

AULT
FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2020



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Independent Auditors' Report

Board of Directors
Ault Fire Protection District
Ault, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Ault Fire Protection District as of December 31, 2020, and for the year then ended and the notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Ault Fire Protection District as of December 31, 2020, and the changes in its financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Matters

Accounting principles generally accepted in the United States require that management discussion and analysis, and information on pension plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

September 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the Ault Fire Protection District (AFPD) for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- * AFPD's assets exceeded liabilities by \$2,503,452 at December 31, 2020.
- * The General Fund balance was \$933,252 as of December 31, 2020. Of this amount, \$37,131 is reserved for emergencies.
- * The December 31, 2020 General Fund balance is \$24,686 less than the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

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

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

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. AFPD, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. AFPD has one governmental fund, a General Fund.

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

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

The basic governmental fund financial statements can be found on pages 8 and 9 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 27 of this report.

Budgetary Comparisons. AFDPD adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund on pages 10 through 11 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2020, assets exceeded liabilities by \$2,503,452.

The following table provides a summary of the District's net position:

December 31	2020	2019
Assets:		
Current and other assets	\$ 1,934,554	\$ 1,863,031
Capital assets	2,972,112	2,630,274
Total Assets	4,911,666	4,483,274
Deferred Outflows of Resources:		
Pension Plans	269,479	308,196
Liabilities:		
Current and other liabilities	11,064	19,968
Long-term liabilities	1,577,585	1,212,636
Total Liabilities	1,588,649	1,232,604
Deferred Inflows of Resources:		
Deferred Property Taxes	978,271	870,098
Pension Plans	110,773	111,180
Total Deferred Inflows	1,089,044	981,278
Net Position:		
Net Investment in capital assets	2,342,212	1,989,075
Restricted	37,131	27,374
Unrestricted	124,109	561,139
Total Net Position	\$ 2,503,452	\$ 2,577,588

A portion of AFPD's net position represents unrestricted net position of \$124,109 which may be used to meet the District's ongoing obligations to patrons.

Another significant portion of the District's net position reflects its investment in capital assets. These assets include land, building, equipment, and vehicles. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$37,131 of the District's net position represents resources that are subject to external restriction on how they may be used. Included in this category are the TABOR emergency reserves of \$37,131.

The following table indicates the changes in net position:

Years Ended December 31	2020	2019
Revenues:		
General revenues:		
Property and S.O. taxes	\$ 911,185	\$ 803,244
Investment earnings	4,958	18,232
Other revenue and grants	321,546	199,447
Total Revenues	1,237,689	1,020,923
Expenses:		
Program services	1,180,081	571,292
Depreciation	107,219	88,623
Interest and debt costs	24,525	28,252
Total Expenses	1,311,825	688,167
Increase (decrease) in Net Position	\$(74,136)	\$332,756

Governmental Activities. Governmental activities decreased AFPD's net position by \$74,136 in 2020. Key elements of this decrease are as follows:

- * Total revenues were \$1,237,689, up 21% from the prior year. This is primarily due to a grant received from DOLA.
- * Expenses totaled \$1,311,825. This represents a 90% increase over the previous year, primarily due to capital equipment purchased with the grant money received and the changes in pension activity.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes:

Year Ended December 31, 2020	Final Budget	Actual
Beginning Fund Balance	\$ 957,938	\$ 957,938
Revenue	1,326,513	1,237,689
Expenditures	1,438,450	1,262,375
Ending Fund Balance	\$ 846,001	\$ 933,252

CAPITAL ASSET ADMINISTRATION

Capital Assets. AFPD's investment in capital assets for its governmental type activities as of December 31, 2020, totals \$2,972,112 (net of accumulated depreciation). This investment includes all land, buildings, equipment, and vehicles. The primary capital activity of 2020 was the purchase of two brush trucks.

The District implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated. Additional information on the District's capital assets can be found in Note 2 of this report.

