



FALCON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

WITH

REQUIRED SUPPLEMENTARY INFORMATION

AND

SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2021

ERICKSON, BROWN & KLOSTER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Falcon Fire Protection District
Falcon, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Falcon Fire Protection District (District) as of and for the year ended December 31, 2021, 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 each major fund of the District, as of December 31, 2021, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 opinion.

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.

4565 Hilton Parkway, Suite 101 | Colorado Springs, CO 80907 | P: 719-531-0445 | F: 719-531-0448
601 N. Nevada Avenue | Colorado Springs, CO 80903 | P: 719-636-2321 | F: 719-636-2517
www.ebkcpa.com | email: info@ebkcpa.com

INDEPENDENT AUDITORS' REPORT – CONTINUED

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. 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 Management's Discussion and Analysis on pages i through viii, and budgetary comparison information and pension trend data on pages 37 through 44 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

INDEPENDENT AUDITORS' REPORT – CONTINUED

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of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules to financial statements on pages 45 through 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Erickson, Brown & Koster LLC

Colorado Springs, Colorado
September 1, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FALCON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

The "Management's Discussion and Analysis" (MD&A) is designed to provide an analysis of the Falcon Fire Protection District's (District) financial condition and operating results. It also informs the reader on the District's financial issues and activities.

The MD&A should be read in conjunction with the District's basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented are comprised of three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

This report also contains other supplemental information in addition to the financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances as a whole, in a manner similar to a private-sector business and includes two statements:

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both government-wide financial statements (statement of net position and statement of activities) distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general and administrative activities and fire and emergency medical services.

Government-Wide Financial Highlights

- As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$13,347,445 at the close of the year. In comparison assets had exceeded liabilities by \$11,822,604 in the previous year.

**FALCON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

- At the end of 2021, the District was able to report positive balances in all three categories of net position.
- A large portion of the District's net position, \$9,511,080 (71% at December 31, 2021), is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors. The State's TABOR laws require that \$183,000 (3% at December 31, 2021) of the District's fiscal year spending be set aside and restricted for use in emergencies only. The remaining portion of the District's net position, \$3,653,365 (27% at December 31, 2021), reflects the District's current investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending although the District's investment in its capital assets is reported net of related debt.
- The District's net position increased by \$1,743,341 during 2021 to \$13,347,445.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has only one fund, the General Fund, which is a governmental fund.

Governmental Fund - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its General Fund, Rural Water System Revenue Fund and the Capital Projects Revenue Fund. Budgetary comparison statements have been provided for the General Fund, Rural Water System Revenue Fund and the Capital Projects Revenue Fund to demonstrate compliance with their budgets.

**FALCON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Governmental Fund Financial Highlights

- The governmental fund assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$9,444,946, which represents the ending fund balance.
- The ending governmental fund balance increased by \$2,307,201 from the prior year. Approximately 41% of the total fund balance, \$3,896,440, is available for spending at the District's discretion, as reflected in the unassigned fund balance.
- The District-approved 2021 general fund budget had estimated total revenues at \$8,616,546. The District completed the year with revenues at \$8,850,161. An unexpected increase of total revenue income for the year of \$233,615. Unexpected 2021 revenue increases were due in part to the following:
 - A rise in Specific Ownership Taxes resulted in an increase of revenue equaling \$36,387.
 - A rise in revenue from Ambulance transport fees resulted in a \$249,376 increase over budget.

Notes to the Financial Statements - The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the District. The District adopts an annual appropriated budget for the General and Special Revenue Funds. Budgetary comparison schedules have been provided to allow for a direct comparison to each budget line item and to demonstrate compliance with the budget.

Supplemental Information – The District presents a budget to actual comparison for the capital projects fund, and combining schedules for the operational and ambulance fund balance sheets and schedules of revenues, expenditures and changes in fund balance showing budgeted and actual amounts for the capital projects fund, as well as individual detail of the operational and ambulance fund balances that comprise the general fund balances in the basic financial statements.

**FALCON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position - Two-Year Comparison

| | <u>2021</u> | <u>2020</u> | <u>Change</u> |
|--|----------------------|----------------------|---------------------|
| Assets | | | |
| Current and Other Assets | \$ 18,963,493 | \$ 14,445,192 | \$ 4,518,301 |
| Capital Assets | 7,875,270 | 6,361,379 | 1,513,891 |
| Total Assets | <u>26,838,763</u> | <u>20,806,571</u> | <u>6,032,192</u> |
| Deferred Outflows of Resources | 1,429,570 | 1,184,169 | 245,401 |
| Total Assets and Deferred Outflows | <u>\$ 28,268,333</u> | <u>\$ 21,990,740</u> | <u>\$ 6,277,593</u> |
| Liabilities | | | |
| Current Liabilities | \$ 261,345 | \$ 175,111 | \$ 86,234 |
| Capital Lease Payable - Current | 156,596 | 82,444 | 74,152 |
| Capital Lease Payable - Non-Current | 4,065,309 | 2,117,556 | 1,947,753 |
| Other Non-Current Liabilities | 634,786 | 528,002 | 106,784 |
| Total Liabilities | <u>5,118,036</u> | <u>2,903,113</u> | <u>2,214,923</u> |
| Deferred Inflows of Resources | 9,802,852 | 7,483,523 | 2,319,329 |
| Total Liabilities and Deferred Inflows | <u>\$ 14,920,888</u> | <u>\$ 10,386,636</u> | <u>\$ 4,534,252</u> |
| Net Position | | | |
| Net Investment in Capital Assets | \$ 3,653,365 | \$ 5,711,251 | \$ (2,057,886) |
| Restricted | 183,000 | 313,800 | (130,800) |
| Unrestricted | 9,511,080 | 5,579,053 | 3,932,027 |
| Total Net Position | <u>\$ 13,347,445</u> | <u>\$ 11,604,104</u> | <u>\$ 1,743,341</u> |

Comments – Assets

In 2021, the District purchased the following capital assets:

- Eagle Air Chamber SSX4
- TNT Cutter
- 6 - 7/800 Portable Radios
- TSI Portacount Resp. Fit Tester 8040-T
- 35 - AirPak X3 Pro SCBAs (2018 Edition)
- 3 - RIT-Pak III 4.5s
- Lanier Copier IM 350F
- Ongoing construction on new fire station #3 and administration building

Comments - Liabilities

At December 31, 2021, the District had a balance of \$4,221,905 for capital leases in the form of a lease on the construction of a new Fire Station #3 and administration building.

**FALCON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Condensed Statement of Activities - Two-Year Comparison

| | <u>2021</u> | <u>2020</u> | <u>Change</u> |
|--|----------------------|----------------------|---------------------|
| Expenses | | | |
| Public Safety | \$ 6,485,471 | \$ 6,051,608 | \$ 433,863 |
| Capital Outlay | 307,005 | 178,490 | 128,515 |
| Interest on Long-Term Debt | 75,849 | 18,768 | 57,081 |
| Volunteer Pension Expense | 40,000 | 51,340 | (11,340) |
| Total Expenses | <u>6,908,325</u> | <u>6,300,206</u> | <u>608,119</u> |
| Revenues | | | |
| Program Revenues | | | |
| Fire and Emergency | 794,876 | 785,316 | 9,560 |
| Grants and Contributions | 225,207 | 478,846 | (253,639) |
| General Revenues | | | |
| Property Taxes | 6,997,476 | 6,758,409 | 239,067 |
| Specific Ownership Tax | 821,257 | 734,719 | 86,538 |
| Pension (Expense) Revenue | (148,185) | 162,828 | (311,013) |
| Investment Earnings | 8,517 | 30,850 | (22,333) |
| Loss on Disposal of Assets | (36,608) | - | (36,608) |
| Lease Purchase Closing Costs | (17,558) | (21,436) | 3,878 |
| Other Revenue | 6,684 | 7,658 | (974) |
| Total Revenues | <u>8,651,666</u> | <u>8,937,190</u> | <u>(285,524)</u> |
| Change in Net Position | 1,743,341 | 2,636,984 | (893,643) |
| Net Position - Beginning of Year (Restated) | <u>11,604,104</u> | <u>8,967,120</u> | <u>2,636,984</u> |
| Net Position - End of Year | <u>\$ 13,347,445</u> | <u>\$ 11,604,104</u> | <u>\$ 1,743,341</u> |

Comments Expenses

Public safety expenses vary with the actual need each year and, 2021 experienced increased need due to higher demand for rising call volume and the continued implementation of the Advanced Ambulance Transport System required the District to hire additional personnel and staff additional equipment.

Capital outlay continues to be necessary at the District during the remodeling of the administration building and completion of the new station #3, not all of which are capitalized during the year in accordance with our capitalization policy.

The increase in interest is a result of entering into a new lease purchase agreement for station #3 and the remodel of the administration building during 2021, which is expected to be completed during 2022.

**FALCON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Comments - Revenues

During 2020 the District received grants and contributions from a Federal Staffing Grant (SAFER), that grant continued in 2021 but was funded at a much lower percentage of actual salary costs.

