

Aspen Fire Protection District

Financial Statements

December 31, 2019



**Aspen Fire Protection District
Financial Report
December 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Aspen Fire Protection District
Aspen, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Aspen Fire Protection District (the "District"), as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 of 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and the aggregate remaining fund information of Aspen Fire Protection District as of December 31, 2019, 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.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Aspen Fire Protection District
Aspen, Colorado

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B, the Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios, the Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset), and the Schedules of District Contributions in Section E 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 Management's Discussion and Analysis in Section B, the Schedules of Changes in Net Pension Liability/(Asset) and Related Ratios, the Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset), and the Schedules of District Contributions in Section E 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison information found in Section F listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The individual fund budgetary comparison information found in Section F is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, LLC
May 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS



Aspen Fire Protection District

Management's Discussion and Analysis

December 31, 2019

As management of Aspen Fire Protection District, (the "District"), we offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2019.

Financial Highlights

- The District's net position increased by \$3,171,598.
- The District issued debt of \$14,375,000 at a premium of \$1,741,807.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial statements: The financial statements are designed to provide readers with an overview of the District's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet/Statement of Net Position presents information on all the District's assets, deferred outflows of resources, liabilities (both short-term and long-term) and deferred inflows of resources, with the difference as fund balance or net position. The Balance Sheet columns present the financial position focusing on short-term available resources and are reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities shows how the District's fund balance and net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The District's financial statements can be found in section C of this report.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in section D of this report.

Financial Analysis of the District

Aspen Fire Protection District's Net Position

Assets and Deferred Outflows:	2019	2018
Current assets	\$ 27,895,170	\$ 9,370,877
Capital assets and long-term assets	14,663,475	14,351,758
Deferred outflows of resources	1,488,424	1,057,436
Total Assets and Deferred Outflows	<u>44,047,069</u>	<u>24,780,071</u>
Liabilities and Deferred Inflows:		
Current liabilities	186,207	163,625
Long-term liabilities:		
Due within one year	1,578,060	994,957
Due after one year	23,207,846	8,233,615
Deferred inflows of resources	7,198,797	6,683,312
Total Liabilities and Deferred Inflows	<u>32,170,910</u>	<u>16,075,509</u>
Net Position:		
Net investment in capital assets	(7,903,917)	7,111,080
Committed	20,002	-
Reserved for emergency	186,000	85,000
Restricted for debt service	1,091,188	1,081,197
Restricted for capital projects	655,027	558,432
Restricted for housing	17,021,048	
Restricted for net pension asset - Statewide defined benefit plan	-	63,182
Unrestricted	806,811	(194,329)
Total Net Position	<u>\$ 11,876,159</u>	<u>\$ 8,704,562</u>

Approximately 33% of the District's total assets and deferred outflows reflect capital assets, which includes land, fire stations, vehicles and equipment, less debt outstanding related to capital assets.

At the end of the 2019, the District is able to report positive balances in all categories of net position. Overall, the District's total assets and deferred outflows increased \$19,266,998 during the most recent fiscal year. The primary cause of this increase was caused by the issuance of \$14,375,000 at a premium of \$1,741,807. Governmental Accounting Standards Board Statement No. 34 requires asset acquisitions to be capitalized and depreciated over their respective estimated useful lives. For 2019, the District capitalized \$772,744 of assets and reported depreciation expense in the amount of \$620,398.

Additionally, principal payments are removed from the Statement of Activities, and reported on the Statement of Net Position. Debt principal payments totaled \$830,000 for the year ended December 31, 2019.

Financial Analysis of the District (continued)

Aspen Fire Protection District's Change in Net Position

	2019	2018
Revenues:		
Property and S.O. taxes	\$ 6,653,836	\$ 3,474,969
Service income	56,658	247,826
Investment income	121,749	63,006
Grants and contributions	47,406	172,733
Miscellaneous	81,444	84,825
Total Revenues	<u>6,961,093</u>	<u>4,043,359</u>
Expenses:		
Public safety	3,465,372	2,979,371
Debt service:		
Interest	324,124	321,850
Total Expenditures/Expenses	<u>3,789,496</u>	<u>3,301,221</u>
Change in Net Position	3,171,597	742,138
Net Position - January 1	8,704,562	7,962,424
Net Position - December 31	<u>\$ 11,876,159</u>	<u>\$ 8,704,562</u>

Property taxes were the most significant sources of revenues, accounting for 89% of total revenues. Specific ownership tax revenue of \$225,659 accounted for 3% of the total revenues.

When compared to 2018, overall revenues increased \$2,917,734 by in 2019.

Personnel (volunteer and paid) expenses in 2019 totaled \$1,235,762, or expressed as a percentage, represented 33% of total expenses incurred by the District in 2019, and include wages as well as employee benefits provided by the District.

The District currently has General Obligation Bonds outstanding, from which the proceeds were used to acquire land, construct and equip a fire substation as well as replace the existing downtown fire station. Additional information regarding the District's bonds can be found in the footnotes.

Budget Variances in the General Fund

Total revenues were higher than budget by \$149,104. The primary cause of this was Specific Ownership taxes being favorable by \$97,964 and grant revenue being favorable by \$47,406. Total expenditures were \$183,910 lower than budgeted. This is the result of personnel being underbudget by \$137,190 and Capital Outlay being underbudget by \$43,000.

Capital Asset and Debt Administration

Capital assets: In 2019, the District spent \$1,044,535 on capital assets. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements in section D.

Financial Analysis of the District (continued)

Capital Asset and Debt Administration (continued)

Long-term debts: The District is required to report its net pension liabilities or assets. In addition, the District currently has compensated absences and general obligation bonds outstanding, for which annual appropriations will be required until 2038. As of December 31, 2019, the District had outstanding debt of \$22,654,332 consisting of the District's net pension liability, compensated absences and general obligation bonds. The District issued debt for the purpose of employee housing in the amount of \$14,375,000 at a premium of \$1,741,807. Additional information can be found in the Notes to the Financial Statements in section D.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Administrative Offices, 420 E Hopkins Ave, Aspen Colorado 81611.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS



**Aspen Fire Protection District
Balance Sheet/Statement of Net Position
December 31, 2019**

Primary Government							
	General Fund	Debt Service	Capital Acquisition	Housing Fund	Total	Adjustments	Statement of Net Position
Assets:							
Cash, cash equivalents, and investments	1,901,723	-	722,290	995,132	3,619,145	-	3,619,145
Restricted cash and cash equivalents	22,002	1,088,351	-	16,028,679	17,139,032	-	17,139,032
Due from other governments	33,199	-	-	-	33,199	-	33,199
Property taxes receivable	6,007,910	1,077,845	-	-	7,085,755	-	7,085,755
Prepaid expenses	18,040	-	-	-	18,040	-	18,040
Capital assets, net of accumulated depreciation	-	-	-	-	-	14,712,714	14,712,714
Total Assets	7,982,874	2,166,196	722,290	17,023,811	27,895,171	14,712,714	42,607,885
Deferred Outflows of Resources:							
Deferred charge on refunding	-	-	-	-	-	381,061	381,061
Pension related deferred outflows	-	-	-	-	-	1,058,123	1,058,123
Total Deferred Outflows of Resources	-	-	-	-	-	1,439,184	1,439,184
Total Assets and Deferred Outflows	7,982,874	2,166,196	722,290	17,023,811	27,895,171		
Liabilities:							
Accounts payable	37,168	-	67,263	2,763	107,194	-	107,194
Accrued expenses	22,263	-	-	-	22,263	-	22,263
Deferred grant revenue	56,750	-	-	-	56,750	-	56,750
Accrued interest payable	-	-	-	-	-	44,642	44,642
Compensated absences	-	-	-	-	-	158,418	158,418
Long term debt:							
Premium on long-term debt	-	-	-	-	-	2,037,692	2,037,692
Due within one year	-	-	-	-	-	1,375,000	1,375,000
Due in more than one year	-	-	-	-	-	19,585,000	19,585,000
Net pension liability - statewide defined benefit plan	-	-	-	-	-	49,240	49,240
Net pension liability - volunteer pension fund	-	-	-	-	-	1,535,914	1,535,914
Total Liabilities	116,181	-	67,263	2,763	186,207	24,785,906	24,972,113
Deferred Inflow of Resources:							
Unavailable property tax revenue	5,993,760	1,075,008	-	-	7,068,768	-	7,068,768
Pension related deferred inflows	-	-	-	-	-	130,029	130,029
Total Deferred Inflows of Resources	5,993,760	1,075,008	-	-	7,068,768	130,029	7,198,797
Fund Balances / Net Position:							
Fund Balances:							
Non-spendable	40,042	-	-	-	40,042	(40,042)	-
Restricted	186,000	1,091,188	655,027	17,021,048	18,953,263	(18,953,263)	-
Committed	20,002	-	-	-	20,002	-	-
Unassigned	1,626,889	-	-	-	1,626,889	(1,626,889)	-
Total Fund Balances	1,872,933	1,091,188	655,027	17,021,048	20,640,196	(20,620,194)	-
Total Liabilities, Deferred Inflows and Fund Balances	7,982,874	2,166,196	722,290	17,023,811	27,895,171		
Net Position:							
Net investment in capital assets						(7,903,917)	(7,903,917)
Committed						20,002	20,002
Restricted for emergencies						186,000	186,000
Restricted for debt service						1,091,188	1,091,188
Restricted for housing fund						17,021,048	17,021,048
Restricted for capital projects						655,027	655,027
Unrestricted						806,811	806,811
Total Net Position						11,876,159	11,876,159

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

Aspen Fire Protection District
Statement of Revenues, Expenditures and
Changes in Fund Balances/Statement of Activities
For the Year Ended December 31, 2019

	Primary Government						
	General Fund	Debt Service	Capital Acquisition	Housing Fund	Total	Adjustments	Statement of Activities
Revenues:							
Property taxes	5,353,138	1,063,501	-	-	6,416,639	-	6,416,639
Specific ownership taxes	187,964	37,695	-	-	225,659	-	225,659
Interest on delinquent taxes	9,611	1,927	-	-	11,538	-	11,538
Charges for services	56,658	-	-	-	56,658	-	56,658
Investment income	44,662	32,934	15,672	28,481	121,749	-	121,749
Grants and contributions	47,406	-	-	-	47,406	-	47,406
Miscellaneous	81,444	-	-	-	81,444	-	81,444
Total Revenues	<u>5,780,883</u>	<u>1,136,057</u>	<u>15,672</u>	<u>28,481</u>	<u>6,961,093</u>	<u>-</u>	<u>6,961,093</u>
Expenditures/Expenses:							
Fire fighting	226,601	-	39,273	-	265,874	620,398	886,272
Administrative	487,561	53,891	-	-	541,452	-	541,452
Personnel - paid and volunteer	1,235,762	-	-	-	1,235,762	(11,551)	1,224,211
Fire prevention	32,378	-	-	-	32,378	-	32,378
Training	45,266	-	-	-	45,266	-	45,266
Communications	60,294	-	-	-	60,294	-	60,294
Repair services	68,699	-	-	-	68,699	-	68,699
Stations, buildings and grounds	159,308	-	-	-	159,308	-	159,308
Volunteer Pension Fund	582,000	-	-	-	582,000	(331,796)	250,204
Capital outlay	-	-	772,744	271,791	1,044,535	(1,044,535)	-
Debt service:							
Other	-	-	-	197,287	197,287	-	197,287
Principal	-	830,000	-	-	830,000	(830,000)	-
Interest	-	242,175	-	-	242,175	81,949	324,124
Total Expenditures/Expenses	<u>2,897,869</u>	<u>1,126,066</u>	<u>812,017</u>	<u>469,078</u>	<u>5,305,030</u>	<u>(1,515,535)</u>	<u>3,789,495</u>
Excess (Deficiency) of Revenues Over Expenditures	2,883,014	9,991	(796,345)	(440,597)	1,656,063	1,515,535	3,171,598
Other Financing Sources (Uses):							
Debt proceeds	-	-	-	16,211,645	16,211,645	(16,211,645)	-
Operating transfers in / (out)	(1,975,449)	-	725,449	1,250,000	-	-	-
Total Other Financing Sources (Uses)	<u>(1,975,449)</u>	<u>-</u>	<u>725,449</u>	<u>17,461,645</u>	<u>16,211,645</u>	<u>(16,211,645)</u>	<u>-</u>
Changes in Fund Balance / Net Position	907,565	9,991	(70,896)	17,021,048	17,867,708	(14,696,110)	3,171,598
Fund Balances / Net Position:							
Beginning of Year	965,368	1,081,197	725,923	-	2,772,488	-	8,704,561
End of Year	<u>1,872,933</u>	<u>1,091,188</u>	<u>655,027</u>	<u>17,021,048</u>	<u>20,640,196</u>	<u>-</u>	<u>11,876,159</u>

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

NOTES TO THE FINANCIAL STATEMENTS



Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019

I. Summary of Significant Accounting Policies

The Aspen Fire Protection District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to provide emergency and non-emergency services for the protection of life and property in Aspen, Colorado and the surrounding areas.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles ("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 accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The District has no component units, and it is not a component unit of any other entity.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. However, the District does not have any business-type activities, only governmental activities.

1. Government-wide Financial Statements

In the Governmental Funds Balance Sheet/Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements (continued)

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. The effect of interfund activity has been eliminated from the government-wide financial statements.

2. Fund Financial Statements

The *General Fund* is the District's primary operating fund. It accounts for all financial resources not required to be accounted for in another fund. Resources restricted within this fund relate to TABOR reserve requirements (see Note III.B).

Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds. The District's Debt Service Fund accounts for property taxes levied for debt and interest payments on general obligation bonds.

The *Capital Acquisition Fund* is a capital projects fund used to account for construction and acquisition of capital projects. Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Housing Fund* is a fund used to account for the debt issuance for building employee housing and the unexpended amounts will be restricted. The anticipated rent revenue is not expected to cover the cost to service the debt.

