



## Ault Fire Protection District

Financial Statements and Supplementary  
Information

For the Year Ended December 31, 2018



# Ault Fire Protection District

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## Independent Auditor's Report

Board of Directors  
Ault Fire Protection District  
Ault, Colorado

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Ault Fire Protection District (the "District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Ault Fire Protection District as of December 31, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.



*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the budgetary comparison information for the General Fund on page 32, and the pension related schedules on pages 33 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

*ACM LLP*

Greeley, Colorado  
August 22, 2019

## **Ault Fire Protection District Management's Discussion and Analysis For the Year Ended December 31, 2018**

This section of the annual financial report offers readers of the Ault Fire Protection District's (the "District") financial statements management's discussion and analysis of the District's financial performance during the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

### **Background Information**

The District was created in 1959 by a number of citizens concerned about fire protection for their homes and businesses. The predominate fund approach for the District is comprised of one basic fund, the General Fund.

On May 5, 1998, the taxpayers approved a ballot question, which eliminated the TABOR limits that were imposed on the District in 1992. The mill levy for 2017 was set at 8.045 mills for collection during 2018.

### **Financial Highlights**

- The District's financial status improved over the course of the 2018 fiscal year. Total net position increased by 17.6%.
- General revenues account for \$945,214, or 100%, of all revenues. The District had no program specific revenues in the form of charges for services or operating and capital grants and contributions during 2018.
- The District had \$608,850 in expenses related to governmental activities. General revenues, property, and specific ownership taxes of \$851,836 and \$93,378 in other revenues were adequate to provide for the governmental activities.
- Outlays for capital assets were primarily comprised of purchasing of fire-fighting equipment. See the capital assets section of this management's discussion and analysis for more information.
- The District decreased its outstanding long-term debt by \$86,792, or 9.7%.

### **Overview of the Financial Statements**

This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as fire protection were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

**Ault Fire Protection District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018**

Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

**Table 1  
Organization of the Ault Fire Protection  
District's Annual Financial Report**

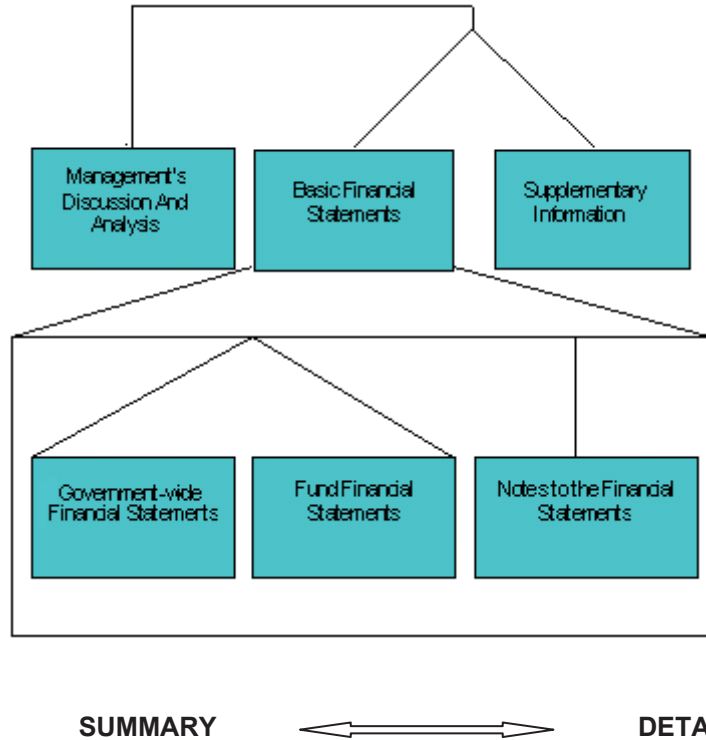


Table 2, displayed on the following page summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the two types of financial statements, government-wide and fund financial statements, found in the basic financial statements.

**Ault Fire Protection District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018**

**Table 2  
Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Governmental Fund Statements
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
Required Financial Statements	Statement of Net Position  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

***Government-Wide Statements***

The government-wide statements are designed to provide readers a broad overview of the District finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. These statements provide both short-term and long-term information about the District's overall financial status.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these categories 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. To assess the District's overall health, you need to consider additional non-financial factors, such as the condition of buildings and equipment.

**Ault Fire Protection District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018**

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). Included in governmental activities are most of the District's basic services, such as fire protection.

The basic government-wide financial statements can be found on pages 12 and 13 of this report.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District's fund is a governmental fund.

□ *Governmental funds:* The District's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end, which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

The District maintains one governmental fund, the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered a major fund. The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 31 of this report.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required and supplementary information. This is the supplemental data presented on pages 32 through 34 of this report.

**Ault Fire Protection District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018**

**Financial Analysis of the District as a Whole**

***Net Position and Changes in Net Position***

The District's combined net position was larger on December 31, 2018 than it was the year before, increasing 17.6% to \$2,244,832. Table 3 provides a summary of the District's net position at December 31, 2018 and 2017.

