

**STRATMOOR HILLS FIRE
PROTECTION DISTRICT**

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended December 31, 2021

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
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DECEMBER 31, 2021**

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INDEPENDENT AUDITORS' REPORT

To Management and the Board of Directors
Stratmoor Hills Fire Protection District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Stratmoor Hills 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 Stratmoor Hills Fire Protection 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 Stratmoor Hills Fire Protection District, as of December 31, 2021 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stratmoor Hills 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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stratmoor Hills 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stratmoor Hills Fire Protection 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 and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stratmoor Hills Fire Protection District's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
March 16, 2022

STRATMOOR HILLS FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Stratmoor Hills Fire Protection District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2021. The Management's Discussion and Analysis (MD&A) includes currently known information that management is aware of at the date of the auditor's report. Please read it in conjunction with the District's financial statements that follow this section.

FINANCIAL POSITION AND RESULTS FROM OPERATIONS

- The District's overall financial position decreased during the year ending December 31, 2021. Net Position decreased by \$49,014 or 4.5%.
- Capital assets net of depreciation at year-end were \$1,292,953, which is an 82% increase from 2020; capital outlays amounted to \$708,292 which was for a new fire truck, new equipment, and station remodeling.
- At the end of current year, the general fund reported an ending fund balance of \$280,635. Approximately 63.1% of this amount (\$177,171) is available for spending at the District's discretion (*unassigned fund balance*).
- At the end of the current year, unrestricted fund balance (the total *nonspendable*, and *unassigned* components of *fund balance*) of the general fund was \$250,635, or approximately 12.7% of total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report includes a series of financial statements that consist of the MD&A, fund specific basic financial statements, notes to the financial statements and supplemental information. The basic financial statements consist of the Statement of Net Position, the Statement of Activities, the Balance Sheet, the Reconciliation of the Balance Sheet to the Statement of Net Position, the Statement of Revenues, Expenditures and Changes in Fund Balance, and the Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance to the Statement of Activities. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to units of local government and promulgated by the Governmental Accounting Standards Board (GASB).

MD&A - This statement provides an objective and easily readable analysis of the District's financial activities based on currently known facts, decisions, and conditions. The MD&A provides the District's financial managers with the opportunity to present both short and long-term analyses of the organization's activities.

Statement of Net Position - This statement reports all financial and capital resources (assets) and obligations (liabilities). The difference between assets and liabilities is net position. The statement also provides the basis for evaluating the capital structure and assessing liquidity and financial flexibility.

Statement of Activities - All revenues and expenses are accounted for in this statement. This statement measures the results from operations and can be used to determine whether the District's revenues are adequate to recover expenses.

Balance Sheet – Reports the assets, liabilities, and fund balance of the entity as of a specific date.

Reconciliation of the Balance Sheet to the Statements of Net Position – Reconciles the total fund balance from the Balance Sheet to the total net position from the Statement of Net Position. Differences occur primarily due to the way capital assets and long-term liabilities are reported on the respective statements.

Statement of Revenues, Expenditures, and Change in Fund Balance – Presents the revenues, expenditures, and the resulting increase or decrease in fund balance for a specific period of time.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – Reconciles the net change in fund balances from the Statement of Revenues, Expenditures and Changes in Fund Net Position to the change in net Position from the Statement of Activities. Differences occur primarily due to the way certain expenditures and expenses are reported on the respective statements.

The financial statements also include **Notes to the Financial Statements and Supplemental Information** that explains specific information found in the financial statements and other required information.