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements and fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

2. Current Financial Focus and Modified Accrual Basis

The governmental funds financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exceptions to this general rule are that principal and interest on general long-term debt and expenditures related to accrued compensated absences are recognized when due.

D. Financial Statement Accounts

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District.

Investments are stated at fair value or net asset value. The change in fair value or net asset value of investments is recognized as an increase or decrease to investment assets and investment income.

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

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

2. Restricted Cash and Cash Equivalents

Certain deposits held by the District are classified as restricted assets on the balance sheet because their use is limited to the District's station-keeper program.

3. Receivables

Receivables are reported net of any allowance for uncollectible accounts.

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as unearned revenue.

5. Interfund Receivables and Payables

Balances at year-end between funds are reported as “due (to) / from other fund” in the fund financial statements and are eliminated in the government-wide financial statements.

6. Capital Assets

Capital assets, which include land, fire stations and improvements, equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital expenditures for projects are capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the asset.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Mobile Equipment	5 - 25
Other Fire Fighting / Training Equipment	7 - 15
Administrative Assets	5 - 7

7. Compensated Absences

Earned but unused personal time off benefits are accrued when incurred on the Statement of Net Position.

8. Long-term Debt

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position column. Long-term debt premiums and discounts, as well as losses on refinancing, are deferred and amortized over the life of the related debt using the bonds outstanding method.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

9. Pensions

The District participates in the Statewide Defined Benefit Plan (“SDBP”) administered by the Fire and Police Pension Association of Colorado (“FPPA”). The SDBP is a cost-sharing multiple-employer defined benefit plan. The District also sponsors a single employer defined benefit plan for its volunteer firefighters (the “Plan”). The net pension asset (liability), 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 plans 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.

10. Deferred Outflows and 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. The District has two items that qualify for reporting in this category. One item is deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Another item is the collective deferred outflows related to the District’s net pension obligations, the details of which can be are in Note IV.E.

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 District has two items that qualify for reporting in this category. Unavailable revenue from property taxes, reported in the governmental balance sheet are deferred and recognized as an inflow from resources in the period that the amounts become available. Another item is the collective deferred inflows related to the District’s net pension obligations, the details of which can be are in Note IV.E.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

11. Categories and Classification of Fund Balances

Government accounting standards establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction place upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund balance that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance

The District classified governmental fund balances as follows:

Non-spendable – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, etc.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The General Fund had \$186,000 restricted by law for emergencies. The entire balance in the Debt Service fund was restricted for debt service payments.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of the District.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of the District or its management designees. The Capital Acquisition Fund's entire balance was restricted for future capital projects and equipment acquisition.

Unassigned – includes residual positive fund balance within the General Fund, which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as grant agreements that require dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts when expenditures are made. The District does not have an adopted minimum fund balance policy; however, the District's budget includes calculations of targeted reserve positions, which is reported annually to the Board of the District.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Significant Accounting Policies

1. Use of Estimates

The preparation of financial statements to conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The Governmental Funds Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. One element of the reconciling column accounts for capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds. \$14,712,714 represents the book value at December 31, 2019. Also, a deferred charge on refunding of \$381,061 and pension related deferred outflows of \$1,058,123 are also shown as reconciling items. These adjustments are required because the items are not available for current period expenditures and therefore are not reported in the funds. The statewide defined benefit plan asset was Equity Long/Short.

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the fund financial statements. Additionally, original issue premium and discounts are deferred and amortized over the life of debt in the government-wide financial statements. At December 31, 2019, the District had bonds payable of \$20,960,000, net pension liability and related deferred inflows of \$1,535,914 and \$130,029, respectively, compensated absences of \$158,418, original issue premium of \$2,937,158, net of accumulated amortization of \$899,466, accrued interest payable of \$44,642 and net pension liability of \$1,244,201.

B. Explanation of Difference Between the Government Fund Statement of Revenue, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities includes a reconciling column. One element of the reconciliation column accounts for governmental funds reporting capital outlay as expenditures. However, in the Statement of Net Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense totaled \$620,398.

Another element of the reconciling column accounts for the repayment of principal debt. The repayment of principal debt is expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The District's principal repayments totaled \$830,000 for 2019.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

B. Explanation of Difference Between the Government Fund Statement of Revenue, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities (continued)

Additionally, the current year changes in accrued interest and amortization for the year totaled \$24,461. The current year change in compensated absences was \$13,642 and net pension asset and liability and related deferred inflows and outflows by \$146,451. Lastly, current year capital outlay totaled \$1,044,535.

III. Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds and the fiduciary fund are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

- (1) For the 2019 budget, prior to October 15, 2018, the budget office submits to the board a proposed budget for the fiscal year commencing the following January 1. Upon receiving the proposed budget, the District will publish a "Notice of Budget". The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board to obtain taxpayer comments.
- (2) On or before December 15, 2018, the District submits a certification of mill levy to the county commissioners; the budget is approved through passage of a formal resolution prior to the submission of the certification.
- (3) For the **2019** budget, prior to December 15, **2018**, the District computed and certified to the County Commissioners a rate of a levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient.
- (5) All appropriations lapse at a year-end.

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in **2018** were collected in 2019 and taxes certified in 2019 will be collected in 2020. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, 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) for the fiscal year ended December 31, 2019. The District has reserved a portion of its December 31, 2019 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$186,000 which is the approximate required reserve at December 31, 2019.

The initial base for local government spending and revenue limits is December 31, 1992, fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

On November 2, 1999 the District's electorate approved exemption from certain aspects of TABOR. The electorate approved the following ballot question: *Shall Aspen Fire Protection District be authorized to collect, retain and spend all revenue and other funds received from any source, including without limitation the Districts current property tax rate of 0.874 Mills, which rate shall not be increased without subsequent voter approval, commencing as of January 1, 1998, and continuing annually thereafter until repealed, as a voter approved revenue change, offset and exception to the limits which would otherwise apply under, and without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other law, and as a permanent waiver of the 5.5% Limitation under section 29-1-301, C.R.S.*

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

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment - Revenue and Spending Limitation Amendment (continued)

In November 1982, Colorado voters approved an amendment (the “Gallagher Amendment”) to Article X of the Colorado Constitution. The Gallagher Amendment sets guidelines to establish the proportionate total statewide assessed valuations for residential and non-residential property, with required adjustments to assessment rates to maintain the respective valuations for assessment such that approximately 45% of property tax collections would come from residential property and 55% to come from non-residential property. Further, the Gallagher Amendment requires that the non-residential assessment rate applied to actual values be fixed at 29% with the residential assessment rate (“RAR”) to be adjusted to hold the 45% / 55% split constant. Because of the increase in residential property values in Colorado, the RAR has historically trended downward, which, in combination with TABOR’s set mill levy rate, may limit the amount of property taxes the District can generate annually.