**Table 3  
Condensed Statement of Net Position**

	2018	2017
<b>Assets</b>		
Current assets	\$ 1,698,098	\$ 1,450,611
Restricted assets	125,793	131,507
Net pension asset	-	
Capital assets, net	2,424,445	2,472,366
<b>Total assets</b>	<b>4,248,336</b>	<b>4,054,484</b>
<b>Deferred outflows of resources</b>		
Deferred outflows of resources relating to pensions	156,608	192,750
<b>Total deferred outflows of resources</b>	<b>156,608</b>	<b>192,750</b>
<b>Liabilities</b>		
Current liabilities	40,513	23,288
Non-current liabilities	810,648	897,440
Net pension liability	519,944	616,072
<b>Total liabilities</b>	<b>1,371,105</b>	<b>1,536,800</b>
<b>Deferred inflows of resources</b>		
Unearned revenue - property taxes	753,408	791,085
Deferred inflows of resources relating to pensions	35,599	10,880
<b>Total deferred inflows of resources</b>	<b>789,007</b>	<b>801,965</b>
<b>Net position</b>		
Net investment in capital assets	1,613,797	1,574,926
Restricted	150,935	144,186
Unrestricted	480,100	189,357
<b>Total net position</b>	<b>\$ 2,244,832</b>	<b>\$ 1,908,469</b>

**Ault Fire Protection District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018**

Table 4 provides a summary of the changes in net position. Following Table 4 is specific discussion related to overall revenues and expenses.

**Table 4  
Changes in Net Position from Operating Results**

Years Ended December 31,	2018	2017
<b>Revenues</b>		
Program revenues		
Charges for services	\$ -	\$ -
Operating grants and contributions	-	-
General revenues		
Property and specific ownership taxes	851,836	504,030
Intergovernmental	32,162	18,854
Investment earnings	7,959	2,783
Other	53,257	17,166
<b>Total revenues</b>	<b>945,214</b>	<b>542,833</b>
<b>Expenses</b>		
Administration	188,688	225,621
Fire fighting equipment	85,212	62,270
Operations	305,179	434,949
Interest on long term debt	29,771	38,966
<b>Total expenses</b>	<b>608,850</b>	<b>761,806</b>
<b>Change in net position</b>	<b>\$ 336,364</b>	<b>\$ (218,973)</b>

Property and specific ownership taxes account for most of the District's revenue, contributing about 90 cents for every dollar raised (see Table 5), and the remaining 10 cents came from earnings on investments and miscellaneous sources.

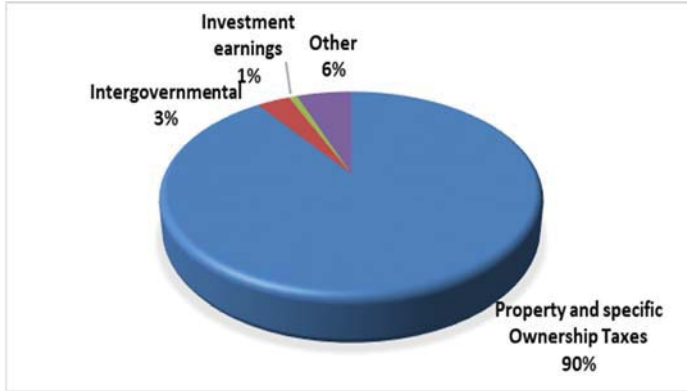
The District expenses predominantly relate to fire protection, which includes administration, firefighting equipment, operations, and debt service.

Detailed on the next page in Tables 5 and 6 are charts displaying revenues by sources and expenses by program for the total District.

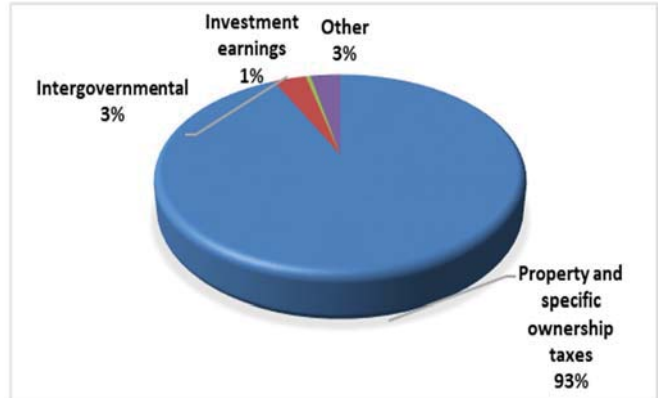
**Ault Fire Protection District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018**