DEBT ADMINISTRATION

Long-term Debt. Debt financing of approximately \$1.5 million was received in 2006 for the fire stations. Annual required payments are approximately \$108,000, funded from General Fund taxes.

OTHER MATTERS

The following factors are expected to have a significant effect on the District's financial position and results of operations and were taken into account in developing the 2021 budget:

- The assessed valuation of property in the District increased for 2021, resulting in a property taxes expected of \$978,271.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of AFPD's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, 526 Maple Avenue, Eaton, Colorado 80615.

AULT FIRE PROTECTION DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2020	General Fund	Adjustments	Statement of Net Position
<u>ASSETS</u>			
Cash and Investments	\$ 837,264	\$ -	\$ 837,264
Property Taxes Receivable	978,271	-	978,271
Prepaid expenses	14,592	-	14,592
Restricted Cash	92,460	-	92,460
Capital Assets:			
Land		157,849	157,849
Buildings and improvements	-	1,896,548	1,896,548
Equipment and vehicles	-	917,715	917,715
Net Pension Asset	-	16,967	16,967
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Plans	-	269,479	269,479
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 1,922,587	\$ 3,258,558	\$ 5,181,145
<u>LIABILITIES</u>			
Accounts Payable	11,064	-	11,064
Capital Lease	-	4,948	4,948
Note Payable	-	624,952	624,952
Net Pension Liability	-	947,685	947,685
Total Liabilities	11,064	1,577,585	1,588,649
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Property Taxes	978,271	-	978,271
Pension Plans	-	110,773	110,773
<u>FUND BALANCE/NET POSITION</u>			
Fund Balances:			
Restricted for debt service	92,460	(92,460)	-
Restricted for TABOR emergencies	37,131	(37,131)	-
Unassigned	803,661	(803,661)	-
Total Fund Balance	933,252	(933,252)	-
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 1,922,587		
Net Position:			
Net investment in capital assets		2,342,212	2,342,212
Restricted for emergencies		37,131	37,131
Unrestricted		124,109	124,109
		<u>\$ 2,503,452</u>	<u>\$ 2,503,452</u>

See Accompanying Notes to Financial Statements.

AULT FIRE PROTECTION DISTRICT

STATEMENT OF GENERAL FUND REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended December 31, 2020	General Fund	Adjustments	Statement of Activities
Revenue:			
General property taxes	\$ 869,885	\$ -	\$ 869,885
Specific ownership taxes	41,300	-	41,300
Interest earnings	4,958	-	4,958
Other revenue and grants	321,546	-	321,546
Total Revenue	1,237,689	-	1,237,689
Expenditures:			
Current Operating:			
Administration	197,516	493,778	691,294
Operations	488,787	-	488,787
Capital outlay	459,087	(459,087)	-
Debt service	116,985	(92,460)	24,525
Depreciation	-	107,219	107,219
Total Expenditures	1,262,375	49,450	1,311,825
Revenue Over Expenditures/ Change in Net Position	(24,686)	(49,450)	(74,136)
Fund Balance/Net Position, Beginning of Year	957,938	1,619,650	2,577,588
Fund Balance/Net Position, End of Year	\$ 933,252	\$ 1,570,200	\$ 2,503,452

See Accompanying Notes to Financial Statements.