CONDENSED FINANCIAL STATEMENTS

Condensed Statement of Net Position as of December 31, 2021 and 2020

	2021	2020	Variance	Percent Variance
Assets				
Current and Other Assets	\$ 1,343,671	\$ 1,387,870	\$ (44,199)	(3.2)
Capital Assets, Net of Depreciation	1,292,953	710,403	582,550	82.0
Total Assets	2,636,624	2,098,273	538,351	25.7
Deferred Outflows of Resources				
Deferred Pension Outflows	169,905	178,032	(8,127)	(4.6)
Liabilities				
Current and Other Liabilities	50,320	39,149	11,171	28.5
Long-term liabilities	684,417	301,019	383,398	127.4
Total Liabilities	734,737	340,168	394,569	116.0
Deferred Inflows of Resources				
Deferred Pension Inflows	105,509	50,434	55,075	109.2
Unavailable Property Tax Revenue	921,026	791,432	129,594	16.4
Total Deferred Inflows of Resources	1,026,535	841,866	184,669	21.9
Net Position				
Net Investment in Capital Assets	637,693	430,350	207,343	48.2
Restricted for TABOR	30,000	28,800	1,200	4.2
Unrestricted	377,564	635,121	(257,557)	(40.6)
Total Net Position	\$ 1,045,257	\$ 1,094,271	\$ (49,014)	(4.5)

Condensed Statement of Activities for the Year Ended December 31, 2021 and 2020

	2021	2020	Variance	Percent Variance
Program Revenues:				
Charges for Services	\$ 151,099	\$ 80,835	\$ 70,264	86.9
Operation Grant and Contributions	35,706	52,593	(16,887)	(32.1)
General Revenues:				
Taxes	832,771	851,408	(18,637)	(2.2)
Other Revenue	36,709	39,939	(3,230)	(8.1)
Total Revenues	1,056,285	1,024,775	31,510	3.1
Expenses:				
General and Administrative	(268,833)	(231,127)	(37,706)	16.3
Fire and Emergency Medical Services	(805,941)	(706,272)	(99,669)	14.1
Interest	(30,525)	(12,032)	(18,493)	153.7
Total Expenses	(1,105,299)	(949,431)	(155,868)	16.4
Change in Net Position	(49,014)	75,344	(124,358)	(165.1)
Net Position - Beginning	1,094,271	1,018,927	75,344	7.4
Net Position - End of Period	\$ 1,045,257	\$1,094,271	\$ (49,014)	(4.5)

FINANCIAL ANALYSIS OF THE GENERAL FUND

The District is a political subdivision of the State of Colorado. It uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of 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, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The District uses one governmental fund—the **general fund**—to account for its operations. At the end of the current fiscal year, unassigned fund balance of the general fund was \$177,171 while total fund balance reached \$280,635.

During the current fiscal year, the fund balance of the District’s general fund decreased \$262,679. The decrease was mainly due to capital asset purchases.

BUDGETARY HIGHLIGHTS

While the Fire District continues to work hard at managing the revenue we receive effectively and efficiently we continue to train, purchase supplies, and respond to our residents. In 2021 the Fire District continued to deal with COVID19 and our response with protective gear and cleaning supplies. The Fire District also purchased a new 2023 Wildland Urban Interface Vehicle that will help with Federal and State Wildland Fire Deployments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The District’s investment in capital assets as of December 31, 2021, amounts to \$1,292,953 (net of accumulated depreciation). This investment in capital assets includes buildings, vehicles, and equipment. The total increase in capital assets for the current year was approximately 82%.

Capital Assets

	2021	2020	Variance	Percent Variance
Buildings	\$ 565,233	\$ 526,394	\$ 38,839	7.4
Vehicles	1,280,550	835,419	445,131	53.3
Equipment	1,028,555	916,830	111,725	12.2
Accumulated Provision for Depreciation	(1,581,385)	(1,568,240)	(13,145)	0.8
Total Net Capital Assets	<u>\$ 1,292,953</u>	<u>\$ 710,403</u>	<u>\$ 582,550</u>	<u>82.0</u>

Major capital asset events during the current year included the following:

- Purchase of a new fire truck at a cost of \$543,896.
- Purchase of new Operations equipment at a cost of \$124,598.

Long-term Debt. At the end of the current year, the District had total debt outstanding of \$655,260.