**Table 5  
Sources of Revenues for Fiscal Year**

**2018**

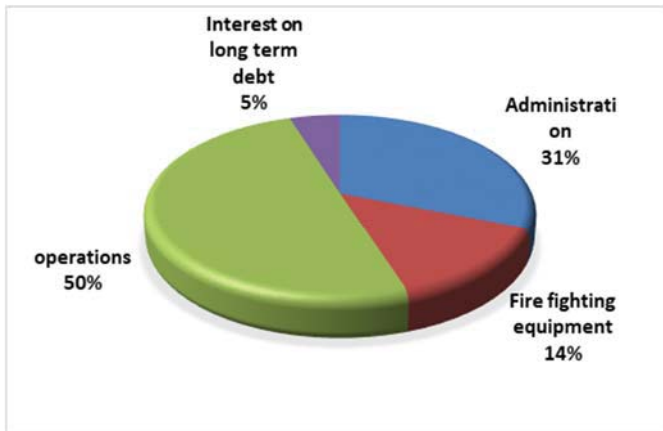


**2017**

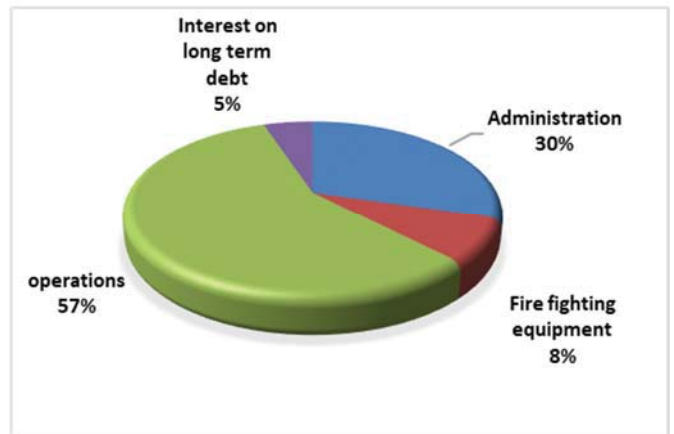


**Table 6  
Expenses for Fiscal Year**

**2018**



**2017**



**Ault Fire Protection District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018**

***Governmental Activities***

The increase in net position for governmental activities was \$336,364 during 2018.

The governmental funds monitor cash resources and expenditures. Capital outlay within these funds was \$37,528 during 2018. This significant expenditure is not considered an expense on the government-wide statement of activities. Rather, these costs are written off over time as depreciation expense. As reflected on the reconciliation of governmental funds revenues and expenditures to the government-wide statement of activities (page 17), the net difference between capital outlays and depreciation expense was \$(47,921) for 2018.

**Financial Analysis of District's Funds**

***General Fund***

The General Fund was established and is continually funded to provide for the daily activities, salaries, expenses, and operating costs of the District. This fund provides for functional areas of the organization - administration, firefighting equipment, operations, and debt service. The primary funding source for the general fund is taxation of real property. Other sources of income for the general fund include earnings on investments and miscellaneous sources. The primary projects or program efforts for establishing needed funding during 2018 were normal operational costs of the District and capital outlay.

***General Fund Budgetary Highlights***

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The District's budget for the General Fund anticipated that expenditures would exceed revenues by \$12,668. The actual results for the year show a \$266,748 excess of revenues over expenses in the General Fund for 2018.

It should be noted that the District's budget format is designed to establish and monitor divisional functions of the Fire District's operations to more closely align expenses with the areas of responsibility. These divisions are set up as cost centers for accountability in each of the following areas:

- Administration
- Firefighting equipment
- Operations
- Interest on long-term debt

***Emergency Reserve***

The District must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At December 31, 2018, the District's TABOR reserve amounted to \$25,142.

**Capital Assets and Debt Administration**

***Capital Assets***

By the end of 2018, the District had invested \$2,424,445, net of accumulated depreciation, in a broad range of capital assets, including land, building, vehicles, and other equipment (See Table 7). This amount represents a net decrease of \$47,921 or 1.9% from last year. Additional information on the District's capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$85,449, while additions amounted to \$37,528.

**Ault Fire Protection District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018**

**Table 7**

	2018	2017	% of Change
Land	\$ 157,849	\$ 157,849	0.0%
Construction in progress	-	-	0.0%
Buildings	2,482,795	2,482,795	0.0%
Vehicles	643,344	643,344	0.0%
Equipment	258,304	220,776	17.0%
<b>Total</b>	<b>\$ 3,542,292</b>	<b>\$ 3,504,764</b>	

***Long-Term Debt***

At year-end, the District had \$810,648 in a capital lease and note payable with a local financial institution, a net decrease of \$86,792 from the previous year as shown below in Table 8. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

**TABLE 8**

	2018	2017	% of Change
Note payable	\$ 790,796	\$ 869,334	-9.0%
Capital lease	19,852	28,106	-29.4%
<b>Total</b>	<b>\$ 810,648</b>	<b>\$ 897,440</b>	

During 2018, the District continued to pay down its debt and did not issue new debt. Colorado Revised Statute 32-1-1101(6) states that a fire district shall have a limit of bonded indebtedness determined by a specific formula. The District's outstanding debt is below this limit.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

The District's budget for general property tax revenues of \$753,403 based on an assessed valuation for the District of \$92,910,050 and a mill 8.109 mills with a budget of \$863,100 for expenditures for all funds during 2018. The tax levy plus carryover funds should be adequate to cover all of the District's 2018 budgeted expenditures.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ault Fire Protection District at 526 Maple Avenue, Eaton, Colorado 80615

## Basic Financial Statements

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**Ault Fire Protection District**  
**Statement of Net Position**  
**Year Ended December 31, 2018**