AULT FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON STATEMENT

Year Ended December 31, 2020	Actual	Final Budget	Variance
Revenue:			
General Property Taxes	\$ 869,885	\$ 862,073	\$ 7,812
Specific Ownership Taxes	41,300	51,000	(9,700)
Interest Earnings	4,958	17,000	(12,042)
Other Revenue and Grants	321,546	396,440	(74,894)
Total Revenue	1,237,689	1,326,513	(88,824)
Expenditures:			
Administration:			
Administration	2,532	1,000	(1,532)
Board fee	600	600	-
Building	14,626	10,000	(4,626)
Printing and notices	93	100	7
Election	2,005	6,000	3,995
Telephone and Utilities	28,623	37,000	8,377
Office Supplies	993	1,800	807
Professional Services	14,645	20,000	5,355
Supplies	13,819	16,000	2,181
Insurance	49,712	44,000	(5,712)
County Treasurer's Fees	13,049	12,500	(549)
Dues and Subscriptions	7,129	11,400	4,271
Miscellaneous	49,690	64,100	14,410
Total Administration	197,516	224,500	26,984
Operations:			
Salaries	292,154	285,380	(6,774)
Payroll taxes	31,694	48,800	17,106
Pension contribution	104,261	104,261	-
Equipment repairs	9,233	6,400	(2,833)
Vehicle	25,160	34,000	8,840
Training	7,731	11,000	3,269
Non-capitalized equipment	6,134	15,400	9,266
Fire fighting service fee	3,250	3,000	(250)
Radio expense	8,170	8,000	(170)
Physician advisor	1,000	250	(750)
Emergency Reserve	-	25,142	25,142
Total Operations	488,787	541,633	52,846

Continued on next page.

AULT FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON STATEMENT - Continued

Year Ended December 31, 2020	Actual	Final Budget	Variance
Capital Outlay:			
Equipment	\$ 459,087	\$ 555,317	\$ 96,230
Total Capital Outlay	459,087	555,317	96,230
Debt Service:			
Principal	92,460	92,460	-
Interest	24,525	24,540	15
Total Debt Service	116,985	117,000	15
Total Expenditures	1,262,375	1,438,450	176,075
Revenue Under Expenditures	(24,686)	(111,937)	87,251
Fund Balance, January 1, 2020	957,938	957,938	-
Fund Balance, December 31, 2020	\$ 933,252	\$ 846,001	\$ 87,251

See Accompanying Notes to Financial Statements.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Ault Fire Protection District (the District) conform to generally accepted accounting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity:

The financial report of the District includes all of the integral parts of the District's operations. The District has determined that it has no financial accountability for any other agency which would require it to be in the reporting entity.

Government-wide and Fund Financial Statements:

The District reports as a special purpose government engaged in a single governmental program. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

Separate financial statements are provided for the government fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued:

Property taxes and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

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

Capital Assets:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Acquisitions of capital assets are recorded as capital outlay expenditures within the governmental funds. Depreciation has been provided on capital assets, using straight line methods over the useful lives of the assets (buildings 50 years, trucks 10-20 years, and equipment 5-10 years). The District's capitalization level is \$5,000.

Property Taxes:

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the same year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. The District uses the Weld County Treasurer to bill and collect its property taxes. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible. Taxes levied in December 2020 are recorded as taxes receivable and deferred revenue as of December 31, 2020.

The original January 1, 2020 levy for the General Fund of the District was 8.109 mills or approximately \$978,271. No funds were designated for pension contributions to FPPA in 2020.

Subsequent Events:

Management has evaluated subsequent events through the date of the financial statements were available for issuance, which is the same date as the auditor's report.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Budget:

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with the Local Government Budget Law. The budget is prepared on a basis consistent with generally accepted accounting principles for all funds. The fund level of classification is the level at which expenditures may not legally exceed appropriations. All annual appropriations lapse at year end.

The Board is authorized to transfer budgeted amounts within departments of each fund. Any revisions that alter the total appropriation for each department must be approved by the Board through a supplemental appropriation resolution. There were no supplemental appropriations in 2020.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Equity:

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally restricted by law or outside parties for use for specific purpose.

Restrictions for the District are recorded up to the maximum equity available in the fund balance and consist of:

Restricted for Emergencies:

These restrictions are established to comply with TABOR. Recorded TABOR emergency reserves at December 31, 2020 are \$37,131.

Restricted for Debt Service:

These restrictions are established to comply with the provisions for debt service reserves.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Fund Equity – Continued:

Assigned fund balances, if any, are amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official to which the Board delegates authority. Restricted funds are considered to be spent first, followed by assigned and unassigned, for an expenditure for which any could be used.

