

FORT LEWIS MESA FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2016



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**FORT LEWIS MESA FIRE PROTECTION DISTRICT
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CLARK, WHITE, & ASSOCIATES, INC.

Karla K. Clark, CPA

Frankie White, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fort Lewis Mesa Fire Protection District
Marvel, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Fort Lewis Mesa Fire Protection District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 the major fund of the Fort Lewis Mesa Fire Protection District as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through vi and budgetary comparison schedule, pension schedules, and notes to required supplementary information on pages 23 to 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, White & Associates, Inc.

Clark, White & Associates, Inc.
Durango, Colorado
Certified Public Accountants
September 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fort Lewis Mesa Fire Protection District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Fort Lewis Mesa Fire Protection District for the year ended December 31, 2016.

This discussion and analysis is intended to be an easily readable analysis of Fort Lewis Mesa Fire Protection District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Financial Highlights

1. The District's net position is \$1,949,616.
2. Total revenues of \$800,517 exceeded total expenses of \$431,060, by \$369,457.

Report Layout

Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and the notes to the financial statements. The report also contains required and other supplementary information in addition to the basic financial statements themselves.

Reporting on the District as a Whole

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base to get a true picture of the District's finances.

Fund and Government-Wide Financial Statements

Because the District has only one governmental fund, the General Fund, the District combines both the fund financial statements and the government-wide financial statements in its presentation. The statements provide detailed information about the General Fund and the District as a whole.

Governmental *funds* – The governmental funds focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting,

which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Government-wide activities – The government wide activities are presented on the accrual basis and are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. Fixed assets and long term liabilities are reported in the statement of net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are presented on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that do not result in cash flows.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is presented in a reconciliation included on the face of each financial statement.

Government-Wide Financial Analysis

This analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior year. Significant changes from the prior year are explained in the following paragraphs.

Table A (shown on page v) is a condensed format of the Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Fort Lewis Mesa Fire Protection District, its net position for December 31, 2016, was \$1,949,616, which was an increase of \$369,457 from the 2015 net position of \$1,580,159. This increase is a result of the 2016 change in net position of \$369,457.

A portion of the District's net position (82%) reflects its investment in capital assets (e.g., land, buildings, equipment and vehicles), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; these assets are not available for future spending.

Table B (shown on page v) is a condensed format of the Statement of Activities of the District for the years ended December 31, 2016 and 2015.

The change in net position increased by \$319,434, from \$50,023 in 2015 to \$369,457 in 2016. The main reason for this increase was due to grant revenues received for capital purchases.

TABLE A
CONDENSED STATEMENT OF NET POSITION

	<u>2016</u>	<u>2015</u>
Current and other assets	\$803,636	\$795,993
Non-current assets	<u>1,594,804</u>	<u>1,284,286</u>
Total assets	<u>2,398,440</u>	<u>2,080,279</u>
Deferred outflows of resources	<u>64,876</u>	<u>28,080</u>
Current liabilities	6,017	8,321
Long-term liabilities	<u>98,982</u>	<u>86,028</u>
Total liabilities	<u>104,999</u>	<u>94,349</u>
Deferred inflows of resources	<u>408,701</u>	<u>433,851</u>
Net position		
Net investment in capital assets	1,594,804	1,312,895
Restricted	14,742	14,742
Unrestricted	<u>340,070</u>	<u>252,522</u>
Total net position	<u>\$1,949,616</u>	<u>\$1,580,159</u>

TABLE B
CONDENSED STATEMENT OF ACTIVITIES

	<u>2016</u>	<u>2015</u>
Revenues		
General revenues		
Property taxes	\$432,529	\$459,558
Other income	<u>366,291</u>	<u>33,347</u>
Total revenues	<u>798,820</u>	<u>492,905</u>
Expenses		
Fire protection	426,235	434,715
(Gain) Loss on disposal	<u>(1,697)</u>	<u>(6,052)</u>
Total expenses	<u>424,538</u>	<u>428,663</u>
Net income before transfers	<u>374,282</u>	<u>64,242</u>
Transfer to Pension Trust Fund	<u>4,825</u>	<u>14,219</u>
Change in net position	<u>369,457</u>	<u>50,023</u>
Beginning net position, as previously reported	1,580,159	1,609,419
Change in accounting principle		<u>(79,283)</u>
Beginning net position, as corrected	<u>1,580,159</u>	<u>1,530,136</u>
Ending net position	<u>\$1,949,616</u>	<u>\$1,580,159</u>

The District's Funds

General Fund

The District's General Fund reported an ending fund balance of \$409,501 at December 31, 2016 and \$354,003 at December 31, 2015. This increase was due to the net excess of revenues over expenditures of \$55,498 for 2016.