<b>Assets</b>	
Cash and cash equivalents	\$ 853,375
Restricted cash and cash equivalents	125,793
Investments	75,262
Property taxes receivable	753,408
Grant receivable	3,500
Prepaid items	12,553
Capital assets:	
Not being depreciated	157,849
Being depreciated, net of accumulated depreciation	2,266,596
<b>Total assets</b>	<b>4,248,336</b>
<b>Deferred outflows of resources</b>	
Deferred outflows of resources relating to pensions	156,608
<b>Total deferred outflows of resources</b>	<b>156,608</b>
<b>Liabilities</b>	
Accounts payable and accrued payroll	37,767
Accrued interest payable	2,746
Non-current liabilities:	
Due within one year	88,112
Due in more than one year	722,536
Net pension liability	519,944
<b>Total liabilities</b>	<b>1,371,105</b>
<b>Deferred inflows of resources</b>	
Unearned revenue - property taxes	753,408
Deferred inflows of resources relating to pensions	35,599
<b>Total deferred inflows of resources</b>	<b>789,007</b>
<b>Net position</b>	
Net investment in capital assets	1,613,797
Restricted for:	
Emergencies	25,142
Debt service	125,793
Unrestricted	480,100
<b>Total net position</b>	<b>\$ 2,244,832</b>

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

**Ault Fire Protection District**  
**Statement of Activities**  
**Year Ended December 31, 2018**

	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities				
Administration	\$ 188,688	\$ -	\$ -	\$ (188,688)
Firefighting equipment	85,212	-	-	(85,212)
Operations	305,179	-	-	(305,179)
Interest on long-term debt	29,771	-	-	(29,771)
<b>Total governmental activities and primary government</b>	<b>\$ 608,850</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (608,850)</b>
<b>General revenues</b>				
Property taxes				
Levied for general operations				683,812
Levied for debt service				107,159
Specific ownership taxes				60,865
Intergovernmental				32,162
Earnings on investments				7,959
Other				53,257
<b>Total general revenues</b>				<b>945,214</b>
<b>Change in net position</b>				<b>336,364</b>
Net position at beginning of year				1,908,468
Net position at end of year				\$ 2,244,832

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

**Ault Fire Protection District**  
**Balance Sheet**  
**General Fund**  
**Year Ended December 31, 2018**

<b>Assets</b>	
Cash and cash equivalents	\$ 853,375
Restricted cash and cash equivalents	125,793
Investments	75,262
Property taxes receivable	753,408
Grant receivable	3,500
<b>Total assets</b>	<b>\$ 1,811,338</b>
<b>Liabilities, deferred inflows of resources and fund balance</b>	
<b>Liabilities</b>	
Accounts payable and accrued payroll	37,767
<b>Total liabilities</b>	<b>37,767</b>
<b>Deferred inflows of resources</b>	
Unearned revenue - property taxes	753,408
<b>Total deferred inflows of resources</b>	<b>753,408</b>
<b>Fund balance</b>	
Restricted:	
Emergencies	25,142
Debt service	125,793
Assigned:	
Firefighters' activities	713
Future expenditures	1,330
Unassigned	867,185
<b>Total fund balance</b>	<b>1,020,163</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 1,811,338</b>

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

**Ault Fire Protection District**  
**Reconciliation of the General Fund Balance Sheet**  
**with the Government-Wide Statement of Net Position**  
**Year Ended December 31, 2018**

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

Total fund balance - General Fund	\$	1,020,163
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Prepaid insurance is reflected as an asset on the government-wide financial statements and reflected as an expenditure in the year paid on the fund financial statements.		12,553
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported as assets in the governmental fund financial statements.

Cost of capital assets	\$ 3,542,292	
Accumulated depreciation	<u>(1,117,847)</u>	2,424,445

Long-term liabilities, including notes payable, capital lease obligations, and accrued interest payable, are not due and payable from current financial resources, and therefore, are not reported as liabilities in the fund financial statements.

Note payable	\$ (790,796)	
Capital lease obligation	(19,852)	
Accrued interest payable	<u>(2,746)</u>	(813,394)

Net pension liability amounts, and the related deferred inflows and deferred outflows of resources, are not current financial resources or due and payable from current financial resources and, therefore, are not reported in the fund financial statements.

Net pension liability	\$ (519,944)	
Deferred outflows of resources relating to pensions	156,608	
Deferred inflows of resources relating to pensions	<u>(35,599)</u>	(398,935)

Total net position - governmental activities	\$	2,244,832
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*The accompanying notes are an integral part of these financial statements.*

**Ault Fire Protection District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Year Ended December 31, 2018**

<b>Revenues</b>		
Taxes	\$	851,836
Intergovernmental		32,162
Earnings on investments		7,959
Other		53,257
<b>Total revenues</b>		<b>945,214</b>
<b>Expenditures</b>		
Current		
Administration		183,743
Firefighting equipment		61,739
Operations		270,061
Debt service		
Principal		86,792
Interest		30,193
Capital outlay		45,938
<b>Total expenditures</b>		<b>678,466</b>
Change in fund balance		266,748
Fund balance at beginning of year		753,415
Fund balance at end of year		\$ 1,020,163

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

**Ault Fire Protection District**  
**Reconciliation of the General Fund Statement of**  
**Revenues, Expenditures and Changes in Fund Balance**  
**with the Government-Wide Statement of Activities**  
**Year Ended December 31, 2018**