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension asset not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Investment Risks:

The pension board shall have complete control and authority to invest the funds of the Plan. Funds of the Plan shall be managed and invested by the pension board of the District in accordance with the prudent investor rule and the other standards and provisions for trustees set forth in the “Colorado Uniform Prudent Investor Act”. The District has affiliated with the Fire and Police Pension Association (FPPA) of Colorado to administer the Plan.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Capital Assets:

	Balance, 1/1/20	Additions	Deletions	Balance, 12/31/20
Land	\$ 157,849	\$ --	\$ --	\$ 157,849
Construction in Progress	223,015	--	223,015	--
Buildings	2,482,795	82,445	--	2,565,240
Equipment	319,710	8,032	--	327,742
Vehicles	643,344	591,625	42,546	1,192,423
Total Capital Assets	3,826,713	682,102	265,561	4,243,254
Less Accumulated Depreciation:				
Buildings	616,358	52,334	--	668,692
Equipment	187,725	22,323	--	210,048
Vehicles	402,387	32,561	42,546	392,402
Total Accumulated Depreciation	1,206,470	107,218	42,546	1,271,142
Capital Assets, net	\$ 2,620,243	\$ 574,884	\$223,015	\$ 2,972,112

NOTE 3 - Cash and Investments:

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

At December 31, 2020, the District held investments of \$640,498 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), which is a 2a7-like investment pool. The investment pool is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments are valued at net asset value (NAV) with each share valued at \$1.00. COLOTRUST is rated AAAM by Standard & Poor's.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan:

The District's defined benefit pension plan for volunteers provides retirement and disability benefits and death benefits to plan members and beneficiaries. The plan is affiliated with the Fire and Police Member's Benefit Fund, an agent multiple-employer pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. Title 31, Article 30 of the Colorado Revised Statutes assigns the authority to establish and amend the benefit provisions of the plans that participate in FPPA to the respective member entities. FPPA issues a publicly available financial report that includes financial statements and required supplementary information for the Fire and Police Member's Benefit Fund. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Englewood, Colorado 80111, or by calling 1-800-332-FPPA.

Contribution requirements of the District are established under Title 31, Article 30 of the Colorado Revised Statutes. The plan is noncontributory regarding participants. Districts are allowed to levy up to a 1.000 mil property tax to provide pension contributions and may also contribute other revenues. Contributions to the plan for the year ended December 31, 2020 included \$0 from State of Colorado matching and \$104,261 of property taxes levied by the District.

At December 31, 2020, pension plan membership consisted of 9 active members and 20 retired members.

At December 31, 2020, AFD reported a liability of \$947,685 for its net pension liability of the volunteer plan. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019.

On January 1, 2019, AFD increased monthly benefits to volunteer firefighters from \$500 per month to \$700 per month. This change resulted in a \$540,025 change in benefits which increased the net pension liability and the pension expense significantly from the prior year.

For the year ended December 31, 2020, AFD recognized pension expense of \$627,939. At December 31, 2020, AFD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan – Continued:

December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 24,351
Changes in assumptions	12,864	--
Net difference between projected and actual earnings on pension plan investments	35,892	59,418
Contributions subsequent to the measurement date	104,261	--
Total	\$ 153,017	\$ 83,769

Deferred outflows of resources related to pensions of \$104,261, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

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	Amount
2021	\$ (16,721)
2022	(8,394)
2023	506
2024	(10,404)
2025	--
	\$ (35,013)

Actuarial assumptions: The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.5 percent
Retirement age	50% per year of eligibility until 100% at age 65
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.0 percent

Mortality rates were based on the RP-2014 Combined Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan – Continued:

At least every five years the Fire & Police Pension Association’s Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions.