Long-term Debt

	2021	2020	Variance	Percent Variance
Capital leases	\$ 655,260	\$ 280,053	\$ 375,207	134.0

FINANCIAL HIGHLIGHTS AND OUTLOOK

- ***Budgetary Highlights*** –Staff continues to apply for Grants and will continue to search for more to help with the cost of new equipment. Staff is slowly replacing old, outdated equipment with newer more functional equipment that will cost less to maintain in the future – saving the Fire District money in the long run. The Fire District has started Wildland Deployments again, which will increase the revenue and the extra money from that revenue will help replace the District’s older brush truck.
- ***Economic and Environmental Factors*** – The planned development that brought in Sam’s and Wal-Mart continue to increase the department’s revenue and will continue in the coming years. With this addition, the demand for our services will increase. As always, the department continues to bring on more volunteers and that has an associated cost of bunker gear, training, and equipment. There is construction on a new apartment complex and hotel that will help bring revenue in the future.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, creditors and other financial users with a general overview of the District’s finances. If you have questions about this report or need additional financial information, please contact the Dottie Barrett at 719.576.1200 or 2160 B Street, Colorado Springs, CO 80906.

BASIC FINANCIAL STATEMENTS

STRATMOOR HILLS FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$	248,510
Cash with County Treasurer		7,589
Property tax receivable		921,026
Prepaid expenses		73,464
Capital assets being depreciated, net		1,292,953
Net pension asset		93,082
		93,082
Total Assets		2,636,624

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows		169,905
		169,905

LIABILITIES

Accounts payable		29,527
Payroll taxes payable		128
Accrued salaries payable		19,273
Accrued interest payable		1,392
Long-term liabilities:		
Compensated absences		29,157
Due within one year		58,354
Due in more than one year		596,906
		596,906
Total Liabilities		734,737

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows		105,509
Unavailable property tax revenue		921,026
		921,026
Total Deferred Inflows of Resources		1,026,535

NET POSITION

Net investment in capital assets		637,693
Restricted for TABOR		30,000
Unrestricted		377,564
		377,564
Total Net Position		\$ 1,045,257

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General and administrative	\$ 268,833	\$ -	\$ -	\$ -	\$ (268,833)
Fire and emergency medical services	805,941	151,099	35,706	-	(619,136)
Interest	30,525	-	-	-	(30,525)
	<u>\$ 1,105,299</u>	<u>\$ 151,099</u>	<u>\$ 35,706</u>	<u>\$ -</u>	<u>(918,494)</u>
General revenues:					
Taxes					832,771
Investment earnings					261
Gain on asset disposal					13,805
Other revenues					22,643
Total general revenues					<u>869,480</u>
Change in net position					(49,014)
Net position - beginning					<u>1,094,271</u>
Net position - ending					<u>\$ 1,045,257</u>

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

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
BALANCE SHEET
DECEMBER 31, 2021**

ASSETS

Cash and cash equivalents	\$ 248,510
Cash with County Treasurer	7,589
Property tax receivable	921,026
Prepaid expenses	<u>73,464</u>
 Total Assets	 <u><u>\$ 1,250,589</u></u>

LIABILITIES

Accounts payable	\$ 29,527
Payroll taxes payable	128
Accrued salaries payable	<u>19,273</u>
 Total Liabilities	 <u><u>48,928</u></u>

DEFERRED INFLOWS OF RESOURCES

Unavailable property tax revenue	<u>921,026</u>
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FUND BALANCE

Nonspendable	73,464
Restricted for TABOR	30,000
Unassigned	<u>177,171</u>
 Total Fund Balance	 <u><u>280,635</u></u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 1,250,589</u></u>
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The accompanying notes are an integral part of these financial statements.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

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

Total fund balance - governmental funds	\$ 280,635
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Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.

Capital assets	2,874,338
Accumulated depreciation	(1,581,385)

The net pension asset is not available in the current period and, therefore, is not reported as an asset in the funds.	93,082
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Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.	(1,392)
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Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in the governmental funds.

Compensated absences	\$ (29,157)	
Lease payable	(655,260)	
Pension outflows	169,905	
Pension inflows	<u>(105,509)</u>	<u>(620,021)</u>

Total net position - governmental activities	<u><u>\$ 1,045,257</u></u>
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The accompanying notes are an integral part of these financial statements.

