

CLIFTON FIRE PROTECTION DISTRICT

Financial Statements and
Report of Independent Auditor
For the Year Ended December 31, 2021

CLIFTON FIRE PROTECTION DISTRICT

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December 31, 2021

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Paul D. Miller CPA, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors'
Clifton Fire Protection District
Clifton, CO

Opinions

I have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Clifton Fire Protection District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Clifton Fire Protection District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of the Clifton Fire Protection 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 Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Clifton Fire Protection District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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 Clifton Fire Protection District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clifton Fire Protection District's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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, pages 3-6, required pension information, pages 30-33, and budgetary comparison information, page 34 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

Paul D. Miller, CPA, LLC

Grand Junction, CO

February 25, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Clifton Fire Protection District, we offer readers of the Clifton Fire Protection District's financial statements this narrative overview and analysis of the financial activities of the Clifton Fire Protection District for the fiscal years ending December 31, 2021.

Financial Highlights

At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,791,305. This represents approximately 87.8 % of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Clifton Fire District's basic financial statements comprise of three components: 1) government-wide financial statements 2) fund balance statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all the District's assets and liabilities, with the differences 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 is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, the revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements are combined with the fund financial statements and can be found in this report.

Fund Financial Statements: A fund is a group of related accounts used to maintain control over resources that have been set aside for specific activities or objectives. The District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows on expendable resources, as well as the balances of spend able resources available at the end of the fiscal year. Such information may be useful in evaluation 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 statement. 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 balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statement. The notes to the financial statement can be found in this report.

Government-Wide Financial Analysis. Net Position may serve over time as a useful indicator of a government's financial position. In the case of the Clifton Fire Protection District, assets exceeded liabilities by \$4,292,766 at the close of the most recent year; this includes the GASB No. 68, Accounting, and Financial Reporting for Pensions, activity. Detailed information of the pension activity can be found on pages 16 through 23.

By far the largest portion of the District's Net Position is reflected in its capital assets (e.g., land, building, and vehicles); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Clifton Fire Protection District's investment in its capital assets in reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's Net Position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position may be used to meet the government's ongoing obligations to its citizens.

Net Position Activity:

	2021	2020
Assets:		
Cash and Cash Equivalents	\$ 2,163,675	\$ 1,651,575
Accounts Receivable	856,481	679,018
Property Taxes Receivable	2,166,694	2,157,359
Prepays	106,780	59,504
Capital Assets	1,394,126	1,561,004
Net Pension Assets	371,304	229,707
Deferred Outflow of Resources	528,106	552,416
Total Assets	7,587,166	6,890,583
Liabilities:		
Accounts Payable & Accrued Exp.	144,410	86,158
Net Pension Liability	-	-
Long-term Liabilities	450,444	501,857
Deferred Inflow of Resources	2,699,546	2,441,734
	3,294,400	3,029,749
Net Position:		
Invested in Capital Assets	1,355,984	1,470,936
Restricted for Tabor Emergency	93,776	93,776
Restricted for Net Pension Position	357,223	497,748
Unrestricted	2,485,783	1,850,301
Total Net Position	\$ 4,292,766	\$ 3,912,761

Governmental Activities.

An increase in amount received from other governments, increase in charges for services, and increase in property taxes were the main sources of increases in general revenue.

Governmental activities and totals

	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for Services	\$ 979,620	\$ 588,334
General Revenues:		
Property Taxes	2,356,645	2,313,733
Specific Ownership Tax	312,353	309,403
Grant Revenue & from Other Governments	34,750	19,919
Other Income	182,414	251,765
Total Revenues	<u>3,865,782</u>	<u>3,483,154</u>
Expenses:		
Ambulance and Fire Operations	3,274,884	3,578,160
Depreciation	207,029	187,247
Lease Interest	3,863	6,494
Total Expenses	<u>3,485,776</u>	<u>3,771,901</u>
Change in Net Position	380,006	(288,747)
Net Position-beginning	3,912,760	4,201,467
Net Position-ending	<u>\$ 4,292,766</u>	<u>\$ 3,912,720</u>

Property Taxes increased by \$42,912 during the year. This is the result of new construction.

Financial Analysis of the Government Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Districts governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Clifton Fire Protection District's governmental funds reported ending fund balances of \$2,991,861 an increase of \$687,923, compared to the prior year. Approximately 93 percent or \$2,791,305 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is restricted by the State of Colorado, under the Taxpayers Bill of Rights (TABOR) and Non-spendable, which represents prepaid expenses. The restricted amount is \$93,776 and the non-spendable is \$106,780 at the end of 2021.

General Fund Budgetary Highlights

There was not an amendment to the 2021 budget. The Statement of Revenue, Expenditures, and Change in Fund Balance-Budget and Actual is presented on page 34 and 35 of this report.

Capital Assets and Debt Administration

Capital Assets. The Clifton Fire Protection District's investment in capital assets as of December 31, 2021 amounts to \$1,394,126 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, fire and medical apparatus and equipment. Additional information on the District's capital assets can be found on page 24.

Long-term Debt At the end of the current fiscal year, the Clifton Fire Protection District had no bonded debt outstanding. The District did have a total of \$38,142 in capital lease outstanding, however, the lease are not general obligations of the District and are paid solely from the District's revenues as appropriated in the annual budget.

Economic Factors and Next Year's Budgets

As it has continued for the past several years, the demand on the Clifton Fire Protection District to respond to various emergency calls from medical services, transport to fire, and rescue response fluctuates, while the cost of operations continually increases. Land development continues to see a slight increase while ambulance transport collection rates continue to fluctuate due to changes in Medicare/Medicaid. The District's assessed valuation for the prior year was \$ 190,957,850.00 and for this current year was \$ 216,546,192.00, an increased difference of a \$25,588,342, or +11.81%. This increase was due to the results of the 2020 property assessments and the moderate growth over the previous two years since the previous assessment.