The assumption changes were effective for actuarial valuations beginning January 1, 2019. The actuarial assumptions impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

Effective with the January 1, 2013 valuations, the Board adopted a five-year smoothing methodology in the determination of the actuarial value of assets. Beginning in the January 1, 2014 valuations, the married assumption for active members was increased from 80% to 85% to reflect the passage of the Colorado Civil Union Act.

The Plan’s 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 return, net of investment expense and inflation) were developed for each major asset class. These ranges were 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.

As of the most recent analysis of the long-term expected rate of return, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Cash	2%	2.5%
Fixed Income	15%	5.2%
Absolute Return	8%	5.5%
Equity/Long Short	8%	6.0%
Global Equity	38%	7.0%
Managed Futures	4%	5.0%
Private Markets	25%	9.2%
Total	100%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.0 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at the actuarially recommended rates.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan – Continued:

Sensitivity of the AFPD net pension asset to changes in the discount rate: The following presents the net pension asset calculated using the discount rate of 7.0 percent, as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

December 31, 2020	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 1,119,625	\$ 947,685	\$ 802,460

NOTE 5 – SWDB Plan:

Ault Fire Protection District participates in the Statewide Defined Benefit (SWDB) Plan, a cost-sharing multiple-employer defined benefit pension fund administered by the Fire and Police Pension Association of Colorado (FPPA). The net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan description: Eligible employees of the District are provided with pensions through the SWDB Plan - a cost-sharing multiple-employer defined benefit pension plan administered by FPPA. FPPA issues a publicly available comprehensive annual financial report that can be obtained at www.fppaco.org

Benefits provided: A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

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. The benefit earned prior to January 1, 2007 for member of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board of Directors discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – SWDB Plan – 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 services may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions: The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by State statute. Member contribution rates can be amended by State statute or election of the membership.

Members of the SWDB plan and their employers contributed at the rate of 10.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 18.5 percent in 2020. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments re-entering the system are established by resolution and approval by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 22 percent of base salary in 2018. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

Employer contributions are recognized by the SWDB Plan in the period in which the compensation becomes payable to the member and the Ault Fire Protection District is statutorily committed to pay the contributions to the SWDB Plan. Employer contributions recognized by the SWDB Plan from the District were \$26,826 for the year ended December 31, 2020.

At December 31, 2020, the District reported an asset of \$16,967 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2019. The District proportion of the net pension asset was based on District contributions to the SWDB for the calendar year 2019 relative to the total contributions of participating employers to the SWDB Plan.

At December 31, 2020, the District proportion was .03 percent, which was approximately the same as its proportion measured as of December 31, 2019.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – SWDB Plan – Continued:

For the year ended December 31, 2020, the District recognized pension expense of \$14,954. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 57,419	\$ 332
Net difference between projected and actual earnings on pension plan investments	--	26,672
Changes in assumptions	32,217	--
Contributions subsequent to the measurement date	26,826	--
Total	\$ 116,462	\$ 27,004

Deferred outflows of resources related to pensions of \$26,826 resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension asset in the year ending 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:

Year Ending December 31	Amount
2020	\$ 5,956
2021	3,646
2022	12,323
2023	1,069
2024	12,450
Thereafter	27,186
	\$ 62,630

Actuarial assumptions: The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial method	Entry age normal
Amortization method	N/A
Amortization period	N/A
Salary increases, including wage inflation at 2.5%	4.25 – 11.25 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.0 percent
Cost of living adjustment	0.0 percent

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – SWDB Plan – Continued:

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 Scale BB. 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 0.0002.

At least every five years the Fire & Police Pension Association’s Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the Fire & Police Pension Association’s actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future.

The assumption changes were effective for actuarial valuations beginning January 1, 2019. The actuarial assumptions impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The Plan’s 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 return, net of investment expense and inflation) were developed for each major asset class. These ranges were 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.

As of the most recent analysis of the long-term expected rate of return, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	38%	7.0%
Equity Long/Short	8%	6.0%
Private Markets	25%	9.2%
Fixed Income	15%	5.2%
Absolute Return	8%	5.2%
Managed Futures	4%	5.0%
Cash	2%	2.5%
Total	100%	

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – SWDB Plan – Continued:

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.0 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at the actuarially recommended rates.