STRATMOOR HILLS FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUES

Taxes	\$ 832,771
Fees	151,099
Grants and donations	35,706
Interest income	261
Miscellaneous income	<u>29,818</u>
 Total revenues	 <u>1,049,655</u>

EXPENDITURES

General and administrative	263,271
Fire and emergency medical services	730,217
Capital outlays	660,614
Debt service	<u>320,122</u>

Total expenditures	<u>1,974,224</u>
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Excess (deficiency) of revenues over expenditures	<u>(924,569)</u>
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OTHER FINANCING SOURCES

Capital lease proceeds	655,260
Insurance recoveries	<u>6,630</u>

Total other financing sources	<u>661,890</u>
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Net change in fund balance	(262,679)
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Fund balance - beginning	<u>543,314</u>
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Fund balance - ending	<u><u>\$ 280,635</u></u>
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The accompanying notes are an integral part of these financial statements.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Net change in fund balances - governmental funds \$ (262,679)

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

Depreciation	(125,742)
Capital outlays	708,292

Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the Statement of Activities based on the amounts earned during the year. (8,191)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change to interest reported in the statement of activities. 9,544

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

Capital lease proceeds	(655,260)
Lease payment (principal)	280,052

Some pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 4,970

Change in net position of governmental activities \$ (49,014)

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

NOTES TO FINANCIAL STATEMENTS

STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Stratmoor Hills Fire Protection District (the District) was organized under the laws of the State of Colorado to operate and maintain a special district for the purpose of providing fire protection and emergency medical services for the residents of the Stratmoor Hills subdivision located adjacent to the City of Colorado Springs, Colorado.

The accounting policies of the District conform to generally accepted accounting policies (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

The District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The District has no component units for which either discrete or blended presentation is required.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. Eliminations have been made to minimize the double counting of internal activities.

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

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.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Capital Assets

Capital assets, which include buildings, vehicles and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Buildings, vehicles and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	5 to 40 years
Vehicles	10 to 15 years
Equipment	5 to 15 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of activities.

Pensions

Stratmoor Hills Fire Protection District participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). The net pension liability (asset), 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 SWDB 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.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position 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.

STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Deferred outflows/inflows of resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental fund reports property taxes levied for the succeeding year as unavailable property tax revenue. The unavailable property tax revenues are recognized in the succeeding year as revenue when the lien attaches and the taxes become available.

Long-term liabilities

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of the debt issued is reported as other financing sources.

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Assigned – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of January 1. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. El Paso County bills and collects property taxes for the District. The tax rate for the year ended December 31, 2021 was 13.810 mills. The District’s assessed valuation for 2021 was \$57,311,260.

Compensated absences

Employees earn vacation time in varying amounts based upon length of service. Employees are paid for unused vacation time upon termination.

All career personnel will accrue Paid Time Off (PTO). PTO is accrued based upon length of service. Upon termination, employees with accrued but unused PTO shall be paid at their current regular hourly rate for such PTO time.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ESTIMATES

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget information

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

1. Prior to October 15, administrative personnel submit to the Board of Directors a proposed operating budget for the following fiscal year (calendar) beginning January 1. The operating budget includes proposed expenses and the means for financing them.
2. The proposed budget is advertised as available for inspection and comment by the electorate of the District.
3. Prior to December 15, the Board legally adopts the budget.
4. In December, the Board certifies the mill levy to El Paso County.
5. During the year, formal budgetary integration is employed as a management control device.
6. All appropriations lapse at year end.
7. Budgets are prepared on the same basis as that used for accounting purposes.

NOTE 3 - CASH AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk—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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2021, the carrying amounts of the District's deposits were \$242,880 and the bank balances were \$316,790. Of the total bank balances, \$250,000 was covered by FDIC insurance and the remaining balance of \$66,790 falls under the provisions of the Colorado Public Deposit Protection Acts which are collateralized in single institution pools.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

The District is authorized by Colorado statutes to invest in the following:

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

At December 31, 2021 the District's investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
COLOTRUST	Less than 60 days	\$ <u>5,480</u>

Credit Risk: State law and the District's investment policies limit investments as described above. As of December 31, 2021, the District's investments were rated AAAM by Standard & Poor's.