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains the requirement of setting an emergency reserve. This reserve cannot be accessed except for an unexpected disaster. The reserve amounts to \$14,742 at December 31, 2016.

General fund expenditures increased by \$341,727 from \$400,784 in 2015 to \$742,511 in 2016. This increase was due primarily to an anticipated grant award.

Budgetary Highlights

The budgetary comparison schedule for the General Fund is included in the required supplementary information. The General Fund budgeted to spend \$1,048,860 and actually spent \$742,511. The difference between actual and budgeted expenditures was due to non-receipt of an anticipated grant and general underspending in operational categories.

Capital Assets

During 2016, the District capitalized \$416,980 of capital assets. These additions consisted of equipment purchases.

At December 31, 2016, the District had \$1,594,804 invested in capital assets, consisting primarily of vehicles and buildings. For more detailed information on the capital assets refer to note 4 in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The District expects the housing market to remain stable with incremental increases for the near future; as a result of this expectation, property tax revenues are not expected to significantly increase.

The Board of Directors has approached each year with a conservative approach to spending with an eye on the future of the District. It has been an attainable goal to set aside 10% of the tax revenue each year to assure services in the future.

Request for Information

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact: Robin Walsh, District Office Manager, Fort Lewis Mesa Fire Protection District, 164 County Road, Hesperus, Colorado 81326.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION**

December 31, 2016

Page 1 of 2

	<u>Governmental Fund General Fund</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Net Postion</u>
ASSETS AND DEFERRED OUTFLOWS			
Current Assets			
Cash and cash equivalents	\$389,503	\$0	\$389,503
Property tax receivable	407,457		407,457
Cash with county treasurer	2,945		2,945
Prepaid expenses	3,303		3,303
Total Current Assets	<u>803,208</u>	<u>0</u>	<u>803,208</u>
Non-Current Assets			
Net pension asset		428	428
Buildings and equipment, net of depreciation		1,470,734	1,470,734
Land		124,070	124,070
Total Non-Current Assets	<u>0</u>	<u>1,595,232</u>	<u>1,595,232</u>
Deferred Outflows			
Deferred outflows - pension		64,876	64,876
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$803,208</u></u>	<u><u>1,660,108</u></u>	<u><u>2,463,316</u></u>
LIABILITIES, DEFFERED INFLOWS, AND FUND BALANCE			
Current Liabilities			
Accounts payable	\$4,761	0	4,761
Accrued payroll and related liabilities	1,256		1,256
Total Current Liabilities	<u>6,017</u>	<u>0</u>	<u>6,017</u>
Long-Term Liabilities			
Net pension liability		98,982	98,982
Deferred Inflows			
Deferred inflows - pension		21,011	21,011
Deferred property taxes	387,690		387,690
Total Deferred Inflows	<u>387,690</u>	<u>21,011</u>	<u>408,701</u>
Fund Balance			
Nonspendable - prepaid expenses	3,304	(3,304)	
Restricted - TABOR reserve	14,742	(14,742)	
Committed - future fire station	233,558	(233,558)	
Unassigned	157,897	(157,897)	
Total Fund Balance	<u>409,501</u>	<u>(409,501)</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u><u>\$803,208</u></u>		

See accompanying notes to the financial statements

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
December 31, 2016**

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	<u>Governmental Fund General Fund</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Net Postion</u>
Net Postion			
Net investment in capital assets		\$1,594,804	\$1,594,804
Restricted		14,742	14,742
Unrestricted		<u>340,070</u>	<u>340,070</u>
TOTAL NET POSITION		<u><u>\$1,949,616</u></u>	<u><u>\$1,949,616</u></u>