In 2017, the State Legislature lowered the RAR from 7.96% to 7.22% for the 2018 – 2019 assessment period. This caused an approximately 9.3% loss of revenue for Colorado special districts, offset by increases, if any, in property values. In 2019, the Colorado State Legislature will review new values and set a new RAR to be applied in 2020-21. A publication issued by the Colorado Legislative Council Staff on April 12, 2019 states that the Colorado Division of Property Taxation estimates a RAR of 7.15% for 2019 and 2020, which would be a 1% reduction in property tax generated, assuming property values remain constant. The impact on the District, if any, of future changes to the RAR cannot be determined at this time

A. Deposits and Investments

The District’s deposits are entirely covered by federal depository insurance (“FDIC”) or by collateral held under Colorado’s Public Deposit Protection Act (“PDPA”). The FDIC insures the first \$250,000 of the District’s deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District’s demand deposits was \$183,568 at year end.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on All Funds

B. Deposits and Investments (continued)

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2019, the District had the following recurring value measurements:

Investments Measured at Net Asset Value	Total
Colotrust investment pool	\$ 20,574,609
Total	<u>\$ 20,574,609</u>

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches.

- Negotiable Certificates of Deposit (none in 2019): matrix pricing based on the securities' relationship to benchmark quoted prices

The District had the following deposits and investments with the following maturities as of December 31, 2019:

	Standard & Poor's Rating	Carrying Amounts	Maturities	
			Less than one year	Less than five years
<i>Deposits:</i>				
Checking	Not rated	\$ 183,568	\$ 183,568	\$ -
<i>Investments:</i>				
Colotrust	AAAm	20,574,609	20,574,609	-
		<u>\$ 20,758,177</u>	<u>\$ 20,758,177</u>	<u>\$ -</u>

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length on maturities, the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes as listed in Note I.D. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible depository.

B. Receivables

The District has the following receivables, net of applicable uncollectible accounts:

	General Fund	Debt Service	Total
Intergovernmental	\$ 25,958	\$ -	\$ 25,958
Property taxes, net	6,007,910	1,077,845	7,085,755
Gross receivables on fund	6,033,868	1,077,845	7,111,713
Less allowance for uncollectible	-	-	-
Total per Government-wide Financial statements	<u>\$ 6,033,868</u>	<u>\$ 1,077,845</u>	<u>\$ 7,111,713</u>

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

IV. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000
Construction in progress	-	271,791	-	271,791
Total capital assets not being depreciated	<u>1,700,000</u>	<u>271,791</u>	<u>-</u>	<u>1,971,791</u>
Capital assets being depreciated:				
Buildings and improvements	14,514,098	177,285	-	14,691,383
Mobile equipment	3,737,493	595,459	-	4,332,952
Firefighting and training equipment	360,680	-	-	360,680
Administrative assets	374,807	-	-	374,807
Total capital assets being depreciated	<u>18,987,078</u>	<u>772,744</u>	<u>-</u>	<u>19,759,822</u>
Less accumulated depreciation:	<u>(6,398,501)</u>	<u>(620,398)</u>	<u>-</u>	<u>(7,018,899)</u>
Total capital assets being depreciated, net	<u>12,588,577</u>	<u>152,346</u>	<u>-</u>	<u>12,740,923</u>
Total capital assets, net	<u>\$ 14,288,577</u>	<u>\$ 424,137</u>	<u>\$ -</u>	<u>\$ 14,712,714</u>

D. Long-term Obligations

At December 31, 2019, the District had the following long-term obligations outstanding:

1. General Obligation Bonds, Series 2006

On June 26, 2006, the District issued \$14,000,000 in General Obligation Bonds. The net proceeds of \$14,039,937, after issuance costs of \$236,879 and original issue premium of \$276,816, has been used to acquire land, construct and equip a fire substation as well as replace the existing downtown fire station through the construction and equipping of a fire station and emergency services facility. Interest with rates ranging from 4.00% to 5.00% is payable semi-annually on June 1 and December 1, with bond principal payable December 1.

The Bonds maturing on or before December 1, 2016 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after December 1, 2017 are subject to redemption prior to maturity at the option of the District, in whole or in part in integral multiples of \$5,000, on December 1, 2016 and on any date thereafter, at a redemption price equal to par amount (with no redemption premium) plus accrued interest to the redemption date.

On March 20, 2012, the District elected to advance refund the bonds maturing on December 1, 2018 through December 1, 2026 outstanding in the amount of \$7,930,000.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Obligations (continued)

2. General Obligation Refunding Bonds, Series 2012

On March 20, 2012, the District issued General Obligation Refunding Bonds, Series 2012 in the amount of \$8,775,000. The net proceeds of these bonds were deposited in an escrow account for the advance refunding of the General Obligation Bonds, Series 2006, maturing on December 1, 2018 through December 1, 2027. The bonds are issued in denominations of \$5,000 and bear interest at an annual rate of 2.0% to 3.5%. The bonds maturing on and after December 1, 2023 are subject to redemption prior to maturity at the option of the District at a redemption price equal to the principal amount plus accrued interest. These funds were issued at a present value savings of \$514,188.

3. Defeasance of Debt

As noted above, proceeds of the 2012 refunding bond issuance were used to purchase U.S. government securities to retire previous bond issues. Sufficient U.S. government, state and local governmental securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District's financial records. The amount of the District's defeased debt at December 31, 2019 is \$7,930,000.

4. Certificates of Participation, Series 2019

On December 10, 2019, the District issued \$14,375,000 in Certificates of Participation. The net proceeds of \$16,014,358, after issuance costs of \$197,287 and original issue premium of \$1,836,645, will be used to construct fire fighter housing at Station 62. Interest with rates ranging from 3.00% to 4.00% is payable semi-annually on June 1 and December 1, with base rental payments payable December 1.

The Certificates are not subject to optional redemption prior to December 1, 2029. The Certificates are subject to optional redemption, in whole or in part in integral multiples of \$5,000, and if in part in such order of maturities as directed by the District and by lot within a maturity, on any date on and after December 1, 2030, at a redemption price equal to the principal amount of the Certificates to be redeemed, plus accrued interest to the redemption date (without any premium), in the event of, and to the extent that moneys are actually received by the Trustee for such purpose.

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

IV. Detailed Notes on All Funds (continued)

D. Long-term Obligations (continued)

5. Schedule of Debt Service Requirements

A. GO Refunding Bonds, Series 2012

GO Refunding Bonds Series 2012		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 855,000	217,275
2021	880,000	191,625
2022	905,000	165,225
2023	935,000	138,075
2024	965,000	105,350
2025 - 2029	2,045,000	107,975
	<u>\$ 6,585,000</u>	<u>\$ 925,525</u>

B. Certificates of Participation, Series 2019

Certificates of Participation Series 2019		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 520,000	544,684
2021	550,000	543,050
2022	565,000	526,550
2023	585,000	509,600
2024	605,000	486,200
2025 - 2029	3,420,000	2,047,400
2030 - 2034	4,165,000	1,305,800
2035 - 2038	3,965,000	404,200
	<u>\$14,375,000</u>	<u>\$ 6,367,484</u>

6. Changes in Long-term Obligations

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Compensated absences	\$ 144,776	\$ 13,642	\$ -	\$ 158,418	\$ -
General Obligation Bonds Series 2012	7,415,000	-	(830,000)	6,585,000	855,000
Certificates of Participation Series 2019	-	14,375,000	-	14,375,000	520,000
Net pension liability - SWDB	-	49,240	-	49,240	-
Net pension liability - VPF	1,446,547	89,367	-	1,535,914	-
Total	<u>\$ 9,006,323</u>	<u>\$ 14,527,249</u>	<u>\$ (830,000)</u>	<u>\$ 22,703,572</u>	<u>\$ 1,375,000</u>

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

1. Volunteer Pension Fund

Plan Description The District is trustee of a single-employer defined benefit pension plan available to provide retirement income for all volunteer firefighters in recognition of their service to the District. The Plan is administered FPPA. FPPA administers an agent multiple-employer Public Employee Retirement System (“PERS”) represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for administration and investment only.