Colorado Surplus Asset Fund Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. 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. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

Reconciliation of cash deposits and investments to the statement of net position

Cash and cash equivalents:

Cash on hand	\$ 150
Deposits	242,880
COLOTRUST	<u>5,480</u>
	<u>\$ 248,510</u>

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 526,394	\$ 38,839	\$ -	\$ 565,233
Vehicles	835,419	543,896	(98,765)	1,280,550
Equipment	<u>916,830</u>	<u>125,557</u>	<u>(13,832)</u>	<u>1,028,555</u>
Total capital assets, being depreciated	2,278,643	708,292	(112,597)	2,874,338
Less accumulated depreciation	<u>(1,568,240)</u>	<u>(125,742)</u>	<u>112,597</u>	<u>(1,581,385)</u>
Total capital assets, net	<u>\$ 710,403</u>	<u>\$ 582,550</u>	<u>\$ -</u>	<u>\$ 1,292,953</u>

Depreciation expense was charged to functions/programs of as follows:

General and administrative	\$ 4,744
Fire and emergency medical services	<u>120,998</u>
Total	<u>\$ 125,742</u>

NOTE 5 – LONG-TERM LIABILITIES

Capital lease – fire trucks

The District entered into a lease-purchase agreement on August 1, 2018 to purchase a new fire truck. The lease qualifies as a capital lease. The lease agreement provides for a fixed interest rate of 4.26% and requires 10 annual payments of \$42,042 beginning February 1, 2019. On November 23, 2021 the lease was refinanced and the District purchased a new fire truck. The new lease agreement provides for a fixed interest rate of 2.55% and requires 10 annual payments of \$75,063 beginning November 23, 2022.

The assets acquired through capital leases are as follows:

Fire trucks	\$ 889,396
Less: Accumulated depreciation	<u>(76,333)</u>
	<u>\$ 813,063</u>

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021, were as follows:

Year ended December 31:	
2022	\$ 75,063
2023	75,063
2024	75,063
2025	75,063
2026	75,063
Thereafter	<u>375,312</u>
Total minimum lease payments	750,627
Less: amount representing interest	<u>(95,367)</u>
Present value of minimum lease payments	<u>\$ 655,260</u>

Changes in long-term liabilities for the year ended December 31, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ <u>280,053</u>	\$ <u>655,260</u>	\$ <u>(280,053)</u>	\$ <u>655,260</u>	\$ <u>58,354</u>
Compensated Absences	\$ <u>20,966</u>	\$ <u>8,191</u>	\$ <u>-</u>	\$ <u>29,157</u>	\$ <u>-</u>

NOTE 6 – NET POSITION

Net position is reported in three separate categories – net investment in capital assets; net position-restricted; and net position-unrestricted.

Net investment in capital assets consists of capital assets net of accumulated depreciation and capital-related deferred outflows of resources; reduced by borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, net investment of capital assets was as follows:

Capital assets, net of depreciation	\$ 1,292,953
Less: capital lease obligations	<u>(655,260)</u>
Total	<u>\$ 637,693</u>

Net position-restriction is the difference between non-capital assets whose use is 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, and related liabilities and deferred inflows of resources (excluding capital-related borrowings). The District has established an Emergency Reserve in the amount of \$30,000 for the year ended December 31, 2021, as per Article X, Section 20 of the Colorado Constitution. This Emergency Reserve balance represents at least 3% of the governmental fiscal year spending as required. Any portion of net position not already classified as either net investment in capital assets or net position-restricted, is automatically classified as net position-unrestricted.

STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Stratmoor Hills Fire Protection District are provided with pensions through the Statewide Defined Benefit Plan (SWDB) – 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. 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). Plan benefits are specified in Title 31, Article 30 of the Colorado Revised Statutes (C.R.S.). 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. The SWDB provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan which is also administered by FPPA.

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. 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. Benefits 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.