See accompanying notes to the financial statements

FORT LEWIS MESA FIRE PROTECTION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	Governmental Fund General Fund	Adjustments (Note 11)	Statement of Activities
REVENUES			
General property taxes	\$397,123	\$0	\$397,123
Specific ownership taxes	35,406		35,406
Earnings on investments	326		326
Grant income	358,040		358,040
Pension income		3,441	3,441
Other income	4,484		4,484
Total Revenues	<u>795,379</u>	<u>3,441</u>	<u>798,820</u>
EXPENDITURES			
Capital outlay	51,745	(38,154)	13,591
Communications	9,901		9,901
Depreciation		105,529	105,529
Fire prevention	9,520		9,520
Firefighting	38,599		38,599
Grant and cost share expense	379,312	(378,826)	486
Insurance	11,186		11,186
Legal and accounting	4,134		4,134
Medical expenses	7,010		7,010
Miscellaneous	9,858		9,858
Office expenses	3,405		3,405
Payroll expenses	167,040		167,040
Station, building and grounds	23,208		23,208
Treasurer fees	11,775		11,775
Training	10,993		10,993
Total Expenditures	<u>737,686</u>	<u>(311,451)</u>	<u>426,235</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>57,693</u>	<u>314,892</u>	<u>372,585</u>
OTHER FINANCING SOURCES (USES)			
Transfers to Pension Trust Fund	(4,825)		(4,825)
Gain (loss) on disposal of assets	2,630	(933)	1,697
Total Other Financing Sources (Uses)	<u>(2,195)</u>	<u>(933)</u>	<u>(3,128)</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	55,498	(55,498)	
Change in Net Position		369,457	369,457
FUND BALANCE/NET POSITION			
Beginning	<u>354,003</u>	<u>1,226,156</u>	<u>1,580,159</u>
Ending	<u>\$409,501</u>	<u>\$1,540,115</u>	<u>\$1,949,616</u>

See accompanying notes to the financial statements

FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. Description of Reporting Entity

The Fort Lewis Mesa Fire Protection District (the District) was incorporated in 1982 to provide fire protection to the Fort Lewis Mesa in Southwest Colorado. The District has an elected governing board and provides fire protection services as authorized by state statutes.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

2. Summary of Significant Accounting Policies

This summary of the Fort Lewis Mesa Fire Protection District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the District conform to generally accepted accounting principles as applicable to local governmental units. The following is a summary of the District's significant accounting policies.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized 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 revenues as soon as all eligibility requirements imposed by the provider have been met. No fiduciary funds or component units that are fiduciary in nature are included in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and liabilities are included on the balance sheet; and the fund balance includes only spendable resources. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both "measurable and available." Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources and principal payments are recorded as expenditures in governmental funds.

FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

(Note 2 continued)

The District has one governmental fund:

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

Budgets

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

Deposits and Investments

The District's deposits include amounts that are readily convertible to known amounts of cash, are not subject to significant risk from changes in interest rates, and have a maturity of three months or less from the date of acquisition. For deposits, the market value approximates the carrying value. Deposits include cash in checking and money market accounts.

The District's investment policy, in accordance with Colorado law, authorizes investment in obligations of the U. S. Treasury, State of Colorado, Colorado county and school districts, repurchase agreements, financial institutions and local government investment pools. State statutes prohibit investments with a stated maturity date greater than five years, unless allowed by District Charter.

Investments are measured at fair value in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*.

Property Taxes/Deferred Property Taxes

In the government fund and government wide financial statements, property tax revenue is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date. This receivable represents taxes certified by the District to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

The District's property taxes, levied by December 15, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which they are payable. The taxes are payable under two methods: 1) in full on or before April 30, or 2) one-half on or before February 28, and the remaining one-half on or before June 15. All unpaid taxes levied December 31 become delinquent June 16.

FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

(Note 2 continued)

The District estimates that very few of its delinquent taxes will be uncollectible, and has not established a reserve for the uncollectible delinquent taxes. This estimate is reviewed annually and will be adjusted if appropriate.

Prepaid Items

Payments made for services that will benefit periods beyond the end of the current year are recorded as prepaid items.

Capital Assets

Capital assets, which include land, land improvements, buildings, equipment and vehicles, are reported in the government-wide financial statements. Capital outlays are recorded as expenditures in the general fund at the time of purchase. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight line method over the estimated useful lives. Land and land improvements are not depreciated. Buildings, equipment and vehicles are depreciated over 5 to 40 years.

Compensated Absences

The District allows its two full time employees (the fire chief and the assistant fire chief) to accumulate paid time off (PTO) to cover both sick and vacation time, Annual PTO allowed and the number of days of which may carry over from year to year are specified in each employee's contract. There is accrued PTO of \$1,216 at December 31, 2016.

Net Position/Fund Balances

The difference between assets and liabilities is "Net Position" on the government-wide financial statements and "Fund Balance" on the governmental fund financial statements. Net position is divided into net investment in capital assets, restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

(Note 2 continued)

The spendable portion of the fund balance comprises the remaining four classifications; restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the District Board of Directors – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance. This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The District Board and Fire Chief have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed

Use of Estimates

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

Implementation of New GASB Statements

Beginning in 2016, the District implemented the following statement issued by the Governmental Accounting Standards Board (GASB): GASB Statement No. 72 *Fair Value Measurement and Applications*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

3. Fund Balance/Net Position

Fund balance/net position restricted for emergency purposes by the Tabor amendment is \$14,742.