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

Net change in fund balance - General Fund	\$	266,748
Increase in prepaid insurance is reflected against expense on the government-wide financial statements and the change is not reflected on the fund financial statements.		(4,945)
Capital outlay to purchase or build capital assets is reported in the governmental funds as an expenditure. However, for governmental activities, those costs are shown on the statement of net position and depreciated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital outlay during the period:		
Depreciation expense	\$	(85,449)
Capital outlay		37,528
		(47,921)
Decrease in accrued interest payable is reflected against expense on the statement of activities and not reflected on the statement of revenues, expenditures and changes in fund balance.		422
Repayment of long-term debt is an expenditure in the governmental fund financial statements, but it reduces long-term liabilities on the statement of net position and does not affect the statement of activities.		86,792
Pension expense relating to changes in the pension accounts of District's defined benefit retirement plans are recognized on the statement of activities and not included in the fund financial statements.		35,268
Change in net position - governmental activities	\$	336,364

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

# Ault Fire Protection District

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Form of Organization*

The Ault Fire Protection District (the "District") is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes ("CRS"). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### *Reporting Entity*

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an "other stand alone government."

#### *Government-Wide and Fund 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 activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support. The District does not report any business-type activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function

# Ault Fire Protection District

## Notes to Financial Statements

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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 properly not included among program revenues are reported instead as general revenues.

The fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The District only has one governmental fund, the General Fund, which is a major fund.

### *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. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balance presents increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized 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 recognized only when payment is due.

Property taxes, intergovernmental grants, and earnings on investments 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, ("GASB No. 33") the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying nonexchange transaction occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

Governmental funds are used to account for all or most of a government's general activities. The General Fund is the District's only major governmental fund. The General Fund is the District's primary operating fund. It accounts for all the financial resources of the District.

# Ault Fire Protection District

## Notes to Financial Statements

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### *Budgets*

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

- By October 15, the District staff submits to the Board of Directors (the "Board"), a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them;
- A public hearing is conducted to obtain taxpayer comments;
- Prior to December 31, the budget is legally enacted through passage of a resolution;
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board through passage of a formal resolution;
- The District legally adopts budgets for all of the funds of the District on a basis consistent with GAAP;
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

The original budgeted expenditures for the General Fund was \$868,607, and there were no revisions to the budget during the year.

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and demand deposits. All cash equivalents have an original maturity date of less than three months.

### *Restricted Cash*

The amount restricted is the cash held by the District that will be used to repay the principal and interest on the District's note payable.

### *Investments*

Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

### *Receivables*

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2018. Property taxes levied on December 31, 2018 are identified as property taxes receivable and deferred inflows of resources.

### *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items in the government-wide financial statements and are reflected as expenditures in the year paid in the governmental fund financial statements.

# Ault Fire Protection District

## Notes to Financial Statements

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### *Debt Issuance Costs*

In the government-wide and fund financial statements, debt issuance costs are recognized as an expense or expenditure during the period of issuance. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service.

### *Capital Assets*

Capital assets, which include property and equipment, are reported in the applicable District activities in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Description	Estimated Lives
Land	N/A
Buildings	20 - 50 years
Vehicles	10 - 20 years
Equipment	5 - 10 years

### *Compensated Absences*

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the District will compensate the employees for the benefits earned. Upon termination of employment from the District, an employee will be compensated for all unused personal leave. The District has no liability for compensated absences at December 31, 2018.

### *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements, regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Capital lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

# Ault Fire Protection District

## Notes to Financial Statements

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### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources relate to pensions (see note 6).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources relate to deferred property tax revenue and pensions (see note 6).

### *Fund Balance and Net Position*

In the government-wide financial statements, net position is classified in the following categories:

***Net Investment in Capital Assets*** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

***Restricted Net Position*** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

***Unrestricted Net Position*** - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

***Nonspendable*** - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

***Restricted*** - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

***Committed*** - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors (the "Board"). The Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

***Assigned*** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

***Unassigned*** - all other spendable amounts.

# Ault Fire Protection District

## Notes to Financial Statements

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

### *Revenue Recognition/Property Taxes*

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the District by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the District.

In the fund financial statements, property taxes are recognized in the year for which they are levied provided they become available and measurable. Property tax revenues are considered available when they become due or past due and are received by the District within 60 days of the end of the fiscal year.

### *Pensions*

The District contributes to a defined benefit pension plan to provide retirement income for volunteer firefighters in recognition of their service to the District. This plan is an agent multiple-employer Public Employee Retirement System affiliated with the FPPA for the purpose of administering the plan and managing the funds of the plan for investment. 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 volunteer plan and additions to/deductions from the volunteer plan fiduciary net position have been determined on the same basis as they are reported by the FPPA. 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.

During 2016, the District stopped contributing to the State-wide defined benefit plan (SWDB). The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). As contributions have ceased in 2018, the District did not report any associated net pension liability, deferred outflows of resources and deferred inflows of resources relating to pensions, and pension expense. The change has been run through current year pension expense and is not material.

