Governmental Funds			
General fund	<u>\$ 18,126,108</u>	<u>\$ (2,536,934)</u>	<u>\$ 15,589,174</u>

Correction of an error – During fiscal year 2025, the general fund’s fund balance was corrected to properly report the unavailable revenues received within 60 days, excluding the revenues restricted for the future year. The result would have been an increase in the unavailable revenues related to property taxes and a decrease in property tax revenues in the general fund.

Note 3 – Cash and Investments

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

Deposits – As of December 31, 2025, the carrying amount of the Districts deposits was \$70,688, and the bank balance was \$70,688, all of which were either insured by the FDIC or held in eligible depositories.

Notes to Financial Statements – Continued

Note 3 – Cash and Investments - Continued

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

- certificates of deposit with an original maturity in excess of three months
- 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,
- certain money market funds, and
- participation in local government investment pools.

The investments of the District are authorized for all fund and fund types used by Colorado municipalities.

The District has \$9,722,789 in the Colorado Local Government Liquid Asset Trust (“COLOTRUST”) measured at fair value as of December 31, 2025. The investments are valued at the pools share price multiplied by the number of shares the District held. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. The fair value of a participants position in the pools approximates the value of that participants pool shares.

Credit Risk – At December 31, 2025, credit risk of the District's investments are as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
COLOTRUST Plus+	AAAm	Standard and Poor’s	\$ 6,786,600
COLOTRUST Prime	AAAm	Standard and Poor’s	2,963,189
			<u>\$ 9,722,789</u>

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

Interest Rate Risk – 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 policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Foreign Currency Risk – The District does not have a formal investment policy with respect to foreign currency risk because the District does not hold foreign investments.

Notes to Financial Statements – Continued

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2025, was as follows:

	Balance, January 1, 2025	Increases	Decreases	Balance, December 31, 2025
Capital assets being depreciated:				
Stations and grounds	\$ 822,309	\$ -	\$ -	\$ 822,309
Total capital assets being depreciated	822,309	-	-	822,309
Less accumulated depreciation for:				
Stations and grounds	(298,671)	(21,085)	-	(319,756)
Total accumulated depreciation	(298,671)	(21,085)	-	(319,756)
Total capital assets being depreciated, net	523,628	(21,085)	-	502,553
Total capital assets, net	<u>\$ 523,628</u>	<u>\$(21,085)</u>	<u>\$ -</u>	<u>\$ 502,553</u>

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

Note 5 – Changes in Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended December 31, 2025, follows:

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025	Due Within 1 Year
Net pension liability	<u>\$ 144,614</u>	<u>\$ 2,189</u>	<u>\$ -</u>	<u>\$ 146,803</u>	<u>\$ -</u>

Notes to Financial Statements – Continued

Note 6 – Pension Plan

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

Description of the Plan – The FPPA administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available annual comprehensive financial report that can be obtained at FPPAco.org.

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

Employees Covered by Benefit Terms – As of December 31, 2025, the most recent actuarial valuation date, the membership of the Loveland and Rural Consolidated Volunteer Firefighters Pension Plan is:

Retirees and beneficiaries	17
Inactive, non-retired members	-
Active	<u>8</u>
Total Participants	<u><u>25</u></u>

Contributions – In accordance with funding agreements and actuarial studies, the District contributes amounts to FPPA. The plan members do not make contributions. Also, the State of Colorado may make annual contributions to the Plan in amounts established by State Statutes.

During the year ended December 31, 2025, the District contributed \$40,000 to the plan which was paid from the general fund.

Liability – At December 31, 2025, the District reported a liability of \$146,803. The net assets and liabilities were measured as of January 1, 2025, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Notes to Financial Statements – Continued

Note 6 – Pension Plan – Continued

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

Actuarial valuation date	January 1, 2025
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed fair value
Inflation	2.5%
Investment rate of return	7.0%
Retirement age	50% per year of eligibility until 100% at age 65
Mortality rates	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.

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

Notes to Financial Statements – Continued

Note 6 – Pension Plan - Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Private markets	34%	8.8%
Global equity	33%	7.0%
Diversifiers	9%	5.7%
Long short	6%	6.2%
Fixed income – rates	7%	5.0%
Fixed income – credit	7%	6.5%
Liquidity	4%	4.2%
Total	<u>100%</u>	

Discount Rate – At December 31, 2025, the discount rate used to measure the FPPA total pension liability is 7 percent. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Based on these assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefits payments of current plan members.