4. Capital Assets

A summary of changes in capital assets during 2016 is as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Machinery and equipment	\$1,554,885	\$416,980	\$7,000	\$1,964,865
Buildings and improvements	1,021,668			1,021,668
Land	124,070			124,070
Total	2,700,623	416,980	7,000	3,110,603
Less accumulated depreciation	<u>1,416,337</u>	<u>105,529</u>	<u>6,067</u>	<u>1,515,799</u>
Total	<u>\$1,284,286</u>	<u>\$311,451</u>	<u>\$933</u>	<u>\$1,594,804</u>

Depreciation expense was \$105,529 for December 31, 2016.

5. Deposits

The District's deposit policies are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another financial institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's policy requires all deposits to be held in PDPA approved financial institutions. At December 31, 2016, none of the District's general fund deposits were exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

The District does not have a separate investment policy that addresses these types of risk; however the District's deposits and investments are made in accordance with Colorado State statute.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

6. Pension Plans

The District maintains the following plans for pension benefits:

- Fire and Police Pensions Association (FPPA) Statewide Defined Benefit Plan
- FPPA Death and Disability Fund
- Volunteer Fireman’s Defined Benefit Pension Plan

A summary of pension related items as of December 31, 2016, is presented below:

	<u>Net Pension (Asset) Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Volunteer Fire Pension Plan	\$98,982	\$22,913	(\$16,792)
Statewide Defined Benefit Plan	(428)	41,963	(4,219)
Total	<u>\$98,554</u>	<u>\$64,876</u>	<u>(\$21,011)</u>

Volunteer Fireman’s Defined Benefit Pension Plan

Plan Description

The District’s Volunteer Fireman’s Defined Benefit Pension Plan (the Volunteer Plan) covers the District’s volunteer firefighters. The plan is open to any firefighter who renders service to the District and who does not receive compensation under an employment contract as a firefighter. The plan covers substantially all volunteer fireman (approximately 13) within the fire department of the District.

The plan is administered by reference to the Rules and Bylaws of the Firemen's Pension Fund of the Fort Lewis Mesa Fire Protection District as adopted on August 1, 1990, and applicable Colorado statutes. The Board of Trustees of the Firemen’s Pension Plan has the authority to establish and amend benefit provisions. The Board of Trustees consists of the members of the Board of Directors of the District and two elected members from the fire department. The plan is an affiliated FPPA agent employer plan administered by FPPA.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 continued)

Benefits Provided

The benefits provided under the plan are as follows:

1. Normal Retirement Benefit at Age 50 with 20 years of service (monthly):	
a. Regular	\$300.00
b. Extended Service Amounts Per Year of Service	\$0.00
2. Vested Retirement Benefit (monthly):	
a. With 10 to 20 years of Service Amount Per Year of Service per Minimum Vesting Years	\$15.00
b. Minimum Vesting Years	10
3. Disability Retirement Benefit (monthly):	
a. Short Term Disability for line of duty injury Amount payable for not more than 1 year	\$150.00
b. Long Term Disability for line of duty injury Lifetime Benefit	\$300.00
4. Survivor Benefits (monthly):	
a. Following Death before Retirement Eligible; Due to death in line of duty as a volunteer firefighter	\$150.00
b. Following Death after Normal Retirement	\$150.00
c. Following Death after Normal Retirement with Extended Service Amount Per Year of Service	\$0.00
d. Following Death after Vested Retirement with 10 to 20 Years of Service Amount Per Years of Service per Minimum Vesting Years	\$7.50
e. Following Death after Disability Retirement	\$150.00
f. Optional Survivor Benefit Following Death before or after Retirement Eligible; Due to death on or off duty as a volunteer firefighter (Purchase of Life Insurance Required)	\$0.00
5. Funeral Benefits (Required Benefit):	
a. Funeral Benefit Lump Sum, one time only	\$100.00

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 continued)

Members Covered by Benefit Terms

Membership of the Volunteer Plan consists of the following at January 1, 2015:

	Volunteer Plan
Reitrees and beneficiaries receiving benefits	12
Inactive, nonretired members	3
Active members	<u>13</u>
Total	<u><u>28</u></u>

Contributions

There are no paid employees within the Volunteer Plan and employees do not contribute to their pension plan. The District is required by statute to contribute the amounts remaining necessary to pay benefits when due using the actuarial basis specified by statute.