On November 3, 2021 Colorado Amendment B, the *Gallagher Amendment Repeal and Property Tax Assessment Rates Measure* was passed, repealing the Gallagher Amendment, which set residential and non-residential property tax assessment rates which in turn froze property tax assessment rates at 7.15% for residential property and 29% for non-residential property. It is unclear how this will impact the Clifton Fire Protection District as previous residential assessment rate utilized was 7.2%.

The Clifton Fire Protection District entered into an IGA with the Town of Palisade for the purpose of providing Administrative and Operational oversight to the Palisade Fire Department, which has since been dissolved by the Town of Palisade. We have been working with Grand Junction Fire Department on a feasibility study with AP Triton, as we will be looking into the future for a merger, or cooperative agreement with Fire Station 8 moving into Clifton's District

The Administration continues to utilize the District's Master Plan and Strategic Plan as guides for making future financial and operational decisions. Administration continues to monitor the current and future fiscal impact of the COVID-19 Pandemic on the community and make adjustments accordingly to ensure the District continues to provide vital professional services to our residents and those the need our services. .

Request for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Clifton Fire Protection District, 3254 F Road/PO Box 386, Clifton, CO 81520.

Joe White

Fire Chief

Clifton Fire Protection District
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 2,163,675	\$ -	\$ 2,163,675
Accounts receivable rescue	816,217	-	816,217
Property taxes receivable	2,166,694	-	2,166,694
Other receivable	40,264	-	40,264
Prepaid expenses	106,780	-	106,780
Capital Assets (net of accumulated depreciation):			
Land	-	90,011	90,011
Building and improvements	-	398,902	398,902
Fire trucks and equipment	-	457,211	457,211
Rescue vehicles and equipment	-	441,743	441,743
Office equipment	-	6,259	6,259
Net Pension Asset:			
Volunteer FPPA Plan	-	18,057	18,057
Statewide Defined Benefit Pension Plan (SWDB)	-	353,247	353,247
DEFERRED OUTFLOWS OF RESOURCES			
Volunteer FPPA Plan	-	64,693	64,693
Statewide Defined Benefit Pension Plan	-	463,413	463,413
TOTAL ASSETS	<u>\$ 5,293,630</u>	<u>2,293,536</u>	<u>7,587,166</u>
LIABILITIES			
Accounts payable	\$ 31,507	-	\$ 31,507
Accrued payroll	109,670	-	109,670
Accrued expenses	3,233	-	3,233
Net Pension Liability- SWDB			
Long-term liabilities:			
Compensated absences	-	412,302	412,302
Due within one year	-	38,142	38,142
Due in more than one year	-	-	-
TOTAL LIABILITIES	<u>144,410</u>	<u>450,444</u>	<u>594,854</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	2,157,359	-	2,157,359
Volunteer FPPA Plan	-	177,946	177,946
Statewide Defined Benefit Pension Plan	-	364,241	364,241
	<u>2,157,359</u>	<u>542,187</u>	<u>2,699,546</u>
FUND BALANCES AND NET POSITION			
Restricted-Emergency reserve - Tabor	93,776	(93,776)	-
Non-spendable	106,780	(106,780)	-
Unassigned	2,791,305	(2,791,305)	-
TOTAL FUND BALANCES	<u>2,991,861</u>	<u>(2,991,861)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,293,630</u>		
NET POSITION			
Invested in capital assets, net of related debt	\$ -	1,355,984	1,355,984
Restricted for:			
Tabor emergency	-	93,776	93,776
Net Pension Position Volunteer	-	(95,196)	(95,196)
Net Pension Position SWDB	-	452,419	452,419
Unrestricted	-	2,485,783	2,485,783
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 4,292,766</u>	<u>\$ 4,292,766</u>

The notes to the financial statement are an integral part of this statement.

Clifton Fire Protection District
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2021

Adjustments to reconcile the governmental fund balance sheet to the statement of Net Position are as follows:

Fund balance per general fund balance sheet	\$ 2,991,861
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,394,126
Long-term liabilities, including leases payable used to fund capital assets are not due and payable in the current period are therefore not reported in the fund	(38,142)
Pension activity not reported at fund level	357,223
Compensated absences	(412,302)
Net Position for governmental activities	<u>\$ 4,292,766</u>

The notes to the financial statement are an integral part of this statement.

Clifton Fire Protection District
Statement of Revenue, Expenditures, and Change in Fund Balances-Governmental
and Statement of Activities
For the Year Ended December 31, 2021

	General Fund	Adjustments (See Page 10)	Statement of Activities
EXPENDITURES/EXPENSES			
Fire protection-operation	\$ 3,080,254	\$ 52,441	\$ 3,132,695
Capital outlay	41,822	(41,822)	-
Depreciation	-	207,029	207,029
Pension activity	-	142,189	142,189
Debt service			
Lease principal	51,919	(51,919)	-
Lease interest	3,863	-	3,863
Total expenditures/expenses:	3,177,858	307,918	3,485,776
PROGRAM REVENUES			
Charges for services	979,620	-	979,620
Net program expenses	(2,198,238)	307,918	(2,506,156)
GENERAL REVENUES			
Property taxes	2,356,645	-	2,356,645
Specific ownership	312,353	-	312,353
Interest income	9,251	-	9,251
Grant income	34,750	-	34,750
Miscellaneous income	173,162	-	173,162
Total general revenues	2,886,161	-	2,886,161
Excess of (expenditures) over revenues:	687,923	(307,918)	
Change in Net Position			380,005
FUND BALANCE/NET POSITION			
Beginning of the year	1,944,077	1,968,684	3,912,761
Reclass Compensated Absences:	359,861	(359,861)	-
End of the year	\$ 2,991,861	\$ 1,300,905	\$ 4,292,766

The notes to the financial statement are an integral part of this statement

Clifton Fire Protection District
 Reconciliation of the Statement of Revenues Expenditures,
 and Change in the Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2021