Revenues increased primarily due to fire plan reviews/inspections being handled and invoiced directly by the department, assessed value increase resulted in higher property tax collections and an increase in special ownership taxes received.

The increase in pension expense is due to the FPPA's actuarially determined adjustments that are made during the year based on several factors that impact the overall estimated pension expense that is due at the end of each year. This is a fluctuating amount that changes annually depending on actuary determinations at the end of each year.

GENERAL FUND FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District accounts for all activity in three funds comprised of the general fund, the special revenue fund, and the capital projects fund.

As discussed earlier, the General Fund is the operating fund of the District. The ending fund balance was \$5,301,840. Of this amount \$183,000 was restricted as a required TABOR reserve fund.

BUDGETARY HIGHLIGHTS

The District budgeted for 2022 property tax revenue of \$8,411,592 (based on an assessed valuation for the District of \$565,067,300 and a mill levy of 14.886), 2022 Special ownership taxes in the amount of \$820,000 and charges for services of \$8,000 (which represents the fees charged for mandatory inspections on compliance with the International Fire Code as adopted and amended by the District), and Ambulance transport fees of \$802,000. Overall, the 2022 District Budget will result in a decrease in the general fund balance of \$200,000 which is in the form of contingency, as adopted.

**FALCON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

BUDGETARY HIGHLIGHTS - Continued

Schedule of Revenues, Expenditures, & Change in Fund Balance, Budget & Actual - General Fund

| | Final Budget | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|-------------------------|---------------------|---|
| Revenues | | | |
| Property Taxes | \$ 6,993,319 | \$ 6,997,476 | \$ 4,157 |
| Specific Ownership Tax | 784,870 | 821,257 | 36,387 |
| Interest | 23,857 | 4,661 | |
| Intergovernmental Revenue | 269,000 | 225,207 | (43,793) |
| Charges for Services | 545,500 | 794,876 | 249,376 |
| Miscellaneous Revenues | - | 6,684 | 6,684 |
| Total Revenues | <u>8,616,546</u> | <u>8,850,161</u> | <u>252,811</u> |
| Expenditures | | | |
| General Administrative | 274,705 | 301,856 | (27,151) |
| Fire | 8,808 | 938 | 7,870 |
| Operations | 6,076,983 | 5,429,208 | 647,775 |
| Volunteer Pension Payment | 40,000 | 40,000 | - |
| Supplies and Maintenance | 168,777 | 156,659 | 12,118 |
| Training and Association Fees | 36,527 | 34,306 | 2,221 |
| Capital Outlay | 195,746 | 132,757 | 62,989 |
| Contingency | 400,000 | - | 400,000 |
| Total Expenditures | <u>7,201,546</u> | <u>6,095,724</u> | <u>1,105,822</u> |
| Other Financing Sources (Uses) | | | |
| Cost of Sale of Capital Assets | - | (1,700) | 1,700 |
| Transfers In (Out) | (1,500,000) | (1,815,000) | 315,000 |
| Total Other Financing Sources (Uses) | <u>(1,500,000)</u> | <u>(1,816,700)</u> | <u>316,700</u> |
| Net Change in Fund Balance | (85,000) | 937,737 | 1,022,737 |
| Beginning Fund Balance, January 1 | <u>2,810,915</u> | <u>4,364,103</u> | <u>1,553,188</u> |
| Ending Fund Balance, December 31 | <u>\$ 2,725,915</u> | <u>\$ 5,301,840</u> | <u>\$ 2,575,925</u> |

**FALCON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Trent Harwig, District Fire Chief, Falcon Fire Protection District, 7030 Old Meridian Rd, Falcon, Colorado 80831.

FINANCIAL STATEMENTS

**FALCON FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash | \$ 3,002,863 |
| Investments | 6,468,000 |
| Accounts Receivable, Net | 212,207 |
| Property Tax Receivable | 8,411,592 |
| Fixed Assets, Net | 7,875,270 |
| Pension Asset SWDB, Net | 868,831 |
| Total Assets | \$ 26,838,763 |
| Deferred Outflows of Resources | |
| Pension Plan Cost - Plan SWDB | \$ 1,413,940 |
| Pension Plan Cost - Volunteer Fire | 15,630 |
| Total Deferred Outflows of Resources | \$ 1,429,570 |
| Liabilities | |
| Accounts Payable | \$ 180,986 |
| Accrued Wages and Benefits | 57,139 |
| Accrued Interest Payable | 23,220 |
| Capital Lease Payable - Current | 156,596 |
| Non-Current Liabilities | |
| Capital Lease Payable - Non-Current | 4,065,309 |
| Pension Liability Volunteer Fire, Net | 455,788 |
| Compensated Absences | 178,998 |
| Total Liabilities | \$ 5,118,036 |
| Deferred Inflows of Resources | |
| Property Tax | \$ 8,411,592 |
| Pension Plan Cost - SWDB | 1,344,811 |
| Pension Plan Cost - Volunteer Fire | 46,449 |
| Total Deferred Inflows of Resources | \$ 9,802,852 |
| Net Position | |
| Net Investment in Capital Assets | \$ 3,653,365 |
| Restricted - TABOR | 183,000 |
| Unrestricted | 9,511,080 |
| Total Net Position | \$ 13,347,445 |

See Notes to Financial Statements

**FALCON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

| | Program Revenues | | | Net Program (Expense) Revenue |
|--------------------------------------|----------------------------|--|--|-------------------------------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Functions/Programs | | | | |
| Governmental Activities | | | | |
| Public Safety | \$ 6,485,471 | \$ 794,876 | \$ - | \$ (5,465,388) |
| Capital Outlay | 307,005 | - | - | (307,005) |
| Debt Service - Interest | 75,849 | - | - | (75,849) |
| Volunteer Pension Expense | 188,185 | - | - | (188,185) |
| Total Governmental Activities | <u>\$ 7,056,510</u> | <u>\$ 794,876</u> | <u>\$ -</u> | <u>(6,036,427)</u> |

General Revenues

| | |
|-------------------------------|------------------|
| Property Taxes | 6,997,476 |
| Specific Ownership Tax | 821,257 |
| Interest Revenue | 8,517 |
| Loss on Disposal of Assets | (36,608) |
| Lease Purchase Closing Costs | (17,558) |
| Other Revenue | 6,684 |
| Total General Revenues | <u>7,779,768</u> |

Change in Net Position

1,743,341

Net Position - Beginning (Restated)

11,604,104

Net Position - Ending

\$ 13,347,445

See Notes to Financial Statements

**FALCON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

| | General Fund | Rural Water System Special Revenue Fund | Capital Projects Fund | Total Governmental Funds |
|--|-------------------------|--|--------------------------------------|---|
| Assets | | | | |
| Cash | \$ 919,201 | \$ - | \$ 2,083,662 | \$ 3,002,863 |
| Investments | 4,262,758 | 11,141 | 2,194,101 | 6,468,000 |
| Accounts Receivable, Net | 212,207 | - | - | 212,207 |
| Property Tax Receivable | 8,411,592 | - | - | 8,411,592 |
| Due from Other Funds | 203,185 | - | - | 203,185 |
| Total Assets | \$ 14,008,943 | \$ 11,141 | \$ 4,277,763 | \$ 18,297,847 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 35,187 | \$ - | \$ 145,798 | \$ 180,985 |
| Accrued Wages and Benefits | 57,139 | - | - | 57,139 |
| Due to Other Funds | 203,185 | - | - | 203,185 |
| Total Liabilities | 295,511 | - | 145,798 | 441,309 |
| Deferred Inflow of Resources | | | | |
| Property Tax | 8,411,592 | - | - | 8,411,592 |
| Total Deferred Inflow of Resources | 8,411,592 | - | - | 8,411,592 |
| Fund Balances | | | | |
| Restricted - TABOR | 183,000 | - | - | 183,000 |
| Assigned | | | | |
| Code Requirements - | | | | |
| Fire Flow (Water Supply) | - | 11,141 | | 11,141 |
| Ambulance | 1,263,737 | - | | 1,263,737 |
| Capital Outlay | - | - | 4,131,965 | 4,131,965 |
| Unassigned | 3,855,103 | - | - | 3,855,103 |
| Total Fund Balance | 5,301,840 | 11,141 | 4,131,965 | 9,444,946 |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balance | \$ 14,008,943 | \$ 11,141 | \$ 4,277,763 | \$ 18,297,847 |

See Notes to Financial Statements

**FALCON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

| | | |
|---|-----------|-------------------|
| Total Fund Balance - Governmental Fund | \$ | 9,444,946 |
| <p>Net pension liability, net pension asset, deferred outflows, and deferred inflows related to pensions are not current financial resources and therefore are not reported as assets or liabilities in the Governmental Funds.</p> | | |
| Net Pension Asset - SWDB | | 868,831 |
| Net Pension Liability - Volunteer | | (455,788) |
| Deferred Outflows of Resources - Pension | | 1,429,570 |
| Deferred Inflows of Resources - Pension | | (1,391,260) |
| <p>Fixed assets used in governmental activities are not financial resources, and therefore are not reported as assets in Governmental Funds.</p> | | |
| Fixed Assets | | 12,610,642 |
| Accumulated Depreciation | | (4,735,373) |
| <p>Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.</p> | | |
| Accrued Interest End of Year | | (23,220) |
| <p>Long-term liability for lease purchase and accrued interest payable are not due and payable in the current period and therefore are not reported in the Governmental Funds.</p> | | |
| | | (4,221,905) |
| <p>Compensated absences are not reported as a liability in the Governmental Funds.</p> | | |
| | | (178,998) |
| Total Net Position - Governmental Activities | \$ | 13,347,445 |