Net Pension Asset

The District's Volunteer Plan net pension liability was measured as of December 31, 2015, and the total pension liability was determined by an actuarial valuation as of January 1, 2015. This measurement date is within one year of the plan sponsor fiscal year end of December 31, 2016 and may be used for December 31, 2016 reporting purposes.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 continued)

Actuarial Methods and Assumptions

The total pension asset in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied in all periods included in the measurement:

	Total Pension Liability
Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	20 Years
Asset valuation method	5-year smoothed fair value
Actuarial assumptions:	
Investment rate of return	7.50%
Inflation	3.00%
Projected salary increases	N/A
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality Post retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with scale AA

Discount Rate

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%, the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from the Federal Reserve statistical release (H.15)) and the resulting single discount rate is 7.5%.

Projected cash flows used in determining the single discount rate are available upon request.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.00%	6.5%
Equity Long/Short	10.00%	4.7%
Illiquid Alternatives	20.00%	8.0%
Fixed Income	16.00%	1.5%
Absolute Return	11.00%	4.1%
Managed Futures	4.00%	3.0%
Cash	2.00%	0.0%
Total	100.00%	

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

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	\$149,143	\$98,982	\$56,861

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 continued)

Change in Net Pension Asset

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	<u>\$445,798</u>	<u>\$359,770</u>	<u>\$86,028</u>
Changes For The Year			
Service cost	9,464		9,464
Interest	32,723		32,723
Contributions - employer		14,219	(14,219)
State of Colorado supplemental discretionary payment		10,545	(10,545)
Net investment income		6,212	(6,212)
Benefit payments	(28,800)	(28,800)	
Administrative expense		(1,743)	1,743
Net Changes	<u>13,387</u>	<u>433</u>	<u>12,954</u>
Balances at December 31, 2016	<u><u>\$459,185</u></u>	<u><u>\$360,203</u></u>	<u><u>\$98,982</u></u>

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

For the year ended December 31, 2016, the District recognized a pension expense (income) of (\$811). At December 31, 2016, the District reported deferred inflows and deferred outflows of resources related to the Volunteer Plan from the following sources:

	Governmental Activities
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$18,088
Contributions subsequent to measurement date	<u>4,825</u>
Total Deferred Outflows of Resources	<u><u>\$22,913</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	<u>\$16,792</u>
Total Deferred Inflows of Resources	<u><u>\$16,792</u></u>

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 continued)

The amount of \$4,825 reported as deferred outflows of resources related to the Volunteer Plan, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ended December 31, 2017.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

For The Year Ended December 31,	
2017	(\$2,601)
2018	(2,601)
2019	2,388
2020	4,110
Total	\$1,296

Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Plan's fiduciary net position is available in FPPA's comprehensive annual financial report, which can be obtained on FPPA's website at <http://www.fppaco.org>.

FPPA Statewide Cost-Sharing Defined Benefit Pension Plan

Plan Description

Eligible employees of the District are provided with pensions through Statewide Defined Benefit Plan (SWDBP), 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 on FPPA's website at <http://www.fppaco.org>.

Benefits Provided

SWDBP provides retirement and disability, annual increases and death benefits for members or their beneficiaries. A member is eligible for a normal retirement pension once the member has completed 25 years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2.0 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 members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the SWDBP. 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 3 percent of the Consumer Price Index.

FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

(Note 6 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 5.0 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with SWDBP and remain eligible for a retirement pension at age 55 equal to 2.0 percent of the member's average highest three year's base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

Contributions

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

Members of SWDBP and their employers are contributing at the rate of 9.0 percent and 8.0 percent of base salary, respectively, for a total contribution rate of 17.0 percent in 2016. In 2014, the members elected to increase the member contribution rate to SWDBP beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12.0 percent of base salary. Employer contributions will remain at 8.0 percent resulting in a combined contribution rate of 20.0 percent 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 21.0 percent of base salary in 2016. It is a local decision on who pays the additional 4.0 percent contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2016 through 2022 for a total combined member and employer contribution rate of 24.0 percent.

The contribution rate for members and employers of affiliated social security employers is 4.5 percent and 4.0 percent of base salary, respectively, for a total contribution rate of 8.5 percent in 2016. Per the 2014 member election, the affiliated social security group will also have their required member contribution rate increase 0.25 percent annually beginning in 2016 through 2022 to a total of 6.0 percent of base salary. Employer contributions will remain at 4.0 percent resulting in a combined contribution rate of 10.0 percent in 2022.

Employer contributions are recognized by SWDBP in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to SWDBP. Employer contributions recognized by SWDBP from the District were \$8,849 for the year ended December 31, 2016.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 continued)

Pension Assets, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported a net pension liability of \$428 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability was determined by an actuarial valuation as of January 1, 2016. The District's proportion of the net pension liability was based on District contributions to SWDBP for the calendar year 2015 relative to the total contributions of participating employers to SWDBP based upon the January 1, 2016 actuarial valuation.