The Plan provides retirement benefits, survivor benefits, and funeral benefits. The normal age and service requirement is the latest date a volunteer reaches 50 years of age and 20 years of service. Firefighters with 10 to 20 years of service are eligible for partial retirement benefits. Upon death, the surviving spouse receives a monthly pension equal to 50% of the benefit previously received, payable until death. As of January 1, 2019, the latest actuarial valuation date, there were 18 active members, 47 retirees and beneficiaries, and 3 inactive, non-retired members.

The District closed the Plan to new volunteer firefighters as of December 31, 2016.

Benefits Provided The normal retirement benefit is \$600 per month at age 50 with 20 years of service, and an additional \$30.00 extended service amount per year of service after 20 years. After at least 10 years of service, the monthly retirement benefit is \$30.00 per year of service up to 20 service years. The monthly survivor benefits are \$300 following death in normal retirement. The monthly survivor benefit after at least 10 years of service is \$15.00 per year of service up to 20 service years. The funeral benefit is a one-time only \$500.

Contributions The funding of the Plan by the District and members is authorized by the Board of Trustees. The contribution by the State of Colorado (the “State”) toward fire pension funds has been a fixed dollar amount established by the legislature and allocated pro rata to all fire pension funds in the State who apply for State matching funds, based upon the amounts contributed by the employer up to a maximum of one half (1/2) mill on the assessed valuation or 90% of District contributions, whichever is less. Since the District currently offers maximum retirement benefits in excess of \$500 per month, the State will match at the level determined above but no greater than the maximum of : (1) the amount necessary to fund a pension of \$300 per month on an actuarially sound basis, and (2) the amount of State contributions provided in the prior year.

Net Pension Liability At December 31, 2019, the District reported a net pension liability of \$1,535,914 for its volunteer pension fund. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019.

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. Volunteer Pension Fund (continued)

Actuarial Assumptions The following table sets forth the methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	20 years
Asset valuation method	5-Year smoothed fair value
Inflation	2.50%
Salary increase	N/A
Investment rate of return	7.50%
Retirement age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, Projected with Scale BB, 55% multiplier for off-duty mortality. Post-retirement: For ages less than 55, RP Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.

Actuarial Assumptions (continued) The long-term expected rate of return on pension plan investments was determined using a building-block in which best estimate ranges of expected future real rates of return (expected return, net of 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 weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as **December 31, 2018**, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	2.52%
Fixed Income	15.00%	2.90%
Managed Futures	4.00%	5.35%
Absolute Return	9.00%	5.08%
Equity Long/Short	9.00%	6.45%
Global Equity	37.00%	8.03%
Private Markets	24.00%	10.00%
Total	<u>100.00%</u>	

*While expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. Volunteer Pension Fund (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%; the municipal bond rate is 3.71% (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%.

Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Single Discount Rate Assumption (7.00%)	1% Increase (8.00%)
District's net pension liability	\$ 1,950,900	\$ 1,535,914	\$ 1,186,812

Pension Plan Fiduciary Net Position Detailed information about the Plan's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at http://www.fppaco.org/annual_reports.htm.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. Volunteer Pension Fund (continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions In connection with the Plan, for the year ended December 31, 2019, the District recognized pension expense of \$250,204. At December 31, 2019, 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
Difference between expected and actual experience	\$ 24,592	\$ -
Changes of assumptions or other inputs	76,589	80,761
Net difference between projected and actual earnings on pension plan investments	185,094	-
Contributions subsequent to the measurement date	582,000	-
Total	\$ 868,275	\$ 80,761

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued) Contributions subsequent to the measurement date of **December 31, 2018**, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the subsequent years . 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 Ending December 31	Net Deferred Outflows / (Inflows) of Resources
2020	\$ 141,274
2021	18,966
2022	9,178
2023	36,096
Total	\$ 205,514

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. Volunteer Pension Fund (continued)

Assumption Changes The assumptions shown above pertain to the actuarial valuation as of January 1, 2017 and the associated Actuarially Determined Contribution for the year ending December 31, 2018. Following an experience study in 2018, the Board adopted a new assumption set for first use in the January 1, 2019 valuations.

Investment
Rate of Return 7.00%

Mortality

Pre-retirement: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality.

Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

Disabled: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

2. FPPA Statewide Defined Benefit Plan

Plan Description The FPPA SDBP is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided they are not already covered by a statutorily exempt plan. As of August 1, 2003, the SDBP may include clerical and other personnel from fire districts whose services are auxiliary to fire protection.

Contributions Determined by state statute or by election of the members, contributions are set at a level that enables all benefits to be fully funded at the retirement date of all members. Employees and employers are contributing at the rate of 10.5% and 8%, respectively, of base salary for a total contribution rate of 18.5% in 2019. In 2014, the members elected to increase the member contribution rate 0.5% annually from 2015 through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022. Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5% of base salary through 2015. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24%.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

2. FPPA Statewide Defined Benefit Plan (continued)

Contributions (continued) The contribution rate for members and employers of affiliated social security employers is 4.50% and 4%, respectively, of base salary for a total contribution rate of 8.50% in 2016. Per the 2014 member election, the affiliated social security group will also have their required member contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will remain at 4% resulting in a combined contribution rate of 10% in 2022.

Benefits On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the SDBP to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983, such that any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the SDBP may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result, their Separate Retirement Account ("SRA") has two components; the standard SRA and the reentry SRA.

The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the SDBP was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

2. FPPA Statewide Defined Benefit Plan (continued)

Benefits (continued) A member is eligible for an early retirement at age 50 or after 30 years of 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 SDBP and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Net Pension Liability At December 31, 2019, the District reported a balance of \$49,240 for its proportionate share of the net pension liability. The SDBP's fiduciary net position currently is exceeded by the total pension liability, resulting in a liability reported by the District. The net pension was measured as of December 31, 2018, and the total pension used to calculate the net pension was determined by an actuarial valuation as of January 1, 2019. The District proportion of the net pension was based on District contributions to the SDBP for the calendar year 2018 relative to the total contributions of participating employers to the SDBP.

At **December 31, 2018**, the District proportion was, 0.0389% as compared to 0.0439% at **December 31, 2017**.