Changes in Net Pension Liability

Pension	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at December 31, 2024	\$ 699,573	\$ 554,959	\$ 144,614
Changes for the current year:			
Service cost	5,589	-	5,589
Interest on the total pension liability	47,101	-	47,101
Changes of assumptions	33,255	-	33,255
Net investment income	-	50,834	(50,834)
Contributions - employer	-	40,000	(40,000)
Benefit payments	(59,925)	(59,925)	-
Pension plan administrative expense	-	(7,078)	7,078
Net changes	<u>26,020</u>	<u>23,831</u>	<u>2,189</u>
Balances at December 31, 2025	<u>\$ 725,593</u>	<u>\$ 578,790</u>	<u>\$ 146,803</u>

Notes to Financial Statements – Continued

Note 6 – Pension Plan - Continued

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

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net pension liability	\$ 224,904	\$ 146,803	\$ 81,680

Expense – For the year ended December 31, 2025, the District recognized pension expense of \$34,285.

Deferred Outflows/Inflows of Resources – At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,206	\$ 571
Changes in assumptions	610	-
Net difference between projected and actual earnings on plan investments	34,268	25,063
District contributions subsequent to the measurement date	40,000	-
Total	<u>\$ 96,084</u>	<u>\$ 25,634</u>

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

Year Ending June 30,	Pension
2026	\$ 16,800
2027	21,263
2028	(5,029)
2029	(2,584)

Notes to Financial Statements – Continued

Note 7 – Joint Venture

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

During the fiscal year ended December 31, 2025, the District had net expenses from LFRA totaling \$4,685,792. For financial reporting purposes, LFRA is treated as a joint venture. As such, an equity interest is reported on the government-wide financial statements as an asset or liability on the statement of net position, and the change in the equity interest is reported as program income or expense in the statement of activities. At December 31, 2025, the District's proportionate share in LFRA's net position was \$11,202,606. LFRA is considered a related party, and separate financial statements are available. Total transfers to LFRA during the fiscal year were \$7,260,388.

The following table summarizes the assets and liabilities transferred to LFRA during the year ended December 31, 2025:

	<u>Net Position</u>	<u>Governmental Funds</u>
Proportionate share of net position/fund balance, beginning of year	\$ 8,628,010	\$ 6,925,646
Revenues transferred to LFRA	7,260,388	7,260,388
Proportionate share of LFRA revenues and expenses/expenditures	<u>(4,685,792)</u>	<u>(5,169,809)</u>
Proportionate share of net position/fund balance, end of year	<u>\$ 11,202,606</u>	<u>\$ 9,016,225</u>

Note 8 – Risk Management

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

Required Supplementary Information

Loveland Rural Fire Protection District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
<i>Taxes:</i>			
Property taxes	\$ 7,908,235	\$ 7,890,443	\$ (17,792)
Specific ownership taxes	525,000	494,179	(30,821)
State property tax backfill	-	18,776	18,776
Investment earnings	200,000	430,310	230,310
Other revenue	-	4,584	4,584
Total revenues	8,633,235	8,838,292	205,057
Expenditures			
<i>Public safety-fire protection</i>			
Administration	503,273	394,249	109,024
Fire operations	1,440	2,137	(697)
Change in proportionate share of LFRA fund balance	6,860,388	5,169,809	1,690,579
Pension	40,000	40,000	-
Total expenditures	7,405,101	5,606,195	1,798,906
Excess of revenues over expenditures	1,228,134	3,232,097	2,003,963
Financial reserve funding	(1,228,134)	-	1,228,134
Change in fund balance	-	3,232,097	3,232,097
Fund balance, January 1, 2025, as originally reported	14,706,597	18,126,108	3,419,511
Aggregate amount of adjustments to and restatements of beginning fund balance	-	(2,536,934)	(2,536,934)
Fund balance, January 1, 2025, as restated	14,706,597	15,589,174	882,577
Fund balance, December 31, 2025	\$ 14,706,597	\$ 18,821,271	\$ 4,114,674

Note: Financial reserve funding represents the budgeted and actual increase (decrease) in fund balance and is presented as a budgetary balancing item. It is not an expenditure under generally accepted accounting principles.