At December 31, 2016, the District's portion was 2.4%, which was a decrease of 0.1% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the District recognized a pension income of \$2,630. At December 31, 2016, the District reported a deferred outflows of resources and deferred inflows of resources related to SWDBP from the following sources:

	Governmental Activities
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$21,781
Changes of assumptions	6,722
Differences between expected and actual experience	3,461
Changes in proportion share	1,150
Contributions subsequent to measurement date	8,849
Total Deferred Outflows of Resources	\$41,963
Deferred Inflows of Resources	
Differences between expected and actual experience	\$505
Changes in proportion share	3,714
Total Deferred Inflows of Resources	\$4,219

The amount of \$8,849 reported as deferred outflows or resources related to SWDPB, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDBP will be recognized in pension expense as follows:

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 continued)

For The Year Ended December 31,	
2017	(\$310)
2018	(310)
2019	(310)
2020	(310)
2021	(310)
Thereafter	(1,013)
 Total	 (\$2,563)

Actuarial Assumptions

The actuarial valuation for SWDBP were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2015. The valuations used the following actuarial assumption and other inputs:

	Liability	Contributions
Valuation date	January 1, 2016	January 1, 2015
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level % Payroll, Open	Level % Payroll, Open
Remaining amortization period	30 Years	30 Years
Actuarial assumptions:		
Investment rate of return*	7.50%	7.50%
Projected salary increases*	4.0% - 14.0%	4.0% - 14.0%
Cost of living adjustments	0.0%	0.0%
*Includes inflation at:	2.5%	3.0%

For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB 55% 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. The RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Table for Blue Collar Healthy Annuityants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

For determining the actuarially determined contributions, the RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected Scale AA, 40% 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. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 continued)

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method which best-estimate ranges of expected future real estate 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	37.00%	6.5%
Equity Long/Short	10.00%	4.7%
Illiquid Alternatives	20.00%	8.0%
Fixed Income	16.00%	1.5%
Absolute Return	11.00%	4.1%
Managed Futures	4.00%	3.0%
Cash	<u>2.00%</u>	0.0%
Total	<u><u>100.00%</u></u>	

The discount rate used to measure the total pension liability was 7.50%. 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 SWBD plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(Note 6 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 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 purposes of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from the Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.5%.

Sensitivity of the District's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.5%, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate share of the net pension liability (asset)	\$59,952	(\$428)	(\$50,511)

Pension Plan Fiduciary Net Position

Detailed information about SWDBP's fiduciary net position is available in FPPA's comprehensive annual financial report, which can be obtained on FPPA's website at <http://www.fppaco.org>.

7. Deferred Compensation Plan

The District participates in a deferred compensation plan (the 457 Plan) as defined under the Internal Revenue Code Section 457, which allows employees to make an elective deferral of a portion of earned compensation to the 457 Plan. The 457 Plan is a multi-employer plan administered by FPPA. Amendments to the 457 Plan may be made by the plan trustee. For firefighters and police officers hired on or after January 1, 1997, the participating fire or police department or the newly hired employee is required to contribute a certain percentage of wages. For members hired on or after January 1, 1997, the District contributes 2.60% of the participating employee's payroll to this fund. This percentage can vary depending on actuarial experience. The District contributed \$2,876 in 2016 for two employees.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

8. Life Insurance

The District provides \$25,000 of term life insurance to the following individuals.

- All active emergency service organization (ESO) volunteers as provided on the District's census or on file with the District.
- All ESO volunteers and life members/retirees (as defined by the ESO bylaws)
- All active ESO volunteers and life members/retirees and auxiliary members(as defined by the ESO bylaws)
- All paid personnel

In addition, the policy provides insurance of \$5,000 to their spouses and \$2,500 to dependent children. At age 70, the death benefit is reduced to 50% of the above amounts.

The policy runs from October 1 to September 30 of each year. Premiums are submitted to VFIS Benefits Division. Premiums paid for 2016 coverage were \$3,401.

9. Risk Assessment

The District is exposed to various risks of loss related to torts, thefts of, damages to or destruction of assets, errors or omissions, injuries to employees, or acts of God.

Commercial insurance is purchased by Fort Lewis Mesa Fire Protection District to cover losses or claims arising from such matters. It is not possible to estimate any losses that would not be covered by the commercial insurance; however, settled claims have not exceeded this commercial coverage in any of the three preceding years.