Sensitivity of the Ault Fire Protection 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 asset calculated using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

December 31, 2020	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Proportionate share of the net pension (asset) liability	\$ 102,874	\$ (16,967)	\$ (116,359)

Pension plan fiduciary net position: Detailed information about the SWDB's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at www.cofppa.org.

NOTE 6 - Contingencies:

In 1992, the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Included in the accompanying financial statements are emergency reserves of at least 3% of fiscal year spending.

In 1998, the electors of the District voted to supersede TABOR and to collect, retain, and expend the full proceeds of all taxes, fees, and other revenue without increasing or adding taxes of any kind, and to retain the existing mill levy of 6.480.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The District purchases commercial insurance for risks of loss in excess of deductible amounts and participates in the Colorado Compensation Insurance Authority. Settled claims have not exceeded this coverage in any of the past three fiscal years.

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Governmental Long-Term Debt:

December 31	2020
\$1,500,000, Bank loan (2006) due in semi-annual payments of \$54,304, due June 1, 2027, interest at 3.50 %, secured by property tax revenues	\$ 624,952
Capital lease, amount balance due in annual payments of \$7,908, at 4.75% interest, maturity in 2021	4,948
Total	\$ 629,900

The annual requirements to repay the loan as of December 31, 2020, are as follows:

Year Ending December 31	Principal	Interest	Total
2021	\$ 87,181	\$ 21,428	\$ 108,609
2022	90,302	18,307	108,609
2023	93,535	15,074	108,609
2024	96,848	11,760	108,609
2025	100,351	8,258	108,609
2026-2027	156,735	5,609	162,344
	\$ 624,952	\$ 80,436	\$ 705,388

The annual requirements to repay the lease as of December 31, 2020, are as follows:

Year Ending December 31	Principal	Interest	Total
2021	\$ 4,948	\$ 369	\$ 5,317
	\$ 4,948	\$ 369	\$ 5,317

Changes in long-term debt during the year were as follows:

	Balance 1/1/20	Additions	Retirements	Balance 12/31/20	Due Within One Year
Capital lease	\$ 13,001	\$ --	\$ 8,053	\$ 4,948	\$ 4,948
2006 loan	709,167	--	84,215	624,952	87,181
Total	\$ 722,168	\$ --	\$ 92,268	\$ 629,900	\$ 92,129

AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Reconciliation Between General Fund Balance Sheet and the Statement of Net Position:

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

December 31, 2020

Fund balance of General Fund	\$ 933,252
Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund	2,972,112
Net pension asset	16,967
Net pension liability	(947,685)
Deferred inflows and outflows for pensions	158,706
Long-term leases and loans are not due and payable in the current period and therefore are not reported in the General Fund	(629,900)
Total Net Position	2,503,452

NOTE 9 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the General Fund to the Statement of Activities:

Year Ended December 31, 2020

Net change in fund balance – General Fund	\$ (24,686)
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Amounts reported for *governmental activities* in the statement of activities are different because:

The General Fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

	351,868
--	---------

The repayment of the principal of long-term debt consumes the current financial resources of the General Fund. However, this transaction has no effect on net position. This amount is the net effect of these differences.

	92,460
--	--------

The General Fund reports District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

	(493,778)
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Change in Net Position of Governmental Activities	\$ (74,136)
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AULT FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – Subsequent Event:

In February 2021, the District entered into a lease agreement to purchase a new fire engine for \$544,169. The lease calls for nine annual payments of \$70,249, consisting of principal and interest, starting on March 29, 2022.