**FALCON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

| | General Fund | Rural Water System Special Revenue Fund | Capital Projects Fund | Total Governmental Funds |
|---|-------------------------|--|--------------------------------------|---|
| Revenues | | | | |
| Taxes | \$ 7,818,733 | \$ - | \$ - | \$ 7,818,733 |
| Intergovernmental Revenues | 225,207 | - | - | 225,207 |
| Charges for Services | 794,876 | - | - | 794,876 |
| Interest | 4,661 | 6 | 3,856 | 8,523 |
| Miscellaneous Revenues | 6,684 | - | - | 6,684 |
| Total Revenues | <u>\$ 8,850,161</u> | <u>\$ 6</u> | <u>\$ 3,856</u> | <u>\$ 8,854,023</u> |
| Expenditures | | | | |
| Current | | | | |
| General Administrative | \$ 301,856 | \$ - | \$ - | \$ 301,856 |
| Fire | 938 | - | - | 938 |
| Operations | 5,429,208 | - | - | 5,429,208 |
| Volunteer Pension Payment | 40,000 | - | - | 40,000 |
| Supplies and Maintenance | 156,659 | - | - | 156,659 |
| Training and Association Fee | 34,306 | - | - | 34,306 |
| Debt Service - Principal | - | - | 120,211 | 120,211 |
| Debt Service - Interest | - | - | 28,233 | 28,233 |
| Capital Outlay | 132,757 | 4 | 2,400,392 | 2,533,153 |
| Total Expenditures | <u>6,095,724</u> | <u>4</u> | <u>2,548,836</u> | <u>8,644,564</u> |
| Revenues Over (Under) Expenditures | 2,754,437 | 2 | (2,544,980) | 209,459 |
| Other Financing Sources (Uses) | | | | |
| Transfers In (Out) | (1,815,000) | - | 1,815,000 | - |
| (Cost) Proceeds from Sale of Capital Assets | (1,700) | - | 17,000 | 15,300 |
| Lease Purchase Proceeds | - | - | 2,100,000 | 2,100,000 |
| Lease Purchase Closing Costs | - | - | (17,558) | (17,558) |
| Total Other Financing Sources (Uses) | <u>(1,816,700)</u> | <u>-</u> | <u>3,914,442</u> | <u>2,097,742</u> |
| Net Change in Fund Balances | 937,737 | 2 | 1,369,462 | 2,307,201 |
| Fund Balances - Beginning | <u>4,364,103</u> | <u>11,139</u> | <u>2,762,503</u> | <u>7,137,745</u> |
| Fund Balances - Ending | <u>\$ 5,301,840</u> | <u>\$ 11,141</u> | <u>\$ 4,131,965</u> | <u>\$ 9,444,946</u> |

See Notes to Financial Statements

**FALCON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2021**

Total Net Change in Fund Balances - Governmental Funds \$ 2,307,201

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, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|-----------------------------------|-----------|
| Depreciation Expense | (660,349) |
| Capital Outlays More Than \$2,500 | 2,226,148 |
| Loss on Disposal of Assets | (51,908) |

Governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest expense is recognized as it accrued in the statement of activities regardless of when it is due. The net effect of these differences follows:

| | |
|------------------------------|-------------|
| Lease Purchase Proceeds | (2,100,000) |
| Repayment of Debt Principal | 120,211 |
| Change in Accrued Interest | (5,499) |
| Capitalized Accrued Interest | (42,117) |

Pension income/expense was reported in the governmental funds but is reported based on the changes in net pension assets/liabilities in the entity-wide statements. (24,480)

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences increased by this amount. (25,866)

Change in Net Position - Governmental Activities \$ 1,743,341

NOTES TO FINANCIAL STATEMENTS

FALCON FIRE PROTECTION DISTRICT NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Falcon Fire Protection District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting policies that are described below. The following is a summary of the significant accounting policies.

Reporting Entity – GASB Statement No. 14 (as amended by Statement No. 34, No. 39 and No. 61), “*The Financial Reporting Entity*” (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) the organization for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity’s financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental “reporting entity” as defined in GASB No. 14 and does not include any other component unit as part of its “reporting entity”. As required by accounting principles generally accepted in the United States, these basic financial statements present the District (the primary government) and its component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net position and the statement of activities report information on all the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current position and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balances sheets.

Amounts reported as program revenues included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available to collect within 60 days after year-end.

Property taxes are reported as receivables and unearned revenues when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental Funds

General Fund - The General Operating Fund is used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.

Special Revenues Fund- The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- *Rural Water System Fund* – This fund is provided to maintain a separate accounting for expenditures to meet minimum fire flow (water supply) requirements of applicable fire codes.

Capital Projects Fund – This fund accounts for the acquisition of capital assets.

- *Capital Projects Fund* – This fund provides for the acquisition of sites, buildings, vehicles and other capital related expenditures.

Budgets – The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

- A. Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
- D. Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budget Basis of Accounting - The modified accrual basis of accounting is used for budget purposes as well as financial reporting in the General Fund, except for capital lease refinancing. If the refinance does not generate or use cash proceeds, the refinances are not budgeted.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents - Cash and invested cash are carried at fair value. The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Taxes Receivable - Taxes receivable include current year property taxes, which become payable January 1 of the following year.

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2021, management has recorded an allowance of \$326,184 for contractual allowances and uncollectible ambulance service fees. Net receivables are expected to be collected within one year.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight line method over their estimated useful lives.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fire & Police Statewide Defined Benefit Plan and additions to/deductions from Fire & Police Statewide Defined Benefit Plan's fiduciary net position have been determined on the same basis as they are reported by the Fire & Police Pension Association of Colorado. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences – Accumulated unpaid vacation, sick pay, and other employee benefits amounts should be accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts would not be accrued in governmental funds (using the modified accrual basis of accounting). Accrued vacation and sick leave payable has been reflected in the statement of net position for all governmental activities.

Property Taxes - Property taxes represent ad valorem taxes levied by the District, which are payable to the County Treasurer, and are recognized as revenue by the District in the year for which they are levied.

Property taxes are levied in December for collection in the subsequent year.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half paid by the last day of February and the second half paid by June 15.

Revenues – Exchanges and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving value in return, include grants and donations. On an accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize debt issued as other financing sources.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies, is not used by the Falcon Fire Protection District.

Net Position Classifications

Net position classification in the Government-Wide financial statements are as follows:

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, loans, notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Net Position - Consists of net position with constraints placed on the use either by external groups, such as creditors, or laws or regulations of other governments.

Unrestricted Net Position - Includes all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Balances - The governmental fund reports fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Fund balance descriptions are presented below:

Nonspendable - includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories, prepaid items, and long-term fund advances.

Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed - includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's board of directors. Commitments may be modified or changed only by the District's board of directors approving a new resolution. Commitments also include contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District's board of directors to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.

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

Fund Balance Classification Policies and Procedures are as follows:

Committed Fund Balance Policy – The District's Committed Fund Balance is fund balance reporting required by the District, either because of a District Policy in the District Policy Manual, or because of motions that passed at District meetings.

Assigned Fund Balance Policy – The District's Assigned Fund Balance is fund balance reporting occurring by District Administration authority, under the direction of the Chief Business Officer.

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

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

In addition to liabilities, the statement of financial position and the balance sheet 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.

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

NOTE 1 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - The District's deposits at year end were covered by Federal depository insurance or secured under the Public Deposit Protection Act (PDPA) of the State of Colorado, whereby the custodial bank pledges collateral for amounts on deposit in excess of the amount guaranteed by the FDIC for governmental entities.

Total cash and deposits for the year ending December 31, 2021 were as follows:

| | Bank Balance | Carrying Amount |
|---|-------------------------|----------------------------|
| Insured | \$ 250,000 | \$ 250,000 |
| Uninsured, Collateralized Under the Public Deposit Protections Act of the State of Colorado | 2,745,982 | 2,687,809 |
| Subtotal | 2,995,982 | 2,937,809 |
| Cash with County Treasurer | - | 65,054 |
| Total Cash and Deposits | \$ 2,995,982 | \$ 3,002,863 |

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – CASH, CASH EQUIVALENTS AND INVESTMENTS – Continued

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure the District’s deposits will not be returned to it. The District does not currently have a policy related to custodial credit risk. As presented above, deposits with a bank balance of \$2,745,982 and a carrying balance of \$2,687,809 as of December 31, 2021 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Credit Risk - The District has not adopted a formal investment policy; however, the District follows State Statutes regarding investments. The ratings by Standard & Poor for each investment are disclosed below.