Contributions. Through December 31, 2020, contribution rates 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 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.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 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 percent of pensionable earnings. In 2020, members of the SWDB 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, respectively. It is a local 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 2021 through 2030 to a total of 6.5 percent of pensionable earnings.

Employer contributions are recognized by the SWDB in the period in which the compensation becomes payable to the member and the Stratmoor Hills Fire Protection District is statutorily committed to pay the contributions to the SWDB. Employer contributions recognized by the SWDB from Stratmoor Hills Fire Protection District were \$32,259 for the year ended December 31, 2021.

Actuarial assumptions. The actuarial valuations 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 assumption and other inputs:

	Total Pension Liability	Actuarial Determined Contributions
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*	7.0%	7.0%
Projected Salary Increases*	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%	0%
*Includes Inflation at	2.5%	2.5%

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 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.

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 (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
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	100.0%	

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.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 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.

Sensitivity of the Stratmoor Hills Fire Protection District proportionate share of the net pension liability/(asset) to changes in the Discount Rate. The following presents the proportionate share of the net pension liability/(asset), calculated using the Discount Rate of 7.00 percent, as well as what the proportionate share of the net pension liability/ (asset) would be if it were calculated using a Discount Rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

1% Decrease 6.00%	Single Discount Rate Assumption 7.00%	1% Increase 8.00%
\$ 93,672	\$ (93,082)	\$ (247,737)

Pension plan fiduciary net position. Detailed information about the SWDB’s 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 Stratmoor Hills Fire Protection District reported a liability/(asset) of (\$93,082) for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of December 31, 2020, and the collective total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of January 1, 2021. The Stratmoor Hills Fire Protection District proportion of the net pension liability/(asset) was based on Stratmoor Hills Fire Protection District contributions to the SWDB for the calendar year 2020 relative to the total contributions of participating employers to the SWDB.

At December 31, 2020, the Stratmoor Hills Fire Protection District’s proportion was 0.042874903 percent, which was a decrease of 0.0011699500 percent from its proportion measured as of December 31, 2019.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended December 31, 2021, the Stratmoor Hills Fire Protection District recognized pension expense of (\$4,970). At December 31, 2021, the Stratmoor Hills Fire Protection District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 78,942	\$ 370
Changes in assumptions or other inputs	39,589	-
Net difference between projected and actual investment earnings	-	95,608
Changes in proportion and differences between contributions recognized and proportionate share of contributions	19,115	9,531
Contributions subsequent to the measurement date	32,259	-
Total	\$ 169,905	\$ 105,509

\$32,259 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, 2022. 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:	
2022	\$ (8,852)
2023	3,548
2024	(12,536)
2025	3,729
2026	18,686
Thereafter	27,562

Subsequent Event. During 2020, legislation was passed effective January 1, 2021 that amended the Statewide Defined Benefit Plan. Amendments to the related contribution rates and benefits of this plan are described in *Benefits Provided* and *Contributions* sections above. Additionally, 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.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 – EMPLOYEE IRA

In 2000, the District set up a simple IRA for full-time employees not covered by the defined pension plan of the Colorado Fire and Police Pension Association. Employees contribute at least 3½% of compensation and the District contributes 3% of compensation. The employer’s contribution was \$2,015 for 2021.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three years.

NOTE 10 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service) in 2021. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2021, the District’s Reserve of \$30,000 was reported as restricted fund balance in the General Fund.

Fiscal year spending and revenue limits are determined based on the prior year’s spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 2, 1993, the voters of Stratmoor Hills Fire Protection District approved that taxes be increased up to \$84,500 annually for the purpose of fire protection and emergency medical assistance by the imposition of an additional property tax not to exceed 4.000 mills commencing January 1, 1994 and thereafter.

On November 6, 2001, the voters of the District approved a mill levy increase of 1.5 mills commencing January 1, 2002 and thereafter. The voters also approved that Stratmoor Hills Fire Protection District shall be entitled to collect and spend the full revenues from such tax increases regardless of whether the annual revenues from such tax increases in any year after the first full year in which it is in effect exceed the estimated dollar amount stated above and without any other limitation or condition, and without limiting the collection or spending of any other revenues or funds by Stratmoor Hills Fire Protection District, under Article X, Section 20 of the Colorado Constitution or any other law.