### *Estimates*

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

## **2. Cash and Investments**

### *Custodial Credit Risk - Deposits*

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an

# Ault Fire Protection District

## Notes to Financial Statements

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official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2018, the District had deposits with financial institutions with a carrying amount (book balance) of \$257,214. The bank balances with the financial institutions were \$258,490, of which \$250,000 was covered by federal depository insurance. The remaining balance of \$8,490 was collateralized with securities held by the financial institutions' agents but not in the District's name.

At December 31, 2018, the District had cash and cash equivalent balances, including restricted cash and cash equivalents, as follows:

Cash with county treasurer	\$	4,646
Local government investment pool		717,308
Bank deposits		257,214
Total cash and cash equivalents	\$	979,168

Cash and cash equivalents are reported on the statement of net position as follows:

Cash and cash equivalents	\$	853,375
Restricted cash and cash equivalents		125,793
Total cash and cash equivalents	\$	979,168

### *Investments*

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest, which include:

- Certificates of deposit with an original maturity in excess of three months;
- Certain obligations of the United States and U.S. Government agency securities;
- Certain international agency securities;
- General obligation and revenue bonds of U.S. local government entities;
- Banker's acceptance of certain banks;
- Commercial paper;
- Written repurchase agreements collateralized by certain authorized securities;
- Certain money market funds;
- Guaranteed investment contracts;
- Local government investment pools.

The District's policy is to hold investments until maturity.

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

# Ault Fire Protection District

## Notes to Financial Statements

At December 31, 2018, assets measured at fair value on a recurring basis have been categorized into the hierarchy as follows:

Description	Assets at fair value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 75,262	\$ -	\$ 75,262
				<u>\$ 75,262</u>

Certificates of deposit are valued at cost plus accrued interest, which approximates fair value.

### *Custodial Credit Risk - Investments*

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk. As of December 31, 2018, the District had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust (the "Trust"), discussed below.

### *Interest Rate Risk*

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

### *Local Government Investment Pools*

At December 31, 2018, the District had invested \$717,308 in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Ault Fire Protection District**  
**Notes to Financial Statements**

### 3. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 157,849	\$ -	\$ -	\$ 157,849
<b>Total capital assets, not being depreciated</b>	<b>157,849</b>	<b>-</b>	<b>-</b>	<b>157,849</b>
<b>Capital assets, being depreciated:</b>				
Buildings	2,482,795	-	-	2,482,795
Vehicles	643,344	-	-	643,344
Equipment	220,776	37,528	-	258,304
<b>Total capital assets, being depreciated</b>	<b>3,346,915</b>	<b>37,528</b>	<b>-</b>	<b>3,384,443</b>
<b>Less accumulated depreciation for:</b>				
Buildings	(513,752)	(51,303)	-	(565,055)
Vehicles	(365,221)	(19,083)	-	(384,304)
Equipment	(153,425)	(15,063)	-	(168,488)
<b>Total accumulated depreciation</b>	<b>(1,032,398)</b>	<b>(85,449)</b>	<b>-</b>	<b>(1,117,847)</b>
<b>Total capital assets being depreciated, net</b>	<b>2,314,517</b>	<b>(47,921)</b>	<b>-</b>	<b>2,266,596</b>
<b>Total capital assets, net</b>	<b>\$ 2,472,366</b>	<b>\$ (47,921)</b>	<b>\$ -</b>	<b>\$ 2,424,445</b>

Depreciation for governmental activities capital assets have been allocated to the various activities as follows:

Firefighting equipment	\$ 15,063
Operations	70,386
<b>Depreciation expense</b>	<b>\$ 85,449</b>

### 4. Long-Term Debt

Long-term debt consisted of the following at December 31, 2018:

#### *Note Payable*

On April 17, 2006, the District entered into a financing arrangement with a financial institution to borrow \$1,500,000 to be used for the construction of two new fire stations, one in Ault and one in Pierce, Colorado. The note is payable over twenty years in semi-annual installments of \$60,126, principal and interest at 5%, maturing June 1, 2027. This note was refinanced at a lower interest rate in May 2017. The note is collateralized by a pledge agreement dated April 17, 2006, in the amount of \$1,500,000, naming tax revenues as approved by the voters on November 1, 2005 of up to \$149,000 per year for 20 years.

# Ault Fire Protection District

## Notes to Financial Statements

### *Capital Lease Obligations*

On December 22, 2015 the District entered into a capital lease with a financial institution for the lease of equipment costing \$44,850. The lease requires six annual payments of \$7,908, principal and interest at 4.75%. The lease matures on June 16, 2021.