Amounts reported for the governmental activities in the statement of activities (page 9) are different because

Excess of expenditures over revenues - general funds (page 9)	\$ <u>687,923</u>
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	41,822
Depreciation	<u>(207,029)</u>
	<u>(165,207)</u>
The issuance of capital leases provides current financial resources to governmental funds, while the repayment of the principle of capital lease consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the Net Position	
Principal payment-capital lease	51,919
Compensated absences	(522)
Pension activity not reported at General fund level	<u>(142,189)</u>
Change in Net Position of governmental activities (page 9)	<u><u>\$ 380,005</u></u>

The notes to the financial statement are an integral part of this statement

CLIFTON FIRE PROTECTION DISTRICT
Summary of Significant Accounting Policies
December 31, 2021

The Clifton Fire Protection District is a special service district governed pursuant to provisions of the Colorado Special District Act. The District was established to provide fire protection and ambulance services within and surrounding the area of Clifton around 1943.

The District operates under the Board of Directors elected by the voters of the District. The District's financial statements include the accounts and operations of all the District's functions.

Based upon the National Council on Governmental Accounting (NCGA) in its Statement 1, the District's financial statements include the pension trust fund. The District exercises significant control through budget adoption, accountability for fiscal matters and board appointments.

Financial Reporting Entity

The Clifton Fire Protection District is a special district as defined by Colorado Statutes and is governed by an elected board of directors. The Board of Directors has oversight responsibility and control over all activities within its boundaries. The board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and statement of activities) report information on all the non-fiduciary activities of the primary government and its component units.

Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and user charges for support. Likewise, the *primary government is reported separately from certain legally separate component units* for which the primary government is financially accountable. The District has no business-type activities or component units.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has only one governmental fund, the *General Fund*.

A. Risk of Loss

The District is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance coverage for vehicles, commercial property, commercial umbrella, commercial general liability, and management liability through the Volunteer Firemen Insurance Services.

CLIFTON FIRE PROTECTION DISTRICT
Summary of Significant Accounting Policies
December 31, 2021

B. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental fund type.

All capital assets are valued at historical cost or estimated historical costs if actual historical cost is not available. The assets have a useful life of 5 to 40 years and are depreciated on the straight-line method. It is the District's policy to capitalize individual items costing \$1,500 or more.

The District has no restricted assets.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The District considers revenues to be available if they are collectible within 120 days except for property taxes which are considered available if they are collectible within 60 days after year-end. Property taxes, and interest associated with the current year are susceptible to accrual and so have been recognized as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

The government reports the following major governmental fund:

The *General Fund* is the District's operating fund. It accounts for all financial resources of the government. Additionally, the District reports the following fund type:

Fiduciary funds account for resources held for other parties outside the government. The District has one fiduciary fund the *Pension Trust Fund* which accounts for the activities of the assets held in the Fire and Police Member's Benefit Fund, an agent multi-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA).

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are certain charges between the District's Fiduciary Fund and various other functions of the government as these are considered external to the government.

Amounts reported as *program revenues* include 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.

CLIFTON FIRE PROTECTION DISTRICT
Summary of Significant Accounting Policies
December 31, 2021

D. Budgets and Budgetary Accounting

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The budget is prepared on the same basis as that of the fund financial statements.

The details of the budget calendar are outlined below:

- October 15 – Deadline for Budget Officer to submit proposed budget to the government board. Governing body must publish "Notice of Budget" upon receiving proposed budget.
 - December 15 – Deadline for certification of mil levy to the Board of County Commissioners.
 - December 22 – Deadline for Board of County Commissioners to levy taxes and to certify the levies to the Assessor.
 - December 31– Statutory deadline for local governing body to adopt budget. A certified copy of the adopted budget must be sent to the Division of Local Government within 30 days of adoption.
- On or before
December 31– The District shall enact an ordinance appropriating the budget for the ensuing year.

E. Compensated Absences

The District has adopted a policy addressing the compensated absences for full time employees only. A summary of that policy follows.

Vacation:

Years of Service

For Full-Time Administrative
Employees (40 hours/week)

Bi-Weekly Accumulation

Zero through 1 years of service	3.08 Hours (80 Hours/10 days/Year)
2 years through 4 of service	4.62 Hours (120 Hours/15 days/Year)
5 years through 10 years of service	6.16 Hours (160 Hours/20 days/Year)
11 years through 15 years of service	7.69 Hours (200 Hours/25 days/Year)
Over 16 years of service	10.77 Hours (280 Hours/35 days/Year)

Years of Service

For Full-Time Emergency Response
Personnel (56 hours/week)

Bi-Weekly Accumulation

Zero through 1 years of service	6.90 Hours (180 Hours/7.5 days/Year)
2 years through 4 years of service	11.54 Hours (300 Hours/12.5 days/Year)
5 years through 10 years of service	16.15 Hours (420 Hours/17.5 days/Year)
11 years through 15 years of service	18.75 Hours (488 Hours/20.3 days/Year)
Over 16 years of service	20.77 Hours (540 Hours/22.5 days/Year)

Sick Leave:

Employees (Full-time) leaving on a voluntary basis and have worked for the District for 5 years or more shall have their sick leave paid out as follows:

- 5-10 years: \$1.00/hour over 360 hours to a maximum of 720 hours.
- 10-15 years: \$2.00/hour over 360 hours to a maximum of 720 hours.
- 15 or more years: \$3.00/hour over 360 hours to a maximum of 720 hours.

For the year ended December 31, 2021, the vacation and sick time accrued was \$412,302.

CLIFTON FIRE PROTECTION DISTRICT
Summary of Significant Accounting Policies
December 31, 2021

F. Property Taxes - Receivable

Annual property taxes are levied on December 22 of each year and attached as an enforceable lien as of January 1. They are payable in full April 30, or in two equal installments due February 28 and July 31. The county bills and collects property taxes for the district. Property taxes collected by the county are remitted to the district in the subsequent month. Property taxes are reported as receivable and deferred revenue when levied and as revenue when collected in the following year.

Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

H. Disaggregation of Receivables and Payables

Significant components of receivables and payables are disaggregated in the financial statements. All receivables are expected to be collected within one year. All material payables are expected to be paid within one year except for the amounts for the accrual of compensated absences and capital leases.

I. Fund Equity

In the fund financial statements governmental funds report reservations of fund balance amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

J. Net Position

Net position represents the difference between assets and liabilities. Net Position invested in capital assets net of related debt consists of capital assets net of accumulated depreciation and related debt. Net Position are reported as restricted when there are constraints placed on their use either by law through constitutional provisions or enabling legislation or through restrictions externally imposed by creditors, grantors, laws, or regulations of other governments.

K. Use of Restricted Funds

It is the District's policy to use restricted funds first for their intended use before unrestricted funds are used.

L. 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.

The Entity also participates in the Volunteer Fire Department Pension Fund (VFDP), an agent multiple-employer Public Employee Retirement System (PERS), administered by FPPA, which represents the assets of numerous separate plans that have been pooled for investment purposes. The net pension liabilities or assets, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the pensions have been determined using the economic resources measurement focus and the accrual basis of accounting. 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.

CLIFTON FIRE PROTECTION DISTRICT
Summary of Significant Accounting Policies
December 31, 2021

M. Fund Equity

In the fund financial statements governmental funds report reservations of fund balance amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The Non-Spendable amount represents funds already spent but will affect future expended amounts.

N. Subsequent Events

Management has reviewed subsequent events through the date of the audit report.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 1 – Defined Benefit Pension Plan – Volunteer Pension

General Information about the Pension Plan

Plan Description

The Entity contributes to the Volunteer Fire Department Pension Fund (VFDP), an agent multiple-employer Public Employee Retirement System (PERS) administered by the Fire & Police Pension Association (FPPA). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>. For the measurement period ending December 31, 2020, the Plan included membership of 30 retirees, 2 inactive non-retired members, and 3 active members for a total of 32 members.

Benefits Provided.

Normal Retirement

A member is eligible for a normal retirement pension once the member has completed twenty years of credited service and has attained the age of 50. The monthly regular retirement benefit is \$700. A supplemental monthly pension payment to a volunteer who has attained the age of 50 years and who has been in active service more than 20 years can receive an extended service amount up to 5% of the monthly pension amount per additional year of service. The amount cannot exceed a maximum of ten additional years.

Vested Retirement

A member with 10 or more but less than 20 years of service is eligible to receive a benefit of \$35 per month times the number of vesting years.

Disability Retirement Benefit

A member is eligible for short-term disability for injuries in the line of duty of \$350 payable for not more than a year and \$700 long-term disability for injuries in the line of duty. Long-term disability is a lifetime benefit.

Survivor Benefits

Survivor benefits are available at one-half of the amount of the normal retirement pension, or \$350 per month. This amount is available to a survivor following death after normal retirement, following death in the line of duty as a volunteer firefighter before retirement eligible, and \$350 following death after disability retirement. An additional amount of \$17 per month is available following death after normal retirement with extended service amount per year of service and following death after vested retirement with 10 to 20 years of service per year of service. Survivors may include spouse, child under 18 years of age, or dependent parent. This annuity shall cease if the surviving spouse or dependent parent remarries, and dissolution of a subsequent marriage does not reinstate the annuity. Whenever the pension board increases the retirement pension payable to volunteer firefighters, that increase will also be applied to the pension benefits of survivors of firefighters killed in the line of duty.

Funeral Benefits

A one-time funeral benefit is paid of \$1,200 in the event of a death of a member.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 1 – Defined Benefit Pension Plan – Volunteer Pension-continued

General Information about the Pension Plan-continued

Contributions.

The Entity contributes from proceeds of a property tax mill levy. The Plan is construed and enforced in accordance with Colorado Revised Statute Title 31, Article 30. Per CRS 31-30-1112, State contributions to any municipality or district must equal ninety percent of all amounts contributed by the municipality or district under section 31-30-1110 in the previous year, but, notwithstanding any other provision of this part 11, the state contribution shall not exceed one-half mill on the previous net valuation for assessment of the municipality or district assuming one hundred percent collection. For 2021, the Entity contributed \$17,000 and the state's matching contribution was \$29,700.

Pension Liabilities/ (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

On December 31, 2021, the Entity reported a net pension liability/ (asset) of \$(18,057). The net pension liability/ (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability/ (asset) was determined by an actuarial valuation as of January 1, 2021.

For the year ended December 31, 2021, the Entity recognized pension expense of \$17,000. On December 31, 2021, the Entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Assumption Changes	-	-
Net difference between projected and actual earnings on pension plan investments	51,993	177,946
Total	<u>\$ 51,993</u>	<u>\$ 177,946</u>

\$16,000 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year 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:

Year ended December 31: Net Inflows of Resources.	
2021	\$ (42,104)
2021	\$ (18,724)
2022	\$ (44,719)
2022	\$ (20,406)
Thereafter	\$ -
Total	<u>\$(125,953)</u>

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 1 – Defined Benefit Pension Plan – Volunteer Pension-continued

General Information about the Pension Plan-continued

Pension Liabilities/ (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-continued

Actuarial Assumptions.

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 2019 and 2021. The valuation used the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Amortization Period	20 Years*
Asset Valuation Method	5-Year Smoothed fair value.
Inflation	2.5%
Investment Rate of Return	7.0%
Projected Salary Increases	N/A
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: 2006 central rates from the RP-2014 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. Post-retirement: 2006 central rates from the RP-2014 Mortality Tables for males and female projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years. Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for male 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.