On May 4, 2004, the voters of the District approved that taxes be increased by up to \$73,179 annually for the purposes of fire protection and emergency medical assistance by the imposition of an additional property tax not to exceed 2.00 mills commencing January 1, 2005 and thereafter.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 10 - AMENDMENT TO COLORADO CONSTITUTION (CONTINUED)

On November 8, 2016, the voters of the District approved that the \$16,400 of 2015 revenues in excess of Tabor limits did not have to be refunded. The voters also approved the District's right to collect, retain and spend the full amount of all taxes, grants, and other revenue collected from all sources beginning in 2016 including each subsequent year thereafter through 2019.

On November 5, 2019, the voters of the District authorized the District to collect, retain, and spend or reserve all revenues from all sources received in 2020 and each subsequent year thereafter, notwithstanding any state restriction on fiscal year spending, including, without limitation, the restrictions of Article X, Section 20, of the Colorado Constitution.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations in the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTARY INFORMATION

STRATMOOR HILLS FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.042874903%	0.044044853%	0.039290086%	0.048507975%	0.050336322%	0.059796095%	0.069825407%	0.064869745%
District's proportionate share of the net pension liability (asset)	\$ (93,082)	\$ (24,910)	\$ 49,673	\$ (69,786)	\$ 18,188	\$ (1,054)	\$ (78,803)	\$ (58,006)
District's covered payroll	\$ 344,375	\$ 324,625	\$ 263,188	\$ 283,738	\$ 257,613	\$ 289,875	\$ 314,007	\$ 281,756
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-27.03%	-7.67%	18.87%	-24.60%	7.06%	-0.36%	-25.10%	-20.59%
Plan fiduciary net position as a percentage of the total pension liability	106.7%	101.9%	95.2%	106.3%	98.2%	100.1%	106.8%	105.8%

* The amounts presented for each year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**STRATMOOR HILLS FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 32,259	\$ 27,550	\$ 25,970	\$ 21,055	\$ 22,699	\$ 20,609	\$ 23,190	\$ 25,121	\$ 22,540
Contributions in relation to the statutorily required contribution	<u>(32,259)</u>	<u>(27,550)</u>	<u>(25,970)</u>	<u>(21,055)</u>	<u>(22,699)</u>	<u>(20,609)</u>	<u>(23,190)</u>	<u>(25,121)</u>	<u>(22,540)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 403,238	\$ 344,375	\$ 324,625	\$ 263,188	\$ 283,738	\$ 257,613	\$ 289,875	\$ 314,007	\$ 281,756
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

* The amounts presented for each year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

STRATMOOR HILLS FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes	\$ 880,432	\$ 839,586	\$ 832,771	\$ (6,815)
Fees	145,000	151,099	151,099	-
Grants	5,000	35,706	35,706	-
Interest income	10,000	261	261	-
Miscellaneous income	33,000	33,000	29,818	(3,182)
Total Revenues	<u>1,073,432</u>	<u>1,059,652</u>	<u>1,049,655</u>	<u>(9,997)</u>
EXPENDITURES				
General and administrative	253,300	268,894	263,271	5,623
Fire and emergency medical services	740,058	719,084	730,217	(11,133)
Capital outlays	37,074	670,543	660,614	9,929
Debt service	43,000	320,122	320,122	-
Total Expenditures	<u>1,073,432</u>	<u>1,978,643</u>	<u>1,974,224</u>	<u>4,419</u>
Excess of revenues over expenditures	<u>-</u>	<u>(918,991)</u>	<u>(924,569)</u>	<u>(5,578)</u>
OTHER FINANCING SOURCES				
Capital lease proceeds	-	658,708	655,260	(3,448)
Insurance recoveries	-	-	6,630	6,630
Total other financing sources	<u>-</u>	<u>658,708</u>	<u>661,890</u>	<u>3,182</u>
Net change in fund balance	-	(260,283)	(262,679)	(2,396)
Fund balance - beginning	<u>501,121</u>	<u>543,314</u>	<u>543,314</u>	<u>-</u>
Fund balance - ending	<u>\$ 501,121</u>	<u>\$ 283,031</u>	<u>\$ 280,635</u>	<u>\$ (2,396)</u>

See the accompanying independent auditors' report.