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

At December 31, 2021, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Investments Fair value</u> | <u>Credit Risk Rating</u> |
|-------------------|-----------------------------------|-----------------------------------|-------------------------------|
| COLOTRUST PLUS+ | Weighted Average under 60 Days | \$ 6,468,000 | AAAm |

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – CASH, CASH EQUIVALENTS AND INVESTMENTS – Continued

Concentration of Credit Risk - The District has no policy restricting the amount that can be invested in any issuer.

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

The District has no recurring fair value measurements as of December 31, 2021:

- COLOTRUST - Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

NOTE 2 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

| | (Restated) Beginning Balance | Additions | Dispositions | Ending Balance |
|--|---|---------------------|---------------------|---------------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 598,970 | \$ - | \$ - | \$ 598,970 |
| Construction in Progress | 799,126 | 168,624 | (713,725) | 254,025 |
| Total Capital Assets, Being Depreciated | 1,398,096 | 168,624 | (713,725) | 852,995 |
| Capital Assets, Being Depreciated | | | | |
| Building and Improvements | 4,117,505 | 2,428,805 | (269,345) | 6,276,965 |
| Equipment | 1,144,142 | 342,444 | (123,721) | 1,362,865 |
| Vehicles | 4,349,194 | - | (231,377) | 4,117,817 |
| Total Capital Assets, Being Depreciated | 9,610,841 | 2,771,249 | (624,443) | 11,757,647 |
| Less: Accumulated Depreciation | (4,647,558) | (660,349) | 572,535 | (4,735,372) |
| Capital Assets, Being Depreciated, Net | 4,963,283 | 2,110,900 | (51,908) | 7,022,275 |
| Total Capital Assets, Net | \$ 6,361,379 | \$ 2,279,524 | \$ (765,633) | \$ 7,875,270 |

Depreciation expense for the year ended December 31, 2021, was \$660,349, and was allocated to public safety – firefighting and ambulance.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – CAPITAL ASSETS – Continued

Capital assets consist of:

| <u>Type</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | <u>Useful Lives</u> |
|---------------------------|----------------------|-------------------------------------|---------------------------|---------------------|
| Building and Improvements | \$ 6,276,965 | \$ (1,267,489) | \$ 5,009,476 | 7-30 Years |
| Equipment | 1,362,865 | (920,095) | 442,770 | 3-10 Years |
| Vehicles | 4,117,817 | (2,547,788) | 1,570,029 | 5-10 Years |
| | <u>\$ 11,757,647</u> | <u>\$ (4,735,372)</u> | <u>\$ 7,022,275</u> | |

NOTE 3 – CAPITAL LEASES

The following is a summary of changes in capital leases of the District for the year ended December 31, 2021:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Payments/ Retirements</u> | <u>Ending Balance</u> | <u>Portion Due Within One Year</u> |
|---|------------------------------|---------------------|----------------------------------|---------------------------|--|
| General Fund | | | | | |
| Fire Station-Building #3 | \$ 2,200,000 | \$ - | \$ (2,200,000) | \$ - | \$ - |
| Fire Station - HQ | <u>-</u> | <u>4,221,905</u> | <u>-</u> | <u>4,221,905</u> | <u>156,596</u> |
| Total Capital Lease Obligation | <u>\$ 2,200,000</u> | <u>\$ 4,221,905</u> | <u>\$ (2,200,000)</u> | <u>\$ 4,221,905</u> | <u>\$ 156,596</u> |

Fire Station #3 - In 2020, the District entered into a lease purchase agreement, dated September 24, 2020, for the purpose of financing the construction of a new fire station. The agreement qualifies as a capital lease for accounting purposes. Lease payments are subject to annual appropriation of funds by the District. The lease purchase payments beginning September 24, 2021, and include twenty annual payments of \$148,443 with interest at 3.0%. This lease purchase agreement was wrapped into the headquarter and administration building lease agreement on October 27, 2021, which is described below.

Headquarter and Administrative Building - In 2021, the District entered into a lease purchase agreement, dated October 27, 2021, for the purpose of financing the completion of fire station #3, and the remodel and construction of the headquarter and administrative building. The agreement qualifies as a capital lease for accounting purposes. Lease payments are subject to annual appropriation of funds by the District. The lease purchase payments beginning October 26, 2022, and include twenty annual payments of \$284,861 with interest at 3.0% compounded monthly.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – CAPITAL LEASES – Continued

The annual lease purchase payment schedule is as follows for the years ending:

| <u>December 31</u> | <u>Interest</u> | <u>Principal</u> | <u>Annual Payment</u> |
|--|---------------------|---------------------|---------------------------|
| 2022 | \$ 128,265 | \$ 156,596 | \$ 284,861 |
| 2023 | 123,650 | 161,211 | 284,861 |
| 2024 | 118,747 | 166,114 | 284,861 |
| 2025 | 113,694 | 171,167 | 284,861 |
| 2026 | 108,488 | 176,373 | 284,861 |
| 2027 - 2031 | 458,634 | 965,672 | 1,424,306 |
| 2032 - 2036 | 302,565 | 1,121,740 | 1,424,305 |
| 2037 - 2041 | 121,170 | 1,303,032 | 1,424,202 |
| Total Minimum Lease Payments | <u>\$ 1,475,213</u> | <u>\$ 4,221,905</u> | 5,697,118 |
| Less Amount Representing Interest | | | (1,475,213) |
| Net Present Value of Future Minimum Payments | | | <u>\$ 4,221,905</u> |

NOTE 4 – NET POSITION AND FUND BALANCES

The District has a net position consisting of three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the District had net investment in capital assets as follows:

Net Investment in Capital Assets

| | |
|---|---------------------|
| Capital Assets, Net of Depreciation | \$ 7,875,270 |
| Capital Lease Obligations | <u>(4,221,905)</u> |
| Net Investment in Capital Assets | <u>\$ 3,653,365</u> |

The *restricted* component of net position includes net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2021, the District had restricted net position as follows:

Restricted Net Position

| | |
|--------------------------------------|-------------------|
| TABOR Emergency Reserve (See Note 9) | <u>\$ 183,000</u> |
|--------------------------------------|-------------------|

The *unrestricted* component of net position is the net amount of assets that do not meet the definition of net investment in capital assets or restricted net position. The District's unrestricted net position as of December 31, 2021, totaled \$9,511,080.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – NET POSITION AND FUND BALANCES - Continued

As of December 31, 2021, the fund balances were comprised of the following amounts:

| | General Fund | Special Revenue Rural Water System Fund | Capital Project Fund | Total Governmental Funds |
|--------------------------|---------------------|---|----------------------------|--------------------------------|
| Restricted | | | | |
| Emergency (TABOR) | \$ 183,000 | \$ - | \$ - | \$ 183,000 |
| Assigned | | | | |
| Code Requirements - | | | | |
| Fire Flow (Water Supply) | - | 11,141 | - | 11,141 |
| Ambulance | 1,222,400 | - | - | 1,222,400 |
| Capital Outlay | - | - | 4,131,965 | 4,131,965 |
| Unassigned | 3,896,440 | - | - | 3,896,440 |
| | <u>\$ 5,301,840</u> | <u>\$ 11,141</u> | <u>\$ 4,131,965</u> | <u>\$ 9,444,946</u> |

NOTE 5 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN

Plan Description - The Statewide Defined Benefit Plan (the Plan) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 5, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2020, had 221 participating employer fire and police departments.

The Plan assets are included in the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Separate Retirement Account assets from eligible retired members).

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

Benefits Provided – A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

Effective January 1, 2007, members covered under Statewide Defined Benefit Social Security Component will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefit

adjustments paid to retired members are evaluated annually and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

A member may elect to participate in the DROP after reaching eligibility for Normal Retirement, Early Retirement, or Vested Retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into the DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in DROP, the member continues to make pension contributions, which are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds. The DROP balance invested with the asset custodian at December 31, 2020 was \$90,612,444. This amount was not included in the Plan Net Position.

Contributions - Through December 31, 2020, contribution rates for the Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions are 8.0 percent and 8.50 percent in 2020 and 2021, respectively. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13.0 percent of pensionable earnings. In 2020, members of the Plan and their employers are contributing at the rate of 11.0 percent and 8.0 percent, respectively, of pensionable earnings for a total contribution rate of 19.0 percent.

Contributions from members and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 23.0 percent and 23.5 percent of pensionable earnings in 2020 and 2021. It is a local

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

decision as to whether the member or employer pays the additional 4 percent contribution. The member and employer contribution rates will increase through 2030 as described above for the non-reentering departments. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the additional 4 percent contribution, to reflect the actual cost of reentry by department, to the plan for reentry contributions. Each reentry department is responsible to remit contributions to the plan in accordance with their most recent FPPA Board of Directors approved resolution.

The contribution rate for members and employers of affiliated social security employers is 5.5 percent and 4 percent, respectively, of pensionable earnings for a total contribution rate of 9.50 percent in 2020 and 9.75 percent in 2021. Per the 2014 member election, members of the affiliate social security group had their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of pensionable earnings. Employer contributions are 4.0 percent and 4.25 percent in 2020 and 2021, respectively. Employer contributions will increase 0.25 percent annually beginning in 2021 through 2030 to a total of 6.5 percent of pensionable earnings.