For the year ended December 31, 2019, the District recognized pension revenue of \$25,193. At December 31, 2019, 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
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 63,272	\$ 526
Changes of assumptions or other inputs	47,686	-
Net difference between projected and actual earnings on pension plan investments	38,734	-
Difference between actual and reported contributions recognized	-	9,260
Changes in proportionate share of contributions	18,389	39,482
Contributions subsequent to the measurement date	21,767	-
Total	<u>\$ 189,848</u>	<u>\$ 49,268</u>

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

2. FPPA Statewide Defined Benefit Plan (continued)

Contributions subsequent to the measurement date of December 31, 2018, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows / (Inflows) of Resources</u>
2020	\$ 22,912
2021	14,826
2022	11,827
2023	23,092
2024	8,481
Thereafter	37,675
Total	\$ 118,813

Actuarial assumptions: The actuarial valuations for the SDBP were used to determine the total pension liability and actuarially determined contributions. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability	Actuarially Determined Contributions
Actuarial Valuation Date	January 1, 2018	January 1, 2017
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Payroll, Open	Level % of Payroll, Open
Amortization Period	30 Years	30 Years
Long-term Investment Return*	7.50%	7.50%
Projected Salary Increases	4.00% - 14.00%	4.00% - 14.00%
Cost of Living Adjustments	0.00%	0.00%
* Includes Inflation at	2.50%	2.50%

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

2. FPPA Statewide Defined Benefit Plan (continued)

Effective January 1, 2019, 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. For determining the actuarial determined contributions, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with ScaleBB. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

Actuarial assumptions (continued) The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.00%	8.33%
Equity Long/Short	9.00%	7.15%
Illiquid Alternatives	24.00%	9.70%
Fixed Income	15.00%	3.00%
Absolute Return	9.00%	6.46%
Managed Futures	4.00%	6.85%
Cash	2.00%	2.26%
Total	<u>100.00%</u>	

The discount rate used to measure the total pension liability was 7.00%. 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 SDBP 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.

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

IV. Detailed Notes on All Funds (continued)

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

2. FPPA Statewide Defined Benefit 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%; the municipal bond rate is 3.71% (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%.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.50%)	Current Single Discount Rate Assumption (7.50%)	1% Increase (8.50%)
Collective net pension liability (asset)	\$ 490,270,474	\$ 126,427,453	\$ (175,373,752)
Proportionate share of net pension liability (asset)	190,944	49,240	(68,302)

Pension plan fiduciary net position. Detailed information about the SDBP’s fiduciary net position is available in FPPA’s comprehensive annual financial report which can be obtained at http://www.fppaco.org/annual_reports.htm.

There were no contributions payable by the District at December 31, 2019.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

V. Other Information

A. Risk Management

The District is exposed to various risks of loss related to workers compensation; general liability, unemployment, torts, theft of, damage to and destruction of assets; and errors and omissions. The District has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance coverage.

The District joined the Western Slope Health Care Group for employee health and accident coverage. The plan administrator is UMR. The Western Slope Health Care Group reserve pays the first \$65,000 of claims with the reinsurer (commercial insurance) covering any claims after the \$65,000 stop loss.

B. Retirement Plans

1. Defined Contribution Volume Submitter Plan

The District adopted the Aspen Fire Protection District Defined Contribution Defined Contribution Volume Submitter Plan (the "VSP") in January 1989. The VSP is administered by Nationwide Financial Services, Inc. All non-responder personnel of the District are eligible to participate in the VSP. The contribution rate for District is 14.2% of covered salaries. The District contributed \$69,774 to the VSP in 2019.

2. Section 457 Deferred Compensation Plan

The District offers its paid personnel an additional voluntary deferred compensation plan created in accordance with IRC section 457 (the "457 Plan"). All compensation deferred under the 457 Plan, together with all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are to be held in trust for exclusive benefit of the participants and their designated beneficiaries. Compensation deferred under the 457 Plan is not available to participants until termination, retirement, death or unforeseeable emergency.

Employees may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. The District contributes 2% of employee earnings. For the year ended December 31, 2019, employee contributions totaled Inflation and the District recognized a contribution expense of \$12,893.

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

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

V. Other Information (continued)

C. Retirement Plans (continued)

3. Volunteer Firefighter Length of Service Award Plan

Effective January 1, 2017, the District adopted the Volunteer Firefighter Length of Service Award Plan (the "LOSAP"). The LOSAP is established and maintained for the purpose of providing defined contribution length of service awards to qualified volunteer firefighters in accordance with IRS Section 457(e)(11)(A)(ii). The LOSAP is administered by Lincoln Financial Group.

To be eligible for the service award, a participant must have performed an additional full year of service, be in good standing on December 31 of the respective plan year, and have met all the minimum certifications as outlined in the LOSAP. In any plan year, the District Fire Chief, in his/her sole discretion, may grant a participant a service award in an amount determined in the Board's sole discretion for the that plan year, within the limitations contained in the LOSAP. No service award may be granted to a participant in any plan year in an amount in excess of \$3,000, or as such amount is adjusted by the IRS. A participant will be fully vested in accrued benefit at all times.

C. Lease and Commitments

During 2019 the District leased and committed to the following:

1. Main Station House

The main station house in Aspen leases the underlying land under a twenty-year renewable lease expiring June 15, 2021. On March 13, 2006, the City of Aspen and the District agreed to extend the lease period to June 15, 2045. Rental payments equal \$10 annually plus utilities.

2. North 40

In February 2016, the District entered into a communications center lease agreement with the Board of County Commissioners of Pitkin County, Colorado (the "Board of Pitkin County", the "Tenant") for the Tenant's use of certain floor space at the District's North 40 substation. The lease calls for the Tenant to pay the District a base monthly rent of \$14.81 per square foot of related rentable floor space, adjusted annually in accordance with the Denver-Aurora-Broomfield CPI, fifty percent (50%) of common area maintenance costs, and fifty percent (50%) of certain utility expenses. The lease term expires in January 2025. During 2019, the District recorded rental revenue and reimbursement of certain costs and expenses of \$47,677 and \$32,313, respectively, under the terms of the communication center lease agreement.

3. Communication Center

The District has a participation agreement with the Board of Pitkin County for the use of the Aspen/Pitkin County Combined Communication Center (Emergency Number 911) under an annual renewable agreement.

Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)

V. Other Information (continued)

C. Lease and Commitments (continued)

4. Copier Lease

The District has a copier lease for District buildings. The lease is considered an operating lease for financial statement reporting purposes.

D. Station-Keeper Program

The District has program designed to install a resident station-keeper, whom is affiliated with the District, into a District supplied apartment within or adjacent to a fire station of the District. The housing is provided in exchange for assigned station-keeper duties in lieu of rent. The resident is required to place a minimum of \$500 per month in a joint savings account with the District, with the intent of securing future permanent house in the district. If the contract is terminated, the resident will forfeit the amount in the joint savings account.

E. Statewide Death and Disability Plan

Plan Description – Firefighters of the District contribute to the Statewide Death and Disability Plan (“SWDD”). The SWDD is a cost-sharing multiple-employer defined benefit death and disability plan administered by FPPA. Contributions to the SWDD are used sole for the payment of death and disability benefits. The SWDD was established in 1980 pursuant to Colorado Revised Statutes.