AULT FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions - Volunteer Plan

Year Ended December 31	Actuarially Required Contributions	Contributions Made	Contribution Deficiency (Surplus)
2020	\$ 57,919	\$ 104,261	\$ (46,342)
2019	57,919	98,665	(40,746)
2018	57,919	109,460	(51,541)
2017	37,365	106,282	(68,917)
2016	37,365	102,877	(65,512)
2015	52,966	107,974	(55,008)
2014	52,966	77,163	(24,197)
2013	68,231	68,231	-
2012	63,605	63,605	-
2011	67,749	67,749	-

Methods and Assumptions Used:

Actuarial cost method: Entry age
 Amortization method: Level dollar-open
 Remaining amortization period: 20 years
 Asset valuation method: 5 year
 smoothed fair value
 Inflation: 2.5%
 Benefit increase: \$200 per month starting January 1, 2019
 Investment return: 7.0%

Schedule of Changes in Net Pension Liability - Volunteer Plan

Measurement Period Ended December 31	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Annual Service Cost	\$ 10,522	\$ 4,807	\$ 4,807	\$ 5,960	\$ 5,960	\$ 5,884
Interest on the Total Pension Liability	117,346	89,807	90,227	68,865	70,464	74,320
Difference between expected experience and actual	-	(84,293)	-	31,731	-	(42,689)
Benefit changes	540,025	-	-	244,931	-	-
Change of Assumptions	-	44,530	-	41,291	-	-
Benefit Payments	(142,938)	(95,250)	(107,238)	(106,200)	(89,592)	(88,379)
Total Pension Liability - Beginning	1,201,433	1,241,832	1,253,986	967,408	980,576	1,031,440
Total Pension Liability - Ending	\$ 1,726,388	\$ 1,201,433	\$ 1,241,782	\$ 1,253,986	\$ 967,408	\$ 980,576
Plan Fiduciary Net Position:						
Contributions - District	\$ 98,665	\$ 98,665	\$ 88,073	\$ 84,668	\$ 80,811	\$ 54,108
Net Investment Income	101,323	(97)	92,045	29,960	9,128	35,689
Administrative Costs	(8,625)	(6,023)	(7,115)	(1,206)	(3,271)	(1,230)
Benefit Payments	(142,938)	(95,250)	(107,238)	(106,200)	(89,592)	(88,379)
State payments	-	11,095	18,209	18,209	27,163	23,055
Net Change	48,425	8,390	83,974	25,431	24,239	23,243
Plan Fiduciary Net Position - Beginning	730,278	721,888	637,914	612,483	588,244	565,001
Plan Fiduciary Net Position - Ending	\$ 778,703	\$ 730,278	\$ 721,888	\$ 637,914	\$ 612,483	\$ 588,244
District Net Pension Liability	\$ 947,685	\$ 471,155	\$ 519,894	\$ 616,072	\$ 354,925	\$ 392,332
Percentage of Net Pension Liability	45%	61%	58%	51%	63%	60%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

AULT FIRE PROTECTION DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION ASSET - STATEWIDE DEFINED BENEFIT PLAN

Year Ended December 31	Cumulative Proportion of Net Pension Asset / Liability	Cumulative Proportionate Share (Asset) Liability	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Total Pension Liability
2020	0.03%	\$ (16,967)	\$ 284,880	6.0%	102%
2019	0.02%	19,813	243,439	8.1%	95%
2018	0.00%	-	-	0.0%	106%
2017	0.00%	-	-	0.0%	98%
2016	0.01%	(200)	-	0.0%	100%
2015	0.01%	(14,954)	54,118	27.6%	107%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

AULT FIRE PROTECTION DISTRICT

**SCHEDULE OF EMPLOYER CONTRIBUTIONS -
STATEWIDE DEFINED BENEFIT PLAN**

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2020	\$ 26,826	\$ 26,826	\$ 284,880	9.4%
2019	24,613	24,613	243,439	10.1%
2018	-	-	-	0.0%
2017	-	-	-	0.0%
2016	-	-	-	0.0%
2015	4,400	4,400	55,000	8.0%
2014	4,767	4,767	55,000	8.7%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.