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

Assumption Changes

The assumption shown above pertains to the actuarial valuations beginning January 1, 2021 and the associated Actuarially Determined Contribution for the year ending December 31, 2020. Following an experience study in 2020, the Board adopted a new assumption set for first use in the January 1, 2021 valuation. The new assumption set is used in determining the Net Pension Liability as of December 31, 2020 and as December 31, 2021.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 1 – Defined Benefit Pension Plan – Volunteer Pension-continued

General Information about the Pension Plan-continued

Long-term Expected Return on Plan Assets

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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	39.00%	8.23%
Equity Long/Short	8.00%	6.87%
Private Markets	26.00%	10.63%
Fixed Income-Rates	10.00%	4.01%
Absolute Return	10.00%	5.60%
Fixed Income-Credit	5.00%	5.25%
Cash	2.00%	2.32%

Regarding the sensitivity of the net pension liability/ (asset) to changes in the Single Discount Rate, the following presents the plans 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability/(asset)	\$162,579	\$(18,057)	\$(171,190)

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 2 – Fire & Police Statewide Defined Benefit Plan

General Information about the Fire & Police Statewide Defined Benefit Plan

Plan description.

The Statewide Defined Benefit Plan (SWDB) 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 the districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980.

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 Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on their website at <http://www.FPPAco.org>

Description of Benefits.

A member is eligible for a normal retirement pension once the member has completed 25 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 members' 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% of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5% 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. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated 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% or the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

A member is eligible for an early retirement at age 50 or after 30 years of service 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% 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% of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

Contributions.

Contribution rates, through December 31, 2020, for the SWDB 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 by 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 though an election by both the employers and members.

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 % annually through 2022 to a total of 12% of pensionable earnings. Employer contributions are 8% in 2020 and 8.5% in 2021. Employer contributions will increase .05% annually beginning in 2021 through 2030 to a total of 13% of pensionable earnings. In 2020, members of the SWDB plan and their employers are contribution at the rate of 11.0% and 8% respectively, of pensionable earnings for a total contribution rate of 19.0%.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 2 – Fire & Police Statewide Defined Benefit Plan-continued

General Information about the Fire & Police Statewide Defined Benefit Plan-continued

Contributions-continued

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% and 23.5% of pensionable earnings in 2020 and 2021, respectively. It is a local decision on who pays the additional 4% 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% 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 5.50% and 4.0%, respectively, of pensionable earnings for a total contributions rate of 9.50% in 2020 and 9.75% in 2021. Per the 2014-member election, members of affiliated social security group had their required contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6.0% of pensionable earnings. Employer contributions are 4.0% in 2019 and 2021. Employer contributions will increase 0.25% annually beginning in 2021 through 2030 to a total of 6.5% of pensionable earnings.

Basis of Presentation

The underlying financial information used to prepare the Schedule of Employer Contributions and Schedule of Collective Pension Amounts is based on FPPA's financial statements. FPPA follows the accounting principles and reporting guidelines asset forth by the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of FPPA. Employer contributions in FPPA's financial statements are recognized in the period in which the contributions are due.

Employer contributions received and processed within the year ended December 31, 2020 are used as the basis for reporting within the Schedule of Employer Contributions. As reported in FPPA's Other Supplementary Schedule of Fiduciary Net Position by Participating Employer in the December 31, 2020 Comprehensive Annual Financial Report (CAFR), employer contributions to the SWDB plan were \$64,276,546 compared to total employer contributions of \$64,256,705 on the Schedule of Employer Contributions. Additional adjustments were made to reduce employer contributions to zero for departments that had no remaining members at year end and for known significant adjustments of non-recurring amounts.

The Schedule of Collective Pension Amounts represents total pension amounts for the SWDB plan. This schedule excludes employer-specific deferral amounts that may need to be recognized to comply with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Specifically, this schedule excludes deferral amounts arising from the changes in employer proportion, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

Contributions to the Plan from the Department were \$104,553 for the year ended December 31, 2021.

Actuarial Valuation Dates

The collective total pension liability as of December 31, 2020 is based upon the January 1, 2021 actuarial valuation. The actuarially determined contributions as of December 31, 2020 are based upon the January 1, 2020 actuarial valuation.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 2 – Fire & Police Statewide Defined Benefit Plan-continued

General Information about the Fire & Police Statewide Defined Benefit Plan-continued

Actuarial assumptions.

The actuarial valuation for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2020. The valuations used the following actuarial assumptions and other inputs:

	<u>Total Pension Liability</u>	<u>Actuarial Determined Contribution</u>
Actuarial Valuation Date	1/1/2020 ¹	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*	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, 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 pre-retirement 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. 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 following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	39.0%	8.23%
Equity Long/Short	8.0%	6.87%
Private Markets	26.0%	10.63%
Fixed Income-Rates	10.0%	4.01%
Absolute Return	10.0%	5.60%
Fixed Income-Credit	5.0%	5.25%
Cash	<u>2.0%</u>	2.32%
Total	<u>100%</u>	

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 2 – Fire & Police Statewide Defined Benefit Plan-continued

General Information about the Fire & Police Statewide Defined Benefit Plan-continued

Actuarial assumptions-continued

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 SWDB 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.

On December 31, 2021, the Department reported a net asset of (\$83,183) for its proportionate share of the net pension liability/ (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability/ (asset) was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability/ (asset) was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating Departments, actuarially determined. On December 31, 2021, the Department's proportion was .0.162711 percent, which was an increase/ (decrease) of .00679 percent from its proportion measured as of December 31, 2020.

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) a 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%; the municipal bond rate is 2.0% (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%.