SWDD benefits provide 24-hour coverage, both on-duty and off-duty for members not eligible for normal retirement under a defined benefit plan, or under a money purchase plan.

In the case of an on-duty death, benefits may be payable to the surviving spouse or dependent children of active members who were eligible to retire, but were still working. Death and disability benefits are free from state and federal taxes in the event that a member’s disability is determined to be the result of an on-duty injury or an occupational disease.

Funding Policy – Prior to 1997, the SWDD was primarily funded by the State of Colorado (the “State”), whose contributions were established by Colorado state. In 1997 the State made a one-time contribution of \$39,000,000 to fund past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated.

The SWDD is funded by voluntary member contributions. Members hired on or after January 1, 1997, began contributing 2.4 percent of base salary to the SWDD. Contributions may be increased 0.1 percent biennially by the FPPA Board. As of January 1, 2019, the contribution rate is 2.8 percent of base salary. This percentage can vary depending on actuarial experience. All contributions are made by member or on behalf of members. The 2.7 percent contribution may be paid entirely by the District or member, or it may be split between the District and the member as determined at the local level. The District made \$7,618 of contributions to the SWDD at December 31, 2019.

FPPA issues a publicly available comprehensive annual financial report which includes additional information on the Statewide Death and Disability Plan. That report can be obtained at <https://www.fppaco.org/annual-reports.html>.

**Aspen Fire Protection District
Notes to the Financial Statements
December 31, 2019
(Continued)**

F. Subsequent Event

Management has evaluated subsequent events through April 1, 2020, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION



**Aspen Fire Protection District
General Fund
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2019
With Comparative Actual Amounts for 2018**

	2019		Final Budget Variance Positive (Negative)	2018
	Original and Final Budget	Actual		Actual
Revenues:				
Property taxes	5,347,979	5,353,138	5,159	2,128,372
Specific ownership taxes	90,000	187,964	97,964	77,846
Interest on delinquent taxes	5,000	9,611	4,611	4,207
Charges for services	50,000	56,658	6,658	247,826
Investment income	67,000	44,662	(22,338)	24,180
Grants and contributions	-	47,406	47,406	-
Other	71,800	81,444	9,644	84,825
Total Revenues	<u>5,631,779</u>	<u>5,780,883</u>	<u>149,104</u>	<u>2,567,256</u>
Expenditures:				
Current:				
Fire fighting	189,600	226,601	(37,001)	127,236
Administrative	486,774	487,561	(787)	363,915
Personnel	1,372,952	1,235,762	137,190	1,089,667
FF cooperative agreement	-	-	-	98,499
Fire prevention	35,000	32,378	2,622	28,149
Training	38,500	45,266	(6,766)	35,794
Communications	67,500	60,294	7,206	52,259
Repair services	117,000	68,699	48,301	147,931
Stations, buildings and grounds	149,453	159,308	(9,855)	128,563
Volunteer Pension Fund	582,000	582,000	-	399,494
Capital outlay	43,000	-	43,000	5,600
Total Expenditures	<u>3,081,779</u>	<u>2,897,869</u>	<u>183,910</u>	<u>2,477,107</u>
Excess (Deficiency) of Revenues Over Expenditures	2,550,000	2,883,014	333,014	90,149
Other Financing Sources (Uses):				
Sale of assets	-	-	-	42,300
Operating transfers in / (out)	(1,850,000)	(1,975,449)	(125,449)	(7,000)
Total Other Financing Sources (Uses)	<u>(1,850,000)</u>	<u>(1,975,449)</u>	<u>(125,449)</u>	<u>35,300</u>
Net Change in Fund Balance	<u>700,000</u>	907,565	<u>207,565</u>	125,449
Fund Balance - January 1		<u>965,368</u>		<u>839,919</u>
Fund Balance - December 31		<u>1,872,933</u>		<u>965,368</u>

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

Aspen Fire Protection District
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios
Volunteer Pension Fund
Last 10 Fiscal Years *

Measurement period ending December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$ 25,898	\$ 25,898	\$ 18,497	\$ 18,497	\$ 26,327
Interest on the Total Pension Liability	270,674	270,355	234,576	236,276	237,815
Benefit Changes	-	-	296,810	-	-
Difference between Expected and Actual Experience	51,646	-	118,047	-	(17,431)
Assumption Changes	160,837	-	95,802	-	-
Benefit Payments	(292,288)	(291,720)	(288,945)	(266,345)	(260,546)
Net Change in Total Pension Liability	<u>216,767</u>	<u>4,533</u>	<u>474,787</u>	<u>(11,572)</u>	<u>(13,835)</u>
Total Pension Liability - Beginning	<u>3,739,776</u>	<u>3,735,243</u>	<u>3,260,456</u>	<u>3,272,028</u>	<u>3,285,863</u>
Total Pension Liability - Ending (a)	<u>\$ 3,956,543</u>	<u>\$ 3,739,776</u>	<u>\$ 3,735,243</u>	<u>\$ 3,260,456</u>	<u>\$ 3,272,028</u>
Plan Fiduciary Net Position					
Employer Contributions	\$ 399,494	\$ 240,000	\$ 353,500	\$ 140,000	\$ 140,000
Pension Plan Net Investment Income	(3,674)	286,221	92,900	33,451	121,867
Benefit Payments	(292,288)	(291,720)	(288,945)	(266,345)	(260,546)
Pension Plan Administrative Expense	(16,132)	(16,957)	(3,090)	(5,096)	(3,176)
State of Colorado supplemental discretionary payment	40,000	40,000	40,000	40,000	40,000
Net Change in Plan Fiduciary Net Position	<u>127,400</u>	<u>257,544</u>	<u>194,365</u>	<u>(57,990)</u>	<u>38,145</u>
Plan Fiduciary Net Position - Beginning	<u>2,293,229</u>	<u>2,035,685</u>	<u>1,841,320</u>	<u>1,899,310</u>	<u>1,861,165</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,420,629</u>	<u>\$ 2,293,229</u>	<u>\$ 2,035,685</u>	<u>\$ 1,841,320</u>	<u>\$ 1,899,310</u>
Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 1,535,914</u>	<u>\$ 1,446,547</u>	<u>\$ 1,699,558</u>	<u>\$ 1,419,136</u>	<u>\$ 1,372,718</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.18%	61.32%	54.50%	56.47%	58.05%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2015.

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

Aspen Fire Protection District
Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset)
Statewide Defined Benefit Plan
Last 10 Fiscal Years *

Measurement period ending December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0389%	0.0439%	0.0483%	0.0317%
Proportionate share of the net pension liability (asset)	\$ 49,240	\$ (63,182)	\$ 17,445	\$ (558)
Covered payroll	256,888	247,075	247,075	153,563
Proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	19.17%	-25.57%	7.06%	-0.36%
Plan fiduciary net position as a percentage of the total pension liability	95.20%	106.30%	98.21%	100.10%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2016.