The book value of assets acquired through capital lease at December 31, 2018 is as follows:

Equipment	\$	44,850
Less: accumulated depreciation		(8,970)
Book value	\$	35,880

The following is a summary of changes in long-term debt of the District for the year ended December 31, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2006 note payable	\$ 869,334	\$ -	\$ (78,538)	\$ 790,796	\$ 81,261
2015 capital lease	28,106	-	(8,254)	19,852	6,851
<b>Total</b>	<b>\$ 897,440</b>	<b>\$ -</b>	<b>\$ (86,792)</b>	<b>\$ 810,648</b>	<b>\$ 88,112</b>

The annual requirements to amortize all debt outstanding as of December 31, 2018 are as follows:

Year Ending December 31,	Note Payable		Capital Lease		Total
	Principal	Interest	Principal	Interest	
2019	\$ 81,261	\$ 27,348	\$ 6,851	\$ 1,057	\$ 116,517
2020	84,100	24,509	7,186	722	116,517
2021	87,181	21,428	5,815	369	114,793
2022	90,302	18,307	-	-	108,609
2023	93,535	15,074	-	-	108,609
2024-2027	354,417	25,627	-	-	380,044
<b>Totals</b>	<b>\$ 790,796</b>	<b>\$ 132,293</b>	<b>\$ 19,852</b>	<b>\$ 2,148</b>	<b>\$ 945,089</b>

## 5. Risk Management

The District is exposed to various risks of loss 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 covering specific and general 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 in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

# Ault Fire Protection District

## Notes to Financial Statements

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### 6. Defined Benefit Pension Plans

#### Volunteer Firefighters' Pension Plan

**Plan Description.** The District has established the Volunteer Firefighters' Pension Plan (the "Plan"), an agent multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). As of January 1, 2017, the Plan had 21 retirees and beneficiaries, no inactive, nonretired members, and 11 active members. FPPA issues an annual, publicly available financial report that includes the assets of the Volunteer Plan. The report may be obtained on FPPA's website at [www.fppaco.org](http://www.fppaco.org).

**Benefits Provided.** Any firefighter who has both attained the age of 50 and completed 20 years of active service shall be eligible for a monthly pension. Pro-rata pensions would apply to volunteers who reached 50 years of age and had between 10 and 20 years of service. A firefighter, who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity which extends beyond one year, shall be compensated in an amount determined by the Pension Board. The Plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter. Spouses of deceased firefighters may receive benefits as authorized by State statute.

**Funding Policy.** The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2017 indicated that the current level of contributions to the fund are adequate to support, on an actuarially sound basis, the prospective benefits for the present Plan.

The District contributed \$98,665 and the State of Colorado contributed \$11,095 to the plan for the year ended December 31, 2018.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At December 31, 2018 the District reported a net pension liability of \$519,944. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

For the year ended December 31, 2018 the District recognized pension expense of \$49,245. At December 31, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 14,337	\$ -
Assumption changes	18,657	-
Net difference between projected and actual earnings on pension plan investments	24,949	35,599
District contributions subsequent to measurement date	98,665	-
<b>Total</b>	<b>\$ 156,608</b>	<b>\$ 35,599</b>

# Ault Fire Protection District

## Notes to Financial Statements

The \$98,665 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. 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,	Amortization
2019	\$ 22,629
2020	14,352
2021	(5,738)
2022	(8,899)
<b>Total amortization</b>	<b>\$ 22,344</b>

**Actuarial assumptions.** The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Open
Remaining Amortization Period	20 years
Asset valuation Period	5-year smoothed market
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table, all tables projected with Scale AA.

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (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 7.50%.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the District's proportionate share of the net pension liability/ (asset) calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability/ (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

# Ault Fire Protection District

## Notes to Financial Statements

	1.00% Decrease	Current Rate	Discount	1.00% Increase
District's net pension liability	\$639,798	\$519,944		\$418,669

**FPPA System Description.** The FPPA administers an agent multiple-employer Public Employee Retirement System ("PERS"). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plan has elected to affiliate with FPPA for plan administration and investment only.

### 7. Voluntary Investment Program

**Description** - Effective May 1, 2010, employees of the District who are members of the SWDB (see Note 6) may voluntarily contribute to the Voluntary Investment Program ("457 Plan"), an Internal Revenue Code Section 457 defined contribution plan administered by FPPA. Plan participation is optional, and contributions are separate from others made to FPPA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the District to establish the 457 Plan provisions to the State Legislature.

**Funding Policy** - The 457 Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar years 2016 to 2018). Catch-up contributions up to \$6,000 for calendar years 2016 to 2018 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). For the years ended December 31, 2018, 2017, and 2016, no member contributions were made to this 457 Plan.

### 8. TABOR Compliance

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20), which limits the revenue raising and spending abilities of state and local districts. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources, such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

The Amendment also requires local districts to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$25,142 for this purpose.

On May 5, 1998, the voting citizens of the Ault Fire Protection District authorized the District to collect, retain, and spend all revenues collected from ad valorem property taxes of 6.480 mills effective fiscal year 2003, and continuing thereafter as provided by law; provided that the District's general operating property tax rate shall not be increased without voter approval; and the revenues from all such revenue sources be spent for general operations purposes as a voter approved revenue change and an exception to the limits which would otherwise apply, including without limitation Article X, Section 20 of the Colorado Constitution, Section 29-1-301, CRS, as it may be amended, or any other law.

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

# Ault Fire Protection District

## Notes to Financial Statements

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### 9. Subsequent Events

Management of the District has evaluated subsequent events through August 22, 2019, the date that the financial statements were available to be issued. No subsequent events were noted other than the following. On January 22<sup>th</sup> 2019, the District received the Energy Impact Assistance Grant which was awarded in the amount of \$350,000, for the purchase of two brush trucks and a burn building.