SUPPLEMENTAL INFORMATION

STRATMOOR HILLS FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Actual	Final Budget	Variance Favorable (Unfavorable)
REVENUES			
Taxes:			
General property tax	\$ 739,398	\$ 739,401	\$ (3)
Specific ownership tax	93,373	100,185	(6,812)
Total Taxes	<u>832,771</u>	<u>839,586</u>	<u>(6,815)</u>
Fees:			
Protection contract	67,939	67,939	-
Wildland income	57,023	57,023	-
Inspection fees	4,042	4,042	-
Medical billings	22,095	22,095	-
Total Fees	<u>151,099</u>	<u>151,099</u>	<u>-</u>
Grants	35,706	35,706	-
Interest income	261	261	-
Miscellaneous income	29,818	33,000	(3,182)
Insurance recoveries	6,630	-	6,630
Capital lease proceeds	655,260	658,708	(3,448)
Beginning fund balance	543,314	543,314	-
TOTAL REVENUES	<u>2,254,859</u>	<u>2,261,674</u>	<u>(6,815)</u>
EXPENDITURES			
General & Administrative:			
Audit	7,150	7,150	-
Dues and subscriptions	16,938	16,938	-
Insurance	31,425	31,425	-
Legal	15,102	15,102	-
Meetings	-	7,000	7,000
Office supplies	1,533	1,323	(210)
Salaries	158,105	156,082	(2,023)
FPPA expense	11,385	12,230	845
Simple IRA	2,015	2,093	78
Recruiting exp	1,261	1,261	-
Telephone	5,810	5,810	-
Tax collection expense	11,901	11,901	-
Miscellaneous	306	209	(97)
Payroll expenses	340	370	30
Capital outlay	39,798	64,231	24,433
Total General & Administrative	<u>\$ 303,069</u>	<u>\$ 333,125</u>	<u>\$ 30,056</u>

See the accompanying independent auditors' report.

STRATMOOR HILLS FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Actual	Budget	Variance Favorable (Unfavorable)
EXPENDITURES (continued)			
Fire and emergency medical services			
Salaries	357,759	369,501	\$ 11,742
FICA expense	13,494	14,045	551
FPPA expense	26,566	27,000	434
Employee health insurance	60,490	60,490	-
Accident and sick insurance	4,647	4,647	-
Workers' compensation insurance	37,153	37,153	-
Unemployment insurance	1,530	1,550	20
Gas and oil	13,173	14,018	845
Station supplies	4,372	4,354	(18)
EMS supplies	44,946	44,945	(1)
Fire prevention	2,880	2,880	-
Volunteer activities	24,492	23,893	(599)
Radio and pager fees	24,902	24,902	-
Vehicle maintenance	24,333	24,333	-
Equipment maintenance	8,903	8,903	-
Station maintenance	13,414	13,414	-
Small equipment	25,335	209	(25,126)
Training	9,895	9,880	(15)
Uniforms	21,943	21,943	-
Utilities	8,258	9,292	1,034
Vaccinations & Physicals	628	628	-
Firefighting & Wildland supplies	1,104	1,104	-
Capital outlay	620,816	606,312	(14,504)
Total fire and emergency medical	1,351,033	1,325,396	(25,637)
Debt service	320,122	320,122	-
TOTAL EXPENDITURES	1,974,224	1,978,643	4,419
EXCESS OF REVENUES			
OVER EXPENDITURES	280,635	<u>\$ 283,031</u>	<u>\$ (2,396)</u>
Less:			
Beginning fund balance	(543,314)		
NET CHANGE IN FUND BALANCE	<u>\$ (262,679)</u>		

See the accompanying independent auditors' report.