**Aspen Fire Protection District
Schedule of District Contributions
Volunteer Pension Fund
Last 10 Fiscal Years ***

Fiscal year ending December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 181,797	\$ 147,156	\$ 147,156	\$ 169,120	\$ 169,120
Actual contribution**	<u>(439,494)</u>	<u>(280,000)</u>	<u>(393,500)</u>	<u>(180,000)</u>	<u>(180,000)</u>
Contribution deficiency (excess)	<u>\$ (257,697)</u>	<u>\$ (132,844)</u>	<u>\$ (246,344)</u>	<u>\$ (10,880)</u>	<u>\$ (10,880)</u>
District's covered payroll	NA	NA	N/A	N/A	N/A
Actual contributions as a percentage of covered payroll	NA	NA	N/A	N/A	N/A

* Information is only available beginning in fiscal year 2014.

** Includes both plan sponsor and State of Colorado Supplemental Discretionary Payment

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

**Aspen Fire Protection District
Schedule of District Contributions
Statewide Defined Benefit Plan
Last 10 Fiscal Years ***

Fiscal year ending December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 20,871	\$ 20,551	\$ 19,766	\$ 12,285
Contributions in relation to the contractually required contribution	<u>(21,776)</u>	<u>(20,871)</u>	<u>(18,735)</u>	<u>(788)</u>
Contribution deficiency (excess)	<u>\$ (905)</u>	<u>\$ (320)</u>	<u>\$ 1,031</u>	<u>\$ 11,497</u>
District's covered payroll	\$ 260,888	\$ 256,888	\$ 247,075	\$ 153,563
Contributions as a percentage of covered payroll	8%	8%	8%	8%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2015.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**Aspen Fire Protection District
Notes to the Required Supplementary Information
December 31, 2019**

I. Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset) – Volunteer Pension Fund

A. Changes of assumptions or other inputs

The assumptions shown in 2019 pertain to the actuarial valuation as of January 1, 2017 and the associated Actuarially Determined Contribution for the year ending December 31, 2018. Following an experience study in 2018, the Board adopted a new assumption set for first use in the January 1, 2019 valuations.

The primary changes, which can be observed in the January 1, 2019 valuation, as compared to the assumptions shown are as follows:

Investment
Rate of Return 7.00%

Mortality **Pre-retirement:** 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality.
Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.
Disabled: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

B. Changes of benefit terms

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

II. Notes to the Schedule of District Contributions – Volunteer Pension Fund

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

Aspen Fire Protection District
Notes to the Required Supplementary Information
December 31, 2019

III. Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset) – Statewide Defined Benefit Plan

A. Changes of assumptions or other inputs

1. Changes since the January 1, 2017 Actuarial Valuation are as follows:

- Pre-retirement: 2006 central rates from the RP-2014 Employee mortality table for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all
- years, 50% multiplier for off-duty mortality.
- Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.
- Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.
- Investment rate of return is 7%.

2. Changes Since the January 1, 2015 Actuarial Valuation are as follows:

- Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except that is a three-year set-forward, meaning a disabled member age 70 will be valued as if they were a 73-year-old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.
- For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

III. Schedule of Employer's Proportionate Share of the Net Pension Liability/(Asset) – Statewide Defined Benefit Plan (continued)

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

IV. Notes to the Schedule of District Contributions – Statewide Defined Benefit Plan

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

SUPPLEMENTAL INFORMATION



ASPEN FIRE PROTECTION DISTRICT

**Aspen Fire Protection District
Debt Service
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2019
With Comparative Actual Amounts for 2018**

	<u>2019</u>		Final Budget Variance Positive (Negative)	<u>2018</u>
	Original and Final Budget	Actual		Actual
Revenues:				
Property taxes	1,067,555	1,063,501	(4,054)	1,217,604
Specific ownership taxes	40,000	37,695	(2,305)	44,534
Interest on delinquent taxes	1,200	1,927	727	2,407
Investment income	18,000	32,934	14,934	27,042
Total Revenues	<u>1,126,755</u>	<u>1,136,057</u>	<u>9,302</u>	<u>1,291,587</u>
Expenditures:				
Current:				
Administrative	53,828	53,891	(63)	61,202
Debt service:				
Principal	830,000	830,000	-	815,000
Interest	242,175	242,175	-	258,475
Total Expenditures	<u>1,126,003</u>	<u>1,126,066</u>	<u>(63)</u>	<u>1,134,677</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>752</u>	<u>9,991</u>	<u>9,239</u>	<u>156,910</u>
Net Change in Fund Balance	<u>752</u>	<u>9,991</u>	<u>9,239</u>	<u>156,910</u>
Fund Balance - January 1		<u>1,081,197</u>		<u>924,287</u>
Fund Balance - December 31		<u>1,091,188</u>		<u>1,081,197</u>

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

**Aspen Fire Protection District
Capital Acquisition Fund
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2019
With Comparative Actual Amounts for 2018**

	2019		2018	
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Investment income	12,000	15,672	3,672	11,784
Grants and contributions	-	-	-	172,733
Total Revenues	<u>12,000</u>	<u>15,672</u>	<u>3,672</u>	<u>184,517</u>
Expenditures:				
Current:				
Fire Fighting	-	39,273	39,273	9,911
Communications	-	-	-	17,994
Capital outlay	655,965	772,744	(116,779)	126,483
Total Expenditures	<u>655,965</u>	<u>812,017</u>	<u>(116,779)</u>	<u>154,388</u>
Excess (Deficiency) of Revenues Over Expenditures	(643,965)	(796,345)	(152,380)	30,129
Other Financing Sources (Uses):				
Operating transfers in / (out)	600,000	725,449	125,449	7,000
Total Other Financing Sources (Uses)	<u>600,000</u>	<u>725,449</u>	<u>125,449</u>	<u>7,000</u>
Net Change in Fund Balance	<u>(43,965)</u>	<u>(70,896)</u>	<u>(26,931)</u>	37,129
Fund Balance - January 1		<u>725,923</u>		<u>688,794</u>
Fund Balance - December 31		<u>655,027</u>		<u>725,923</u>

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

**Aspen Fire Protection District
Housing Fund
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2019
With Comparative Actual Amounts for 2018**

	2019		Final Budget Variance Positive (Negative)	2018
	Original and Final Budget	Actual		Actual
Revenues:				
Investment income	-	28,481	28,481	-
Total Revenues	<u>-</u>	<u>28,481</u>	<u>28,481</u>	<u>-</u>
Expenditures:				
Current:				
Capital outlay	-	271,791	(271,791)	-
Debt service:				
Other	-	197,287	(197,287)	-
Total Expenditures	<u>-</u>	<u>469,078</u>	<u>(469,078)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(440,597)	(440,597)	-
Other Financing Sources (Uses):				
Debt proceeds	-	16,211,645	16,211,645	-
Operating transfers in / (out)	1,250,000	1,250,000	-	-
Total Other Financing Sources (Uses)	<u>1,250,000</u>	<u>17,461,645</u>	<u>16,211,645</u>	<u>-</u>
Net Change in Fund Balance	<u>1,250,000</u>	17,021,048	<u>15,771,048</u>	-
Fund Balance - January 1		-		-
Fund Balance - December 31		<u>17,021,048</u>		<u>-</u>

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