## Required Supplementary Information

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**Ault Fire Protection District**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance (Budget and Actual) - General Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 825,085	\$ 825,085	\$ 851,836	\$ 26,751
Intergovernmental	18,854	18,854	32,162	13,308
Earnings on investments	2,500	2,500	7,959	5,459
Other	9,500	9,500	53,257	43,757
<b>Total revenues</b>	<b>855,939</b>	<b>855,939</b>	<b>945,214</b>	<b>89,275</b>
<b>Expenditures</b>				
Current				
Administration	132,740	132,740	183,743	(51,003)
Firefighting equipment	27,500	27,500	61,739	(34,239)
Operations	350,415	350,415	270,061	80,354
Debt service				
Principal	86,792	86,792	86,792	-
Interest	30,208	30,208	30,193	15
Capital outlay	230,952	230,952	45,938	185,014
Reserves	10,000	10,000	-	10,000
<b>Total expenditures</b>	<b>868,607</b>	<b>868,607</b>	<b>678,466</b>	<b>190,141</b>
<b>Change in fund balance</b>	<b>\$ (12,668)</b>	<b>\$ (12,668)</b>	<b>266,748</b>	<b>\$ 279,416</b>
Fund balance at beginning of year			753,415	
Fund balance at end of year			<u>\$ 1,020,163</u>	

*See accompanying Independent Auditor's Report.*

**Ault Fire Protection District**  
**Schedule of Changes in Net Pension Liability/(Asset)**  
**and Related Ratios - Volunteer Firefighters' Pension Plan**

**Last Ten Fiscal Years**

Measurement Period Ended December 31,	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 4,807	\$ 5,960	\$ 5,960	\$ 5,884
Interest on the total pension liability	90,277	68,865	70,464	74,320
Benefit changes	-	244,931	-	-
Difference between expected and actual experience	-	31,731	-	(42,689)
Assumption changes	-	41,291	-	-
Benefit payments	(107,238)	(106,200)	(89,592)	(88,379)
<b>Net change in total pension liability</b>	<b>(12,154)</b>	<b>286,578</b>	<b>(13,168)</b>	<b>(50,864)</b>
<b>Total pension liability - beginning</b>	<b>1,253,986</b>	<b>967,408</b>	<b>980,576</b>	<b>1,031,440</b>
<b>Total pension liability - ending</b>	<b>1,241,832</b>	<b>1,253,986</b>	<b>967,408</b>	<b>980,576</b>
<b>Plan fiduciary net position</b>				
Employer contributions	88,073	84,668	80,811	54,108
Pension plan net investment income	92,045	29,960	9,128	35,689
Benefit payments	(107,238)	(106,200)	(89,592)	(88,379)
Pension plan administrative expenses	(7,115)	(1,206)	(3,271)	(1,230)
State of Colorado supplemental discretionary payment	18,209	18,209	27,163	23,055
<b>Net change in plan fiduciary net position</b>	<b>83,974</b>	<b>25,431</b>	<b>24,239</b>	<b>23,243</b>
<b>Plan fiduciary net position - beginning</b>	<b>637,914</b>	<b>612,483</b>	<b>588,244</b>	<b>565,001</b>
<b>Plan fiduciary net position - ending</b>	<b>721,888</b>	<b>637,914</b>	<b>612,483</b>	<b>588,244</b>
<b>Net pension liability/(asset) - ending</b>	<b>\$ 519,944</b>	<b>\$ 616,072</b>	<b>\$ 354,925</b>	<b>\$ 392,332</b>
<b>Plan fiduciary net position as a percentage of total Pension liability</b>	<b>58.13%</b>	<b>50.87%</b>	<b>63.31%</b>	<b>59.99%</b>
<b>Covered payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

*See accompanying Independent Auditor's Report.*

**Ault Fire Protection District  
Schedule of District Contributions  
Volunteer Firefighters' Pension Plan**

**Last Ten Fiscal Years**

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$ 60,581	\$ 60,581	\$ -	N/A	N/A
2009	\$ 61,994	\$ 61,994	\$ -	N/A	N/A
2010	\$ 65,845	\$ 65,845	\$ -	N/A	N/A
2011	\$ 67,749	\$ 67,749	\$ -	N/A	N/A
2012	\$ 63,605	\$ 63,605	\$ -	N/A	N/A
2013	\$ 68,231	\$ 68,231	\$ -	N/A	N/A
2014	\$ 77,163	\$ 77,163	\$ -	N/A	N/A
2015	\$ 107,974	\$ 107,974	\$ -	N/A	N/A
2016	\$ 102,877	\$ 102,877	\$ -	N/A	N/A
2017	\$ 37,365	\$ 106,282	\$ (68,917)	N/A	N/A
2018	\$ 37,365	\$ 109,760	\$ (72,395)	N/A	N/A

*See accompanying Independent Auditor's Report.*

**Notes to Schedule of Contributions:**

Actual Contribution includes both the employer and state of Colorado supplemental discretionary payment.

***Valuation Date:***

Actuarially determined contributions rates are calculated as of January 1 of odd number years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2017, determines the contribution amounts for 2018 and 2019.