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, calculated using a Single Discount of 7.0%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1.00% Decrease	Current Discount Rate	1.00% Increase
Department's proportionate share of the net pension liability/(asset)	\$355,487	\$(353,247)	\$(940,166)

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 2 – Fire & Police Statewide Defined Benefit Plan-continued

General Information about the Fire & Police Statewide Defined Benefit Plan-continued

Reconciliation of Collective Deferred Outflows and Inflows of Resources

For the year ended December 31, 2021, the Department recognized pension expense of \$27,123. On December 31, 2021, the Department 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	\$ 299,587	\$ 1,405
Changes in assumptions	\$ 150,241	\$ -
Net difference between actual and projected earnings on pension plan investments	\$ -	\$ 362,835
Changes in proportion and differences between Department contributions and proportionate share of contributions	-	-
Department contributions subsequent to the measurement date	\$ 104,553	-

Net Amount of Collective Deferred Inflows and Outflows of Resources in the Collective Net Pension Expense in Subsequent Years

The following table presents the SWDB plan net amount of collective deferred inflows and outflows of resources that will be recognized in the collective pension expense for each of the subsequent five years and in the aggregate thereafter:

Year ended December 31,	
2021	\$ (39,690)
2022	\$ 7,372
2023	\$ (53,670)
2024	\$ 8,059
2025	\$ 64,818
Thereafter	\$ 98,699

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.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 3 – Statewide Death and Disability Plan

Plan Description – The District contributes to the Statewide Death and disability Plan (SWD&DP), a cost sharing multiple-employer death and disability plan administered by FPPA. The SWD&DP covers full-time employees of substantially all fire and police departments in Colorado. As of August 1, 2003, the SWD&DP may include part-time police and fire employees. Contributions to the SWD&DP are used solely for the payment of death and disability benefits. Employers who are covered by Social security may elect supplementary coverage by the Plan. The Plan was established in 1098 pursuant to Colorado Revised Statutes. FPA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the SWD&DP. That report can be obtained at www.fppaco.org.

Funding Policy – The District and/or employee is required to contribute at a rate of 2.8% of base salary for all members as set by statute. All contributions are made by members or on behalf of members. The 2.8% contribution may be paid entirely by the employer or the member, or it may be split between the two parties. The District pays the SWD&DP on behalf of the employees which was \$38,533.

Note 4 - Change in Capital Asset

	Balance 12/31/2020	Additions	Deletions	Balanc 12/31/2021
Buildings	\$ 976,131	\$ -	\$ -	\$ 976,131
Fire Vehicles & Equipment	1,885,580	33,938	(10,500)	1,909,018
Medical Vehicles & Equipment	760,272	-	-	760,272
Office Equipent	26,956	6,214	-	33,170
Assets being Depreciated	3,648,939	40,152	(10,500)	3,678,591
Less Accumulated Depreciation	(2,177,947)	(207,029)	10,500	(2,374,476)
Net	1,470,992	(166,877)	-	1,304,115
Land	90,011	-	-	90,011
CIP	-	-	-	-
Net Fixed Assets	<u>\$ 1,561,003</u>	<u>\$ (166,877)</u>	<u>\$ -</u>	<u>\$ 1,394,126</u>

In 2021, the Districts depreciation was \$207,029. The depreciation was charged directly to the various functions as follows:

Administration	\$ 2,271
Fire vehicles & equipment	104,819
Grounds & building	23,308
Ambulance & equipment	76,631
Total	<u>\$ 207,029</u>

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 5 - Budget to Actual Comparison

	<u>General Fund</u>
Revenue and other financing resources	
GAAP Basis	\$ 3,865,781
Modification to GAAP Basis	
Carryover from prior year	470,091
Resources Budgetary Basis	<u>4,335,872</u>
21 Budgeted Resources	<u>(3,447,809)</u>
Variance Favorable (Unfavorable)	<u>\$ 888,063</u>
Expenditures-GAAP Basis	\$ 3,485,776
Modification to GAAP Basis	
Capital Outlays	41,822
Depreciation	(207,029)
Lease purchases	51,919
Pension Activity	(142,189)
Expenditures Budget Basis	<u>3,230,299</u>
21 Budgeted Expenditures	<u>(3,617,496)</u>
Variance favorable (Unfavorable)	<u>\$ 387,197</u>

Note 6 – Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 100% of the uninsured deposits. Collateral in the pool is considered equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2021, the District's cash deposits had a bank balance of \$1,217,353 of which \$500,000 was covered by federal depository insurance and \$717,356 was collateralized.

On December 31, 2021, the deposits of the governmental activities consisted of the following:

Cash in demand accounts	\$1,217,356
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Investments

Colorado statutes specify in which instruments the units of local government may invest which include:

- Repurchase agreements.
- Obligations of the United States or obligations unconditionally guaranteed by the United States.
- Obligations of the State of Colorado and most general obligations of units of local governments.
- Federally insured mortgages and student loans.
- Participation with other local governments in pooled investment funds (trusts). These trusts are supervised by participating governments and must comply with the same restrictions on cash deposits and investments.

The District's investment policy follows Colorado statutes.

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 6 – Deposits and Investments

Investments-continued

At year-end, the District had invested \$ 946,319 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. This pool is not required to and is not registered with the SEC. COLOTRUST funds are rated AAA by Standard and Poor's, an AAR/V1+ from Fitch's and an Aaa from Moody's rating services.

Summary of Investments Held by the District:

COLOTRUST (Measured at Fair Value)	\$946,319
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Fair Value

The District categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs for an asset or liability.

CLIFTON FIRE PROTECTION DISTRICT
Notes to Financial Statements
December 31, 2021

Note 7 – Long-term Debt

Long-term liability activity for the year ended December 31, 2021 was as follows:

	January 1, <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2021</u>
Compensated Absences	\$ 359,861	\$ 52,411	\$ -	\$ 412,302
Capital Lease	<u>92,708</u>	<u>-</u>	<u>54,566</u>	<u>38,142</u>
	<u>\$ 452,569</u>	<u>\$ 52,411</u>	<u>\$ 54,566</u>	<u>\$ 450,444</u>

An election was held in 2000, and passed, that would allow the District to keep an additional \$250,000 each year, over the TABOR calculation, for the payment of the lease purchase on the fire truck. The District, through a ballot question in November 2021 has de-Gallagerized.