District contributions to the Plan from the District were \$307,563 for the year ended December 31, 2021.

Net Pension Asset - At December 31, 2021, the District reported an asset of \$868,831 for its proportionate share of the net pension asset.

The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2020. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating departments, actuarially determined. At December 31, 2020, the District's proportion was 0.400198 percent compared to 0.277137 percent measured as of December 31, 2019.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

For the fiscal year ended December 31, 2021, the District recognized pension expense of \$183,859. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences Between Actual and Expected Experience | \$ 736,854 | \$ 3,456 |
| Changes in Assumptions | 369,527 | - |
| Net Difference Between Actual and Projected Earnings on Pension Plan Investments | - | 892,415 |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | - | 448,940 |
| District Contributions Subsequent to Measurement Date | 307,563 | - |
| Totals | \$ 1,413,944 | \$ 1,344,811 |

The \$307,563 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an adjustment against the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended December 31, | Amortization |
|---------------------------------|---------------------|
| 2022 | \$ (153,482) |
| 2023 | (37,728) |
| 2024 | (187,869) |
| 2025 | (36,041) |
| 2026 | 103,588 |
| Thereafter | 73,102 |
| | \$ (238,430) |

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

Actuarial Assumptions - The actuarial valuations for the Plan were used to determine the total pension liability and actuarially determined contributions for the measurement year ended December 31, 2020. The valuation used the following actuarial assumption and other inputs:

| | <u>Total Pension Liability</u> | <u>Actuarial Determined Contributions</u> |
|---|---------------------------------------|--|
| Actuarial Valuation Date | January 1, 2021 | January 1, 2020 |
| Actuarial Method | Entry Age Normal | Entry Age Normal |
| Amortization Method | N/A | Level % of Payroll, Open |
| Amortization Period | N/A | 30 Years |
| Long-term Investment Rate of Return, Net* | 7.00% | 7.00% |
| Projected Salary Increases* | 4.25% – 11.25% | 4.25% – 11.25% |
| Cost of Living Adjustment (COLA) | 0.00% | 0.00% |
| *Includes Inflation at | 2.50% | 2.50% |

For determining the total pension liability and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The preretirement off-duty mortality tables are adjusted to 50% of the RP-2014 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 2018 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, 2019. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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).

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

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, 2020, are summarized in the table below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|-----------------------|------------------------------|--|
| Global Equity | 39% | 8.23% |
| Equity Long/Short | 8% | 6.87% |
| Private Markets | 26% | 10.63% |
| Fixed Income - Rates | 10% | 4.01% |
| Fixed Income - Credit | 5% | 5.25% |
| Absolute Return | 10% | 5.60% |
| Cash | 2% | 2.32% |
| Total | <u><u>100%</u></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 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.

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 this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 2.00 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.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – Continued

Sensitivity of the District’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate - The following presents the District’s proportionate share of the net pension asset, calculated using a Single Discount Rate of 7.00 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower, or one percent higher than the current discount rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|--------------------------------|--|--------------------------------|
| Proportionate Share of Net Pension Liability/(Asset) | \$ 874,342 | \$ (868,831) | \$ (2,312,397) |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

During 2020, legislation was passed effective January 1, 2021 that amended the Statewide Defined Benefit Plan. Additionally, the stabilization reserve accounts (SRA) of the Defined Benefit System became self-directed accounts with assets of \$123.6 million transferred to the FPPA Members' Self-Directed Investment Fund after the January 1, 2021 actuarial valuation date. This transfer does not impact the net pension liability/(asset) of the plan as the transfer of assets will reduce both the total pension liability and the plan fiduciary net position.

NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS

Plan Description - Effective January 1, 2002, the District affiliated with the Fire and Police Pension Association of Colorado (FPPA) to administer its Volunteer Firefighter Pension Plan and to manage the plan’s assets and activities. The Volunteer Firefighter Pension Plan is included in an agent multiple employer Public Employee Retirement System (PERS) maintained in trust by FPPA. The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. It operates under rules consistent with the enabling legislation in Title 31, Article 30, Part 11 of the Colorado Revised Statutes. While the District’s plan is pooled with other plans by FPPA, it is a separate plan and is administered by a board of trustees composed of District board members and volunteer firefighters, selected in accordance with Colorado state statutes. FPPA issues a publicly available comprehensive annual financial report that can be obtained at FPPAco.org. That report also includes the District’s Volunteer Firefighter Pension Plan.

Benefits Provided - A volunteer firefighter electing to retire on or after the normal retirement date (the date on which he/she has attained fifty years of age and completed twenty years of active service) is eligible for a monthly pension approved by the board, in accordance with state statute. The monthly pension benefit for volunteer retirees is \$560. The plan also provides benefits for short and long term disability, survivors, and a one-time death benefit.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS -
Continued**

Memberships as of January 1, 2021 - Number of:

| | |
|------------------------------|----|
| Retiree and Beneficiaries | 25 |
| Inactive, Nonretired Members | 2 |
| Active Members | - |
| Total | 27 |

Actuarial Assumptions and Methods - 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, 2019 determines the contribution amounts for 2020 and 2021.

Methods and assumptions used to determine contribution rates for the Fiscal Year Ended December 31, 2020:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Dollar, Open* |
| Remaining Amortization Period | 19 years* |
| Asset Valuation Method | 5-Year Smoothed Fair Value |
| Inflation | 2.50% |
| Salary Increases | N/A |
| Investment Rate of Return | 7.00% |
| Retirement Age | 50.00% per year of eligibility until 100.00% at age 65 |
| Mortality | <p>Pre-retirement: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality.</p> <p>Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.</p> <p>Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.</p> |

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

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS -
Continued**

Assumption Changes - The global assumption set for the Old Hire Plans and the Volunteer Firefighter plans administered by FPPA was changed in the 2018 Actuarial Experience Study. Effective with the January 1, 2020 valuation, the Old Hire Plans reduced their investment return from 7.5% to either 6.5% for those in the Glide-Path Pool or 4.5% for those in the Short-Term Pool. Effective with the January 1, 2019 valuations, significant changes affecting the Volunteer Firefighter plans valuations include 1) Reduce investment return from 7.5% to 7.0%. 2) Update base mortality tables and projection scales. 3) Increase withdrawal rates by 10%.

Single Discount Rate - 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 this valuation, the long-term expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.00% (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%.

Long-term Rate of Return - 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, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|-----------------------|------------------------------|--|
| Cash | 2% | 2.32% |
| Fixed Income - Rates | 10% | 4.01% |
| Fixed Income - Credit | 5% | 5.25% |
| Absolute Return | 10% | 5.60% |
| Long/Short | 8% | 6.87% |
| Global Equity | 39% | 8.23% |
| Private Markets | 26% | 10.63% |
| Total | <u>100%</u> | |

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS -
Continued**

Sensitivity of the Falcon Fire Protection District Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate - Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan’s net pension liability/(asset), calculated using a Single Discount Rate of 7.00%, as well as what the plan’s net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

| 1% Decrease | Current | 1% Increase |
|--------------------|----------------------|--------------------|
| (6.00%) | Discount Rate | (8.00%) |
| (7.00%) | (7.00%) | (8.00%) |
| \$ 528,800 | \$ 455,788 | \$ 392,315 |

Pension Plan Fiduciary Net Position - Detailed information about the fiduciary net position is available in FPPA’s comprehensive annual financial report which can be obtained at www.fppaco.org.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2021, the District reported a liability of \$455,788 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2020.

For the year ended December 31, 2021, the District recognized pension expense of \$188,185. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences Between Actual and Expected Experience | \$ - | \$ - |
| Changes in Assumptions | - | - |
| Net Difference Between Actual and Projected Earnings on Pension Plan Investments | 15,626 | 46,449 |
| Totals | \$ 15,626 | \$ 46,449 |

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN – VOLUNTEERS -
Continued**

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

| Years Ended December 31, | Amortization |
|---------------------------------|---------------------|
| 2022 | \$ (10,860) |
| 2023 | (3,672) |
| 2024 | (11,482) |
| 2025 | (4,809) |
| | \$ (30,823) |

NOTE 7 – SECTION 457 DEFERRED COMPENSATION PLAN

Plan Description - The District offers its paid responder personnel an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457 (“457 Plan”). All compensation deferred under the 457 Plan, together with all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are to be held in trust for exclusive benefit of the participants and their designated beneficiaries. Compensation deferred under the 457 Plan is not available to participants until termination, retirement, death, or unforeseeable emergency. The 457 Plan is administered by FPPA.

Contributions - Employees may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. The District does not contribute to the 457 Plan for sworn personnel. For administrative employees, the District contributes 16 percent of the employee’s base salary during the second year of full-time service and 8 percent for each subsequent year. For the year ended December 31, 2021, employer and employee contributions were \$7,013 and \$71,877, respectively.

The individual participants determine investment decisions within the 457 Plan and, therefore, the 457 Plan’s investment concentration varies between the participants. The District, as trustee of the 457 Plan, has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the 457 Plan. Consequently, the 457 Plan is not part of the District’s financial statements.