Loveland Rural Fire Protection District
Required Supplementary Information
Schedule of Changes in the District's Net Pension Liability
December 31, 2025

	Reporting fiscal year (measurement date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total pension liability										
Service cost	\$ 5,589	\$ 5,589	\$ 8,771	\$ 8,771	\$ 7,911	\$ 7,911	\$ 9,666	\$ 9,666	\$ 8,299	\$ 8,299
Interest on total pension liability	47,101	47,635	47,846	47,695	45,691	45,243	44,765	43,955	36,906	36,241
Changes of benefit terms	-	-	-	-	41,496	-	-	-	70,687	-
Difference between expected and actual experience in the measurement of the pension liability	-	-	(7,666)	-	(15,770)	-	13,294	-	3,867	-
Changes of assumptions or other inputs	33,255	-	8,200	-	-	-	27,017	-	13,175	-
Benefit payments, including refunds of employee contributions	(59,925)	(61,760)	(55,548)	(53,125)	(49,177)	(44,400)	(44,400)	(41,300)	(38,000)	(33,425)
Net change in pension liability	26,020	(8,536)	1,603	3,341	30,151	8,754	50,342	12,321	94,934	11,115
Total pension liability - beginning	699,573	708,109	706,506	703,165	673,014	664,260	613,918	601,597	506,663	495,548
Total pension liability - ending (a)	\$ 725,593	\$ 699,573	\$ 708,109	\$ 706,506	\$ 703,165	\$ 673,014	\$ 664,260	\$ 613,918	\$ 601,597	\$ 506,663
Plan fiduciary net position										
Contributions - employer	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 30,000	\$ 30,000	\$ 25,000	\$ 25,000	\$ 25,000
Net investment income	50,834	48,143	(45,931)	71,382	52,993	55,728	187	54,716	19,231	6,737
Benefit payments, including refunds of employee contributions	(59,925)	(61,760)	(55,548)	(53,125)	(49,177)	(44,400)	(44,400)	(41,300)	(38,000)	(33,425)
Administrative expenses	(7,078)	(8,159)	(6,966)	(7,623)	(4,920)	(8,108)	(5,808)	(7,764)	(851)	(2,871)
State of Colorado supplemental discretionary contribution	-	17,450	17,540	35,080	4,971	-	9,942	-	4,971	4,971
Net change in plan fiduciary net position	23,831	35,674	(50,905)	85,714	43,867	33,220	(10,079)	30,652	10,351	412
Plan fiduciary net position - beginning	554,959	519,285	570,190	484,476	440,609	407,389	417,468	386,816	376,465	376,053
Plan fiduciary net position - ending (b)	\$ 578,790	\$ 554,959	\$ 519,285	\$ 570,190	\$ 484,476	\$ 440,609	\$ 407,389	\$ 417,468	\$ 386,816	\$ 376,465
District's net pension liability - ending (a) - (b)	\$ 146,803	\$ 144,614	\$ 188,824	\$ 136,316	\$ 218,689	\$ 232,405	\$ 256,871	\$ 196,450	\$ 214,781	\$ 130,198
Plan fiduciary net position as a percentage of the total pension liability	79.77%	79.33%	73.33%	80.71%	68.90%	65.47%	61.33%	68.00%	64.30%	74.30%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Loveland Rural Fire Protection District
Required Supplementary Information
Schedule of District Pension Contributions
Year Ended December 31, 2025**

PSPRS - Pension	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 25,163	\$ 35,317	\$ 35,317	\$ 40,462	\$ 40,462	\$ 40,462	\$ 29,466	\$ 29,466	\$ 19,056	\$ 19,056
District's contributions in relation to the actuarially determined contribution*	40,000	40,000	57,450	57,540	75,080	44,971	30,000	39,942	25,000	29,971
District's contribution deficiency (excess)	<u>\$ (14,837)</u>	<u>\$ (4,683)</u>	<u>\$ (22,133)</u>	<u>\$ (17,078)</u>	<u>\$ (34,618)</u>	<u>\$ (4,509)</u>	<u>\$ (534)</u>	<u>\$ (10,476)</u>	<u>\$ (5,944)</u>	<u>\$ (10,915)</u>
District's covered payroll**	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's contributions as a percentage of covered payroll**	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

* Includes both employer contributions and State of Colorado supplemental discretionary payments.

** Ratio not applicable since payroll is zero due to plan covering volunteers