Note 8 - Tax, Spending, and Debt Limitation

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (TABOR), which adds a new 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.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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 more than the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

The District believes it is compliance with this amendment.

Note 9 - Capital Lease Commitment

The District leases a fire truck with lease terms through February 2022. Obligations under the capital lease have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at the interest rate of 5.25%. The capitalized cost of \$668,857 is included in the fixed assets - vehicles.

Fire Truck

<u>Payment Date</u>	<u>Payment Amount</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 39,217	\$ 38,142	\$ 1,075
	<u>\$ 39,217</u>	<u>\$ 38,142</u>	<u>\$ 1,075</u>

CLIFTON FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2021

Note 9 - Capital Lease Commitment-continued

In 2013, the District entered into a lease purchase agreement to purchase a new chassis and retrofit a box from an old ambulance to it. The cost of the retrofit, with the book value of the box is \$126,283. The lease was paid off in 2021.

For the year ended December 31, 2021, the District expended \$3,863 in interest expense as a direct function of firefighting and rescue activities.

Note 10 – Fund Balance Classification Policies and Procedures

The District has implemented GASB 54, Fund Balance Classification. With this new GASB, the fund balance is broken into five classifications. (1) Non-spendable – not in spendable form, (2) Restricted-fund constrained by external parties, (3) Committed – constraints on use of funds imposed by the highest level of decision-making authority, in the Districts case that is the Board of Directors. The funds must be established, modified, or rescinded by use of resolution of the Board. (4) Assigned – funds intended to be used for a specific purpose, where the intent is expressed by an official authorized by the governing board, in the Districts case that is the Fire Chief and (5) Unassigned – which are funds available for any purpose. The District does not have Committed or Assigned fund classification in 2021.

It is the District's policy to spend restricted fund first then unrestricted fund for the purpose for which both funds are available and committed and assigned funds are spent when expenditure is incurred for purposes for which amount in any of those unrestricted fund balance classification could be used.

The District does have fund classification as follows:

- Restricted which is dictated by Colorado State Law
- Non-spendable which is its prepaid expenses,
- Unassigned.

REQUIRED SUPPLEMENTAL INFORMATION

CLIFTON FIRE PROTECTION DISTRICT
 Required Supplementary Information Pensions
 December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability/ (Asset)
 Fire & Police Statewide Defined Benefit Plan
 As of December 31,

	2021	2020
Department's proportion of the net pension liability/(asset)	.1627%	.1559%
Department's proportionate share of the net pension liability/(asset)	\$ (353,247)	\$ (88,183)
Department's covered payroll	\$ 1,230,035	\$ 1,364,512
Department's proportionate share of the net pension liability/(asset) as a percentage of is covered payroll	8.5.0%	8.0%
Plan fiduciary net position as a percentage of the total pension liability	106.7%	101.9%

Schedule of Department Contributions
 Fire & Police Statewide Defined Benefit Plan
 As of December 31,

	2021	2020
Contractually required contribution	\$ 104,553	\$ 109,161
Contributions in relation to the contractually required contribution	\$ 104,553	\$ 109,161
Contribution deficiency (excess)	\$ -	\$ -
Department's covered payroll	\$ 1,230,035	\$ 1,364,512
Contributions as a percentage of covered payroll	8.5%	8.0%

CLIFTON FIRE PROTECTION DISTRICT
Required Supplementary Information Pensions
December 31, 2021

**Notes to Required Supplementary Information
for the Year Ended December 31, 2021**

Subsequent Event

House Bill 20-1044 was signed into law on April 1, 2020. Included in the bill is a provision to increase the benefits of the members of the Statewide Defined Benefit Plan through a Rule of 80 provision effective January 1, 2021. This provision provides for a normal retirement as early as age 50 if the member's age combined with years of service totals at least 80. The impact of this change was not included in the Total Pension Liability or the Collective Pension Expense as of the December 31, 2019 measurement period. This will be reflected in the December 31, 2021 measurement period. The impact of the benefit adjustment is approximately \$53 million.

CLIFTON FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS MULTIYEAR

Measurement period ending December 31,	Last 10 Fiscal Years									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service Cost	\$ 4,183	\$ 4,183	\$ 5,431	\$ 5,431	\$ 23,147	\$ 23,147	\$ 15,256			
Interest on the Total Pension Liability	110,965	113,518	118,690	119,844	123,827	123,068	123,260			
Benefit Changes	279,903	-	-	-	-	-	-			
Difference between Expected & Actual Experience	(10,867)	-	(8,231)	-	(98,418)	-	(11,774)			
Assumption Changes		0	65,207	-	45,103	-	-			
Benefit Payments	(167,725)	(141,075)	(141,420)	(139,934)	(136,260)	(135,950)	(130,500)			
Net Change in Total Pension Liability	216,459	(23,374)	39,677	(14,659)	(42,601)	10,265	(3,758)	0	0	0
Total Pension Liability - Beginning	1,665,599	1,688,973	1,649,296	1,663,955	1,706,556	1,696,291	1,700,049			
Total Pension Liability - Ending (a)	<u>\$ 1,882,058</u>	<u>\$ 1,665,599</u>	<u>\$ 1,688,973</u>	<u>\$ 1,649,296</u>	<u>\$ 1,663,955</u>	<u>\$ 1,706,556</u>	<u>\$ 1,696,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position										
Employer Contributions	\$ 17,000	\$ 16,000	\$ 32,000	\$ -	\$ 14,731	\$ 9,914	\$ 9,194			
Pension Plan Net Investment Income	224,012	236,334	1,735	239,575	88,733	32,768	120,302			
Benefit Payments	(167,725)	(141,075)	(141,420)	(139,934)	(136,260)	(135,950)	(130,500)			
Pension Plan Administrative Expense	(7,251)	(9,667)	(7,959)	(8,054)	(2,933)	(3,755)	(3,128)			
State of Colorado Discretionary Payment	26,956	-	14,400	13,258	8,923	8,275	-			
Net Change in Plan Fiduciary Net Position	92,992	101,592	(101,244)	104,845	(26,806)	(88,748)	(4,132)	0	0	0
Plan Fiduciary Net Position - Beginning	1,807,123	1,705,531	1,806,775	1,701,930	1,728,736	1,817,484	1,821,616			
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,900,115</u>	<u>\$ 1,807,123</u>	<u>\$ 1,705,531</u>	<u>\$ 1,806,775</u>	<u>\$ 1,701,930</u>	<u>\$ 1,728,736</u>	<u>\$ 1,817,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position Liability/(Asset) - Ending (a) - (b)	<u>\$ (18,057)</u>	<u>\$ (141,524)</u>	<u>\$ (16,558)</u>	<u>\$ (157,479)</u>	<u>\$ (37,975)</u>	<u>\$ (22,180)</u>	<u>\$ (121,193)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.96%	108.50%	100.98%	109.55%	102.28%	101.30%	107.14%			