NOTE 8 – STATEWIDE DEATH & DISABILITY PLAN

Plan Description - The District contributes to the Statewide Death and Disability Plan (D&D Plan) administered by the FPPA. The D&D Plan is a cost-sharing multiple-employer defined benefit death and disability plan covering full-time employees of substantially all fire and police departments in Colorado. As of August 5, 2003, the D&D Plan may include part-time police and fire employees. Contributions to the D&D Plan are used for the payment of death and disability benefits. Employers who are covered by Social Security may elect supplementary coverage by 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 Defined Benefit System and the Statewide Death and Disability Plan. The D&D Plan was established in 1980 pursuant to Colorado Revised Statutes and currently has 267 participating employer

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – STATEWIDE DEATH & DISABILITY PLAN – Continued

departments. Included in that number are 7 contributing employers as of December 31, 2020, who are covered by Social Security and have elected supplementary coverage by the D&D Plan.

The Plan assets are included in the Fire & Police Members' Benefit Investment Fund Long-Term Pool. The Long-Term Pool is designed primarily for open plans with a longer time horizon, higher risk tolerance, and lower liquidity needs. The investment return assumption is 7.0%.

Plan benefits provide 24-hour coverage, both on- and off-duty and are available for members not eligible for normal retirement under a defined benefit plan, or members who have not met 25 years of accumulated service and age 55 under a money purchase plan. In the case of an on-duty death, benefits may be payable to the surviving spouse or dependent children of active members who were eligible to retire, but were still working. Death and disability benefits are free from state and federal taxes in the event that a member's disability is determined to be the result of an on-duty injury or an occupational disease. The FPPA issues a publicly available financial report that may be obtained at www.fppaco.org.

Benefits Provided – Benefits are established by Colorado statute.

If a member dies prior to normal retirement eligibility while off-duty, the surviving spouse shall receive a benefit equal to 40 percent of the monthly base salary paid to the member prior to death. An additional 10 percent of base salary is payable if a surviving spouse has two or more dependent children. If there is no surviving spouse, but the member had one or two dependent children, the benefit payable is 40 percent of the member's monthly base salary. If there is no spouse but three or more dependent children, the benefit equals 50 percent of the member's monthly base salary.

As of October 15, 2002, if a member dies prior to retirement while on-duty; the surviving spouse shall receive a benefit equal to 70 percent of the member's monthly base salary regardless of the number of dependent children. If there is no spouse but one or more dependent children living in the member's household the benefit equals 70 percent of the member's monthly base salary. If there are dependent children without a surviving spouse, and they do not live in the household, the benefit is 40 percent for the first child and 15 percent for each additional child, but not greater than 70 percent in total of the member's monthly base salary. Benefits will be paid to the spouse until death and to dependent children until age 23, death, marriage or other termination of dependency. Benefits may be extended for an incapacitated child.

For purposes of this D&D Plan, a spouse includes a partner in a civil union. These benefits are offset by Money Purchase account balances, Stabilization Reserve Accounts (SRA) and Deferred Retirement Option Plan (DROP) accounts, converted to annuities.

The D&D Plan provides the members with two types of disability: occupational and total.

Occupational Disability means a member is unable to perform their assigned duties due to a medical condition that is expected to last at least one year. Assigned duties are those specific tasks or job duties that a member is required to regularly perform. Within the Occupational Disability category, there are two sub-categories: Temporary Occupational Disability and Permanent Occupational Disability.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – STATEWIDE DEATH & DISABILITY PLAN – Continued

Temporary Occupational Disability is an occupational disability for which there is prognosis for improvement or recovery through surgical treatment, counseling, medication, therapy or other means.

Permanent Occupational Disability is an occupational disability caused by a condition that is permanent or degenerative and for which there is no prognosis for improvement or recovery through surgical treatment, counseling, medication, therapy or other means.

Total Disability means the member is unable to engage in any substantial gainful activity due to a medically determined physical or mental impairment that may be expected to result in death or that has lasted or is expected to last at least 1 year. A member who becomes disabled prior to normal retirement eligibility shall be eligible for disability benefits. If the member is totally disabled, the member shall receive 70 percent of their base salary preceding disability.

If the member is occupationally disabled and their disability is determined to be a permanent occupational disability, the member shall receive 50 percent of their base salary preceding disability regardless of their family status. If the member is occupationally disabled and the disability is determined to be a temporary occupational disability, the member shall receive 40 percent of their base salary preceding disability regardless of their family status for up to five years.

Total disability and permanent occupational disability benefits are offset by the Money Purchase, SRA or DROP balances, converted to annuities. For member's who also participate in Social Security, disability benefits are reduced by Social Security disability benefits derived from employment as a member, if applicable.

Temporary Occupational Disability benefits are payable for a maximum of five years. Permanent Occupational and Total Disability benefits are payable as long as the member remains disabled.

A benefit adjustment of up to 3 percent may be granted to members and spouses by the Fire & Police Pension Association Board of Directors annually. Totally disabled members and their beneficiaries receive an automatic benefit adjustment each year of 3 percent. The benefit adjustment is effective October 1. A benefit adjustment may begin after receiving benefits for at least 12 calendar months prior to October 1.

Contributions – Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. In 1997 the State made a one-time contribution of \$39,000,000 to fund past and future service costs for all firefighters and police officers hired prior to January 1, 1997.

Members hired on or after January 1, 1997, began contributing 2.4 percent of base salary to this Plan as of January 1, 1997. Through December 31, 2020, contributions could be increased 0.1 percent biennially by the FPPA Board. The contribution rate increased to 2.8 percent of base salary as of January 1, 2019. Effective January 1, 2021, the contribution rate increased to 3.0 percent of base salary and may be increased 0.2 percent annually by the FPPA Board. This percentage can vary depending on actuarial experience. All contributions are made by members or on behalf of members. The contribution may be paid entirely by the employer or member, or may be split between the employer and the member as determined at the local level. District contributions to the D&D Plan were \$103,621 for the year ended December 31, 2021.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – TAX, SPENDING, REVENUE AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that 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 reserve funds. The reserve fund must equal at least 3 percent of Fiscal Year Spending (excluding bonded debt service). TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. The statement of net position indicates that an amount of \$183,000 is reserved for emergencies.

TABOR is complex and subject to interpretation. Some provisions of TABOR are unclear and will require further judicial interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation. No representation can be made as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for its general operations, to undertake additional programs, or to engage in any subsequent financing activities.

The District believes it has complied with all aspects of the TABOR amendment.

In November 1996, the voters of the District approved a mill levy increase of 2.931 mills commencing January 1, 1997, and thereafter, and approved increases to the mill levy in future years up to annual inflation plus local growth. The voters also approved that the District shall be entitled to collect and spend the full revenues from such tax increases without any other limitation or condition, and without limiting the collection or spending of any other revenues or funds by the District, under Article X, Section 20 of the Colorado Constitution or any other law.

NOTE 10 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes reconciliation between fund balances – total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net change in fund balances - total government funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities. The items which were eliminated are as follows:

| | |
|---|--------------|
| Governmental Funds - Interfund Transfers | \$ 1,815,000 |
| Governmental Funds - Interfund Receivables/Payables | \$ 203,185 |

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

| | <u>Due From</u> | <u>Due To</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|-------------------|-------------------|-------------------------|--------------------------|
| Governmental Funds: | | | | |
| General Fund: | | | | |
| Operational Fund | \$ 203,185 | \$ 11,270 | \$ - | \$ 3,100,000 |
| Ambulance Fund | - | 191,915 | 1,285,000 | - |
| Capital Projects Fund | - | - | 1,815,000 | - |
| Total | <u>\$ 203,185</u> | <u>\$ 203,185</u> | <u>\$ 3,100,000</u> | <u>\$ 3,100,000</u> |

Due to and due from accounts are to be repaid within three months after year end. Transfers were for operational purposes.

NOTE 12 – CONTINGENCIES

The District is a defendant in a case involving a motor vehicle accident, which occurred in April 2020. The District intends to defend the lawsuit vigorously. The outcome of the lawsuit is not presently determinable and there is a statutory limit to the District's liability of \$387,000 under the Colorado Governmental Immunity Act for incidents of loss occurring between January 2, 2018 and January 1, 2022. As the amount is neither probable nor capable of reasonable estimation, the accompanying financial statements do not include a liability for any potential loss.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The District maintains commercial insurance for most risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 – RISKS AND UNCERTAINTIES

Coronavirus (COVID-19) Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., have declared a state of emergency.

Potential impacts to the District include disruptions or restrictions on our ability to provide services. We cannot anticipate all of the ways in which health pandemics such as COVID-19 could adversely impact the District. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on the District, the ultimate impact of the COVID-19 outbreak or a similar health pandemic is highly uncertain and subject to change.