10. Tax Spending and Debt Limitations

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

The amendment requires emergency reserves of at least 3% of fiscal year spending. The amendment allows for an increase of revenues under formulas using inflation and local growth. Voter approval is required for tax increases and spending above the inflation and growth factor. Revenue collected, kept, or spent illegally shall be refunded with interest. The District believes it is in compliance with the requirements of TABOR; however, the District has made certain interpretations of the amendment's language in order to determine its compliance.

On November 6, 2001, an election was held that authorized the District to retain and spend all revenues and other funds collected from any source, effective January 1, 2002 and thereafter. The District also requested and received a permanent waiver of the 5.5% growth limitation under Section 29-1-301, C.R.S.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

11. Adjustments Column

The adjustments column on the governmental fund balance sheet/statement of net position represents the recording of capital assets and the corresponding accumulated depreciation, and net pension asset (liability), deferred inflows, deferred outflows, and pension expense in accordance with GASB Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as modified by GASB Statement No. 38 *Certain Financial Statement Note Disclosures and with GASB Statement No. 68 Accounting and Financial Reports for Pensions*. The total value (net of accumulated depreciation) of the net capital assets recorded equals \$1,594,804 as of December 31, 2016. The adjustments for the pension related accounts include recording a net pension asset for \$428, deferred outflows of \$64,876, a net pension liability for \$98,982, and deferred inflows of \$21,011. The adjustments column on the statement of governmental fund revenues, expenditures and change in fund balance/statement of activities represents the recording of current year depreciation expense of \$105,529, reclassifies the purchase of capital assets of \$416,980 and the net pension income of \$3,441 and a loss on asset disposal of \$933.

12. Joint Venture

The District is a participant in the Colorado Special Districts Property and Liability Pool (The Pool). The Pool is a joint venture between the Special District Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials’ liability, inland marine, money and security and boiler and machinery coverages to its members. Fort Lewis Mesa Fire Protection District has not had losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture.

The Pool has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members. The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver metro area and 1-800-886-1733 from outside the metro area.

The joint venture summary audited financial information as of December 31, 2016, is as follows:

Admitted Assets	\$52,645,796
Liabilities	\$28,757,242
Surplus	23,888,554
Total Liabilities and Surplus	\$52,645,796
Revenues	\$19,338,769
Expenses	14,100,230
Net Income	\$5,238,539

REQUIRED SUPPLEMENTARY INFORMATION

FORT LEWIS MESA FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
General property taxes	\$405,060	\$397,123	(\$7,937)
Specific ownership taxes	30,000	35,406	5,406
Earnings on investments	184	326	142
Grant income	565,119	358,040	(207,079)
Donations	100	0	(100)
Other income	8,000	4,484	(3,516)
Total Revenues	<u>1,008,463</u>	<u>795,379</u>	<u>(213,084)</u>
EXPENDITURES			
Capital outlay	6,000	51,745	(45,745)
Communications	20,700	9,901	10,799
Fire prevention	12,300	9,520	2,780
Firefighting	72,025	38,599	33,426
Grant and cost share expense	600,000	379,312	220,688
Insurance	13,200	11,186	2,014
Legal and accounting	12,000	4,134	7,866
Medical supplies expense	8,500	7,010	1,490
Miscellaneous	13,070	9,858	3,212
Office expenses	4,000	3,405	595
Payroll expenses	186,740	167,040	19,700
Station, building and grounds	30,000	23,208	6,792
Treasurer fees	13,500	11,775	1,725
Training	12,000	10,993	1,007
Total Expenditures	<u>1,004,035</u>	<u>737,686</u>	<u>266,349</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>4,428</u>	<u>57,693</u>	<u>53,265</u>
OTHER FINANCING SOURCES (USES)			
Transfers to Pension Trust Fund	(4,825)	(4,825)	
Capital reserve	(40,000)		40,000
Fund balance carry forward	36,397		(36,397)
Gain (loss) on disposal of assets	4,000	2,630	(1,370)
Total Other Financing Sources (Uses)	<u>(4,428)</u>	<u>(2,195)</u>	<u>2,233</u>
Net Change in Fund Balance			
(Budgetary and GAAP Basis)	<u>\$0</u>	<u>\$55,498</u>	<u>\$55,498</u>

The accompanying notes to required supplementary information are an integral part of this statement.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION
LIABILITY AND RELATED RATIOS - VOLUNTEER PLAN
Year Two**