CLIFTON FIRE PROTECTION DISTRICT
 SCHEDULE OF CONTRIBUTIONS MULTIYEAR
 LAST 10 FISCAL YEARS

FY ENDING DECEMBER 31, (a)	Actuarially Determined Contribution (b)	Actual Contribution* (c)	Contribution Deficiency (Excess) (d) = (b) - (c)	Covered Payroll (e)	Actual Contribution as a % of Covered Payroll (f)
2014	\$ 9,194	\$ 9,194	\$ -	N/A	N/A
2015	\$ 9,194	\$ 18,189	\$ (8,995)	N/A	N/A
2016	\$ 14,731	\$ 23,654	\$ (8,923)	N/A	N/A
2017	\$ 14,731	\$ 13,258	\$ 1,473	N/A	N/A
2018	\$ 46,400	\$ 46,400	\$ -	N/A	N/A
2019	\$ -	\$ 16,000	\$ (16,000)	N/A	N/A
2020	\$ 29,494	\$ 43,956	\$ (14,462)	N/A	N/A

*Includes both Employer & State of Colorado Discretionary Payment

CLIFTON FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual
For the Year Ended December 31, 2021

	General Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
General property taxes	\$ 2,430,609	\$ 2,356,645	\$ (73,964)
Specific ownership tax	250,000	312,353	62,353
Ambulance	542,000	979,620	437,620
Interest income	20,000	9,251	(10,749)
Grant income	22,000	34,750	12,750
Fees and permits	7,000	8,725	1,725
Miscellaneous	176,200	164,437	(11,763)
Total Revenues	<u>3,447,809</u>	<u>3,865,781</u>	<u>417,972</u>
Expenditures:			
Administrative:			
Salaries	688,145	698,735	(10,590)
Payroll taxes and benefits	533,950	522,281	11,669
Office expense	77,050	69,121	7,929
Accounting and legal	32,000	30,893	1,107
Dues and fees	7,000	1,533	5,467
Treasurers fees	48,000	44,030	3,970
Director's fees	4,500	4,500	-
Contingency and all other	-	-	-
Operations:			
Salaries	1,093,875	1,128,816	(34,941)
Personal protective equipment	36,500	30,324	6,176
Fire operating supplies	46,000	24,975	21,025
Insurance	75,000	84,953	(9,953)
EMS operating supplies	84,000	76,356	7,644
Uniforms	7,200	9,254	(2,054)
Training	40,000	17,443	22,557
Station utilities	25,000	21,425	3,575
Station maintenance	10,300	3,769	6,531
Public education	2,800	2,965	(165)
Recruitment & retention	27,700	26,071	1,629
Fuel/Oil/ Repair & Maint.			
Small tools & equipment	8,700	9,714	(1,014)
Apparatus	43,000	30,109	12,891
Station/grounds repairs	17,000	6,848	10,152
Fuel	19,000	22,585	(3,585)
Communications			
Dispatch fees	114,500	114,772	(272)
Radio & equipment maintenance	1,500	2,656	(1,156)
Capital outlays	20,000	190	19,810
Ambulance Fees			
Billing fees	70,000	71,666	(1,666)
Transport fees	15,000	24,270	(9,270)
Balance Carried Forward	<u>3,147,720</u>	<u>3,080,254</u>	<u>67,466</u>

The notes to the financial statement are an integral part of this statement.

CLIFTON FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual
For the Year Ended December 31, 2021

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Balance Brought Forward	\$ 3,147,720	\$ 3,080,254	\$ 67,466
Total Current Expenditures	<u>3,147,720</u>	<u>3,080,254</u>	<u>67,466</u>
Capital Outlay Major	<u>320,000</u>	<u>41,822</u>	<u>278,178</u>
Total Expenditures	<u>3,467,720</u>	<u>3,122,076</u>	<u>345,644</u>
Revenue Over (Under) Expenditures	(19,911)	743,705	763,616
Other Financing Sources (Uses)			
Lease principal	(50,000)	(51,919)	(1,919)
Lease interest	(6,000)	(3,863)	2,137
TABOR reserve	(93,776)	-	93,776
Total Other Financing Sources (Uses)	<u>(149,776)</u>	<u>(55,782)</u>	<u>93,994</u>
Revenue and Other Financing Sources Over (Under) Expenditures	(169,687)	687,923	857,610
Fund Balance-Beginning of Year	470,091	1,944,077	1,473,986
Reclass Long-term Debt-Compensated Absences		359,861	359,861
Fund Balance-End of Year	<u>\$ 300,404</u>	<u>\$ 2,991,861</u>	<u>\$ 2,691,457</u>

The notes to the financial statement are an integral part of this statement.