NOTE 15 – RESTATEMENT

During 2021, the District determined a parcel of land that was previously reported on its government-wide financial statements was sold during 2019 and was not removed at that time. Therefore the District restated the beginning net position as follows:

| | Governmental Activities |
|--|------------------------------------|
| Net Position as Originally Reported, December 31, 2020 | \$ 11,822,604 |
| Adjustment to Remove Land Sold in 2019 | <u>(218,500)</u> |
| Net Position as Restated, December 31, 2020 | <u>\$ 11,604,104</u> |

The restatement did not impact previously reported individual fund balances.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the attached auditors' report, the date on which the financial statements were available to be released.

REQUIRED SUPPLEMENTARY INFORMATION

**FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE,
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Favorable (Unfavorable) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Unfavorable)</u> |
| Revenues | | | | |
| Local Sources | | | | |
| Property Taxes | \$ 6,993,319 | \$ 6,993,319 | \$ 6,997,476 | \$ 4,157 |
| Specific Ownership Tax | 784,870 | 784,870 | 821,257 | 36,387 |
| Interest | 23,857 | 23,857 | 4,661 | (19,196) |
| Intergovernmental Revenue | 269,000 | 269,000 | 225,207 | (43,793) |
| Charges for Services | 545,500 | 545,500 | 794,876 | 249,376 |
| Miscellaneous Revenues | - | - | 6,684 | 6,684 |
| Total Revenues | <u>8,616,546</u> | <u>8,616,546</u> | <u>8,850,161</u> | <u>233,615</u> |
| Expenditures | | | | |
| General Administrative | 274,705 | 274,705 | 301,856 | (27,151) |
| Fire | 8,808 | 8,808 | 938 | 7,870 |
| Operations | 6,076,983 | 6,076,983 | 5,429,208 | 647,775 |
| Volunteer Pension Payment | 40,000 | 40,000 | 40,000 | - |
| Supplies and Maintenance | 168,777 | 168,777 | 156,659 | 12,118 |
| Training and Association Fees | 36,527 | 36,527 | 34,306 | 2,221 |
| Capital Outlay | 195,746 | 195,746 | 132,757 | 62,989 |
| Contingency | 400,000 | 400,000 | - | 400,000 |
| Total Expenditures | <u>7,201,546</u> | <u>7,201,546</u> | <u>6,095,724</u> | <u>1,105,822</u> |
| Revenues Over (Under) Expenditures | <u>1,415,000</u> | <u>1,415,000</u> | <u>2,754,437</u> | <u>1,339,437</u> |
| Other Financing Sources (Uses) | | | | |
| Cost of Sale of Capital Assets | - | - | (1,700) | (1,700) |
| Transfers In (Out) | (1,500,000) | (1,500,000) | (1,815,000) | (315,000) |
| Total Other Financing Sources (Uses) | <u>(1,500,000)</u> | <u>(1,500,000)</u> | <u>(1,816,700)</u> | <u>(316,700)</u> |
| Net Changes in Fund Balances | (85,000) | (85,000) | 937,737 | 1,022,737 |
| Beginning Fund Balance, January 1 | <u>2,810,915</u> | <u>2,810,915</u> | <u>4,364,103</u> | <u>1,553,188</u> |
| Ending Fund Balance, December 31 | <u>\$ 2,725,915</u> | <u>\$ 2,725,915</u> | <u>\$ 5,301,840</u> | <u>\$ 2,575,925</u> |

See Independent Auditors' Report and Notes to Required Supplementary Information

**FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE,
BUDGET (GAAP BASIS) AND ACTUAL
RURAL WATER SYSTEM - SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2021**

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|-------------------------|-----------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Interest | \$ 100 | \$ 100 | \$ 6 | \$ 94 |
| Total Revenues | <u>100</u> | <u>100</u> | <u>6</u> | <u>94</u> |
| Expenditures | | | | |
| System Maintenance | 1,240 | 1,240 | - | 1,240 |
| Capital Outlay | 8,000 | 8,000 | 4 | 7,996 |
| Contingency | 2,000 | 2,000 | - | 2,000 |
| Total Expenditures | <u>11,240</u> | <u>11,240</u> | <u>4</u> | <u>11,236</u> |
| Revenues Over (Under) Expenditures | <u>(11,140)</u> | <u>(11,140)</u> | <u>2</u> | <u>11,142</u> |
| Net Changes in Fund Balance | (11,140) | (11,140) | 2 | 11,142 |
| Beginning Fund Balance, January 1 | <u>11,139</u> | <u>11,139</u> | <u>11,139</u> | <u>-</u> |
| Ending Fund Balance, December 31 | <u>\$ (1)</u> | <u>\$ (1)</u> | <u>\$ 11,141</u> | <u>\$ (11,142)</u> |

See Independent Auditors' Report and Notes to Required Supplementary Information

FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF THE STATEWIDE DEFINED BENEFIT PLAN -
A COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
ADMINISTERED BY THE FIRE AND POLICE PENSION ASSOCIATION
AS OF DECEMBER 31,

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|
| District's Proportion of the Net Pension Liability/(Asset) | 0.40% | 0.28% | 0.19% | 0.17% | 0.19% |
| District's Proportionate Share of the Net Pension Liability/(Asset) | \$ (868,831) | \$ (156,738) | \$ 241,970 | \$ (251,079) | \$ (68,369) |
| District's Covered Payroll | \$ 3,618,388 | \$ 3,214,442 | \$ 2,042,571 | \$ 1,419,150 | \$ 1,020,889 |
| District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll | 24.01% | 4.88% | 11.85% | 17.69% | 6.70% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset) | 106.70% | 101.90% | 95.20% | 106.30% | 98.21% |

The amounts presented for each fiscal year were determined as of the District's measurement date (the calendar year-end that occurred one year prior to the fiscal year-end). Information is only available beginning in fiscal year 2017.

FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE STATEWIDE DEFINED BENEFIT PLAN -
A COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
ADMINISTERED BY THE FIRE AND POLICE PENSION ASSOCIATION
AS OF DECEMBER 31,

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 307,563 | \$ 257,154 | \$ 163,407 | \$ 113,532 | \$ 81,671 |
| Contributions in Relation to the Contractually Required Contribution | \$ (307,563) | \$ (257,154) | \$ (163,407) | \$ (113,532) | \$ (81,671) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 3,618,388 | \$ 3,214,442 | \$ 2,042,571 | \$ 1,419,150 | \$ 1,020,889 |
| Contributions as a Percentage of Covered Payroll | 8.50% | 8.00% | 8.00% | 8.00% | 8.00% |

See Independent Auditors' Report and Notes to Required Supplementary Information

FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS MULTI-YEAR
LAST 10 FISCAL YEARS (AS AVAILABLE)

| Measurement Period Ending December 31, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------|------------|------------|------------|------------|------------|------------|
| Total Pension Liability | \$ 57,303 | \$ 60,119 | \$ 63,839 | \$ 66,185 | \$ 60,027 | \$ 62,377 | \$ 55,748 |
| Interest on the Total Pension Liability | 67,776 | - | 36,182 | - | 73,990 | - | 122,774 |
| Benefit Changes | 57,982 | - | (20,088) | - | 2,928 | - | (434) |
| Difference Between Expected and Actual Experience | - | - | 25,907 | - | 41,661 | - | - |
| Assumption Changes | (104,040) | (96,780) | (99,436) | (95,550) | (97,425) | (90,122) | (89,286) |
| Benefit Payments | 79,021 | (36,661) | 6,404 | (29,365) | 81,181 | (27,745) | 88,802 |
| Net Change in Total Pension Liability | 869,752 | 906,413 | 900,009 | 929,374 | 848,193 | 875,938 | 787,136 |
| Total Pension Liability - Beginning | \$ 948,773 | \$ 869,752 | \$ 906,413 | \$ 900,009 | \$ 929,374 | \$ 848,193 | \$ 875,938 |
| Total Pension Liability - Ending | \$ 40,000 | \$ 30,000 | \$ 30,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| Plan Fiduciary Net Position | 56,675 | 66,045 | 1,072 | 75,531 | 28,929 | 11,729 | 42,479 |
| Employer Contributions | (104,040) | (96,780) | (99,436) | (95,550) | (97,425) | (90,122) | (89,286) |
| Pension Plan Net Investment Income | (5,873) | (7,899) | (6,238) | (7,388) | (1,155) | (3,221) | (1,359) |
| Benefit Payments | 11,340 | - | 11,340 | 11,340 | 11,340 | 11,340 | 11,340 |
| Pension Plan Administrative Expense | (1,898) | (8,634) | (63,262) | 3,933 | (38,311) | (50,274) | (16,826) |
| State of Colorado Supplemental Discretionary Payment | 494,883 | 503,517 | 566,779 | 562,846 | 601,157 | 651,431 | 668,257 |
| Net Change in Plan Fiduciary Net Position | \$ 492,985 | \$ 494,883 | \$ 503,517 | \$ 566,779 | \$ 562,846 | \$ 601,157 | \$ 651,431 |
| Plan Fiduciary Net Position - Beginning | \$ 455,788 | \$ 374,869 | \$ 402,896 | \$ 333,230 | \$ 366,528 | \$ 247,036 | \$ 224,507 |
| Plan Fiduciary Net Position - Ending | 51.96% | 56.90% | 55.55% | 62.97% | 60.56% | 70.88% | 74.37% |
| Net Pension Liability/(Asset) - Ending | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Covered Payroll | 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 |

Information is only available beginning in measurement year 2014.

**FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF THE NET PENSION LIABILITY
VOLUNTEER FIREFIGHTER PENSION PLAN
AS OF DECEMBER 31,**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Pension Liability | \$ 948,773 | \$ 869,752 | \$ 906,413 | \$ 900,009 | \$ 929,374 | \$ 848,193 | \$ 875,939 |
| Plan Fiduciary Net Position | 492,985 | 494,883 | 503,517 | 566,779 | 562,846 | 601,157 | 651,431 |
| Net Pension Liability | <u>\$ 455,788</u> | <u>\$ 374,869</u> | <u>\$ 402,896</u> | <u>\$ 333,230</u> | <u>\$ 366,528</u> | <u>\$ 247,036</u> | <u>\$ 224,508</u> |
| Plan Fiduciary Net Position as a % of Total Pension Liability | 51.96% | 56.90% | 55.55% | 62.97% | 60.56% | 70.88% | 74.37% |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net Pension Liability as a % of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

See Independent Auditors' Report and Notes to Required Supplementary Information

**FALCON FIRE PROTECTION DISTRICT
VOLUNTEER SCHEDULE OF CONTRIBUTIONS MULTI-YEAR
FISCAL YEARS ENDED DECEMBER 31,**

| | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contributions as a % of Covered Payroll |
|------|--|--------------------------------|---|----------------------------|---|
| 2021 | \$ 48,876 | \$ 51,340 | \$ (2,464) | N/A | N/A |
| 2020 | \$ 38,106 | \$ 30,000 | \$ 8,106 | N/A | N/A |
| 2019 | \$ 38,106 | \$ 41,340 | \$ (3,234) | N/A | N/A |
| 2018 | \$ 20,985 | \$ 31,340 | \$ (10,355) | N/A | N/A |
| 2017 | \$ 20,985 | \$ 31,340 | \$ (10,355) | N/A | N/A |
| 2016 | \$ 13,358 | \$ 31,340 | \$ (17,982) | N/A | N/A |
| 2015 | \$ 13,358 | \$ 31,340 | \$ (17,982) | N/A | N/A |

Information is only available beginning in fiscal year 2015.

**FALCON FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY INFORMATION

Falcon Fire Protection District (District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedules.

Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. Prior to December 31, the District adopts budgets for all funds. Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

PENSION INFORMATION

Changes in Plan Provisions - The plan provisions have not changed since the prior valuation. The member contribution rate increased in 2021 as a result of member election.

Benefit Adjustments - Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0% to 3%. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

SUPPLEMENTARY INFORMATION

**FALCON FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE,
BUDGET (GAAP BASIS) AND ACTUAL
CAPITAL PROJECTS - CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2021**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|---|-------------------------|-----------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Interest | \$ 6,000 | \$ 6,000 | \$ 3,856 | \$ 2,144 |
| Total Revenues | <u>6,000</u> | <u>6,000</u> | <u>3,856</u> | <u>2,144</u> |
| Expenditures | | | | |
| Capital Lease Principal | 81,529 | 81,529 | 120,211 | (38,682) |
| Capital Lease Interest | 66,915 | 66,915 | 28,233 | 38,682 |
| Capital Outlay | 4,825,000 | 4,825,000 | 2,400,392 | 2,424,608 |
| Contingency | 200,000 | 200,000 | - | 200,000 |
| Total Expenditures | <u>5,173,444</u> | <u>5,173,444</u> | <u>2,548,836</u> | <u>2,624,608</u> |
| Revenues Over (Under) Expenditures | <u>(5,167,444)</u> | <u>(5,167,444)</u> | <u>(2,544,980)</u> | <u>(2,622,464)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | - | - | 17,000 | (17,000) |
| Lease Purchase Proceeds | 2,125,000 | 2,125,000 | 2,100,000 | 25,000 |
| Lease Purchase Closing Costs | - | - | (17,558) | 17,558 |
| Transfers In (Out) | 1,815,000 | 1,815,000 | 1,815,000 | - |
| Total Other Financing Sources (Uses) | <u>3,940,000</u> | <u>3,940,000</u> | <u>3,914,442</u> | <u>25,558</u> |
| Net Changes in Fund Balance | <u>(1,227,444)</u> | <u>(1,227,444)</u> | <u>1,369,462</u> | <u>(2,596,906)</u> |
| Beginning Fund Balance, January 1 | <u>40,872</u> | <u>40,872</u> | <u>2,762,503</u> | <u>2,721,631</u> |
| Ending Fund Balance, December 31 | <u>\$ (1,186,572)</u> | <u>\$ (1,186,572)</u> | <u>\$ 4,131,965</u> | <u>\$ 5,318,537</u> |

See Independent Auditors' Report

**FALCON FIRE PROTECTION DISTRICT
 COMBINING BALANCE SHEET
 GENERAL FUND - OPERATIONAL AND AMBULANCE TRANSPORT ACTIVITIES
 DECEMBER 31, 2021**

| | <u>Operational</u> | <u>Ambulance Transport</u> | <u>General Fund</u> |
|--|----------------------|--------------------------------|-------------------------|
| Assets | | | |
| Cash | \$ 255,198 | \$ 664,003 | \$ 919,201 |
| Investments | 3,667,014 | 595,744 | 4,262,758 |
| Accounts Receivable, Net | - | 212,207 | 212,207 |
| Property Tax Receivable | 8,411,592 | - | 8,411,592 |
| Interfund | 203,185 | - | 203,185 |
| Total Assets | <u>\$ 12,536,989</u> | <u>\$ 1,471,954</u> | <u>\$ 14,008,943</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$ 35,187 | \$ - | \$ 35,187 |
| Accrued Wages and Benefits | 40,837 | 16,302 | 57,139 |
| Interfund | 11,270 | 191,915 | 203,185 |
| Total Liabilities | <u>87,294</u> | <u>208,217</u> | <u>295,511</u> |
| Deferred Inflow of Resources | | | |
| Property Tax | 8,411,592 | - | 8,411,592 |
| Total Deferred Inflow of Resources | <u>8,411,592</u> | <u>-</u> | <u>8,411,592</u> |
| Fund Balances | | | |
| Restricted - TABOR | 183,000 | - | 183,000 |
| Assigned | | | |
| Code Requirements - | | | |
| Ambulance | - | 1,263,737 | 1,263,737 |
| Unassigned | 3,855,103 | - | 3,855,103 |
| Total Fund Balance | <u>4,038,103</u> | <u>1,263,737</u> | <u>5,301,840</u> |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balance | <u>\$ 12,536,989</u> | <u>\$ 1,471,954</u> | <u>\$ 14,008,943</u> |

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**FALCON FIRE PROTECTION DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GENERAL FUND - OPERATIONAL AND AMBULANCE TRANSPORT ACTIVITIES
 YEAR ENDED DECEMBER 31, 2021**

| | <u>Operational</u> | <u>Ambulance Transport</u> | <u>General Fund</u> |
|---|---------------------|--------------------------------|-------------------------|
| Revenues | | | |
| Taxes | \$ 7,818,733 | \$ - | \$ 7,818,733 |
| Intergovernmental Revenues | 225,207 | - | 225,207 |
| Charges for Services | 27,289 | 767,587 | 794,876 |
| Interest | 2,858 | 1,803 | 4,661 |
| Miscellaneous Revenues | 6,684 | - | 6,684 |
| Total Revenues | <u>\$ 8,080,771</u> | <u>\$ 769,390</u> | <u>\$ 8,850,161</u> |
| Expenditures | | | |
| Current | | | |
| General Administrative | \$ 259,929 | \$ 41,927 | \$ 301,856 |
| Fire | 938 | - | 938 |
| Operations | 3,803,603 | 1,625,605 | 5,429,208 |
| Volunteer Pension Payment | 40,000 | - | 40,000 |
| Supplies and Maintenance | 134,171 | 22,488 | 156,659 |
| Training and Association Fee | 33,102 | 1,204 | 34,306 |
| Capital Outlay | 125,364 | 7,393 | 132,757 |
| Total Expenditures | <u>4,397,107</u> | <u>1,698,617</u> | <u>6,095,724</u> |
| Revenues Over (Under) Expenditures | 3,683,664 | (929,227) | 2,754,437 |
| Other Financing Sources (Uses) | | | |
| Transfers In (Out) | (3,100,000) | 1,285,000 | (1,815,000) |
| Cost of Sale of Capital Assets | (1,700) | - | (1,700) |
| Total Other Financing Sources (Uses) | <u>(3,101,700)</u> | <u>1,285,000</u> | <u>(1,816,700)</u> |
| Net Change in Fund Balances | 581,964 | 355,773 | 937,737 |
| Fund Balances - Beginning | <u>3,456,139</u> | <u>907,964</u> | <u>4,364,103</u> |
| Fund Balances - Ending | <u>\$ 4,038,103</u> | <u>\$ 1,263,737</u> | <u>\$ 5,301,840</u> |

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