Fiscal year end	2016	2015
Measurement period	2015	2014
Total Pension Liability		
Service cost	\$9,464	\$11,837
Interest	32,723	33,975
Difference between expected and actual experience of the Total Pension Liability		(31,314)
Benefit payments	<u>(28,800)</u>	<u>(31,200)</u>
Net Change in Total Pension Liability	13,387	(16,702)
Total Pension Liability - Beginning	<u>445,798</u>	<u>462,500</u>
Total Pension Liability - Ending	<u><u>\$459,185</u></u>	<u><u>\$445,798</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$14,219	\$11,717
Net investment income	6,212	22,814
Benefit payments	(28,800)	(31,200)
Pension Plan Administrative Expense	(1,743)	(910)
State of Colorado supplemental discretionary payment	<u>10,545</u>	<u>13,047</u>
Net Change in Plan Fiduciary Net Position	433	15,468
Plan Fiduciary Net Position - Beginning	<u>359,770</u>	<u>344,302</u>
Plan Fiduciary Net Position - Ending	<u><u>\$360,203</u></u>	<u><u>\$359,770</u></u>
Net Pension Liability (Asset)	<u><u>\$98,982</u></u>	<u><u>\$86,028</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.44%	80.70%
Covered-Employee Payroll	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	N/A	N/A

The accompanying notes to required supplementary information are an integral part of this statement.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - VOLUNTEER PLAN
Year Two**

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution As A % Of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2015	\$24,764	\$24,764	\$0	N/A	N/A
2014	24,764	24,764	0	N/A	N/A

*Includes both employer and State of Colorado Supplemental Discretionary Payment.

N/A = Information not applicable.

(1) This schedule will be completed prospectively until a full 10-year trend is compiled. The District is presenting information for those years for which information is available.

Actuarial Assumptions:

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	20 Years
Asset valuation method	5-year smoothed fair value
Actuarial assumptions:	
Investment rate of return	7.50%
Inflation	3.00%
Projected salary increases	N/A
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality Post retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with scale AA

The accompanying notes to required supplementary information are an integral part of this statement.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION ASSET - SWDBP
Employee Pension Plan
Year Two**

Fiscal year end Measurement period	2016 2015	2015 2014
District's portion of the net pension asset	0.024277%	0.025350%
District's proportionate share of the net pension asset	\$428	\$28,609
District's covered-employee payroll	0	0
District's proportionate share of the net pension asset as a percentage of its covered payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	100.1%	106.8%

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

The accompanying notes to required supplementary information are an integral part of this statement.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO
THE PENSION PLAN - SWDBP
Employee Pension Plan
Year Two**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$8,849	\$9,415
Contributions in relation to the contractually required contribution	<u>\$8,849</u>	<u>\$9,415</u>
Contribution (Excess) Deficiency	<u>\$0</u>	<u>\$0</u>

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

Actuarial Assumptions

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level % Payroll, Open
Remaining amortization period	30 Years
Actuarial assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	4.0% - 14.0%
Cost of living adjustments	0.0%
*Includes inflation at:	2.5%

Note: The actuarial changes in assumptions impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The accompanying notes to required supplementary information are an integral part of this statement.

**FORT LEWIS MESA FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016**

Budgets and Budgetary Accounting

The Board of Directors adopts an annual legal budget, which covers the general fund. The budget for the general fund is prepared on the modified accrual basis. The statements comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other items which are reported in the District's budget differently than they are reported for accounting principles generally accepted in the United States of America. Budgetary level of control is exercised at the departmental level. Management is authorized to transfer budgeted amounts within and among departments; however any revisions that alter total expenditures for any of the funds must be approved by the Board of Directors.

The budgetary comparison schedule included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the general fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results, with the following exceptions:

1. The general fund includes any emergency reserve increase in its budget basis as an expenditure. Generally accepted accounting principles treat this as an increase in the reserved fund balance.
2. Contributed assets are not included in the budget comparison statements as revenues or expenditures.

Annual budgets are established for all funds of the District as required by Colorado law. Budgets reported in the accompanying financial statements are on the same basis of accounting as described above.

Expenditures may not legally exceed appropriations at the fund level. Budget amounts included in the financial statements are based on the final amended budget. After budget approval, the District's Board of Directors may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted.

On or before October 15th of each year, the District's budget officer must prepare and submit a proposed budget to the Board for the next fiscal year. Thereupon notice must be published stating, among other things, that the budget is open to inspection by the public and that interested electors may file or register any objection to the budget. Subject to certain exceptions and exclusions discussed hereafter, the District must submit a request for property tax increases in excess of the statutory limitation to the Division of Local Government (if within TABOR limits) or submit the question of an increased levy directly to the electors of the District at a general or special election. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2016.

Budget appropriations lapse at the end of each year. The encumbrance method is not used.