

**LEWIS-ARRIOLA FIRE PROTECTION DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORT**

**For the Years Ended December 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 2:24 pm, Aug 31, 2017*

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

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## Independent Auditor's Report



Heidi A. Trainor, CPA, MS Tax

Board of Directors  
Lewis-Arriola Fire Protection District  
Lewis, CO 81327

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Lewis-Arriola 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lewis-Arriola Fire Protection District, as of December 31, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis and the 10 year fiscal historical pension information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 25-29 and the Schedule of District Contribution on page 30 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. I 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 statement, and other knowledge I obtained during my audit of the basic financial statements.

I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Heidi A Trainor, C.P.A., P.C.

July 24, 2017

**BASIC FINANCIAL STATEMENTS**

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION  
For the Years Ended December 31

	GOVERNMENTAL ACTIVITIES	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 107,408	\$ 133,484
Investments	1,574,704	1,322,195
Cash with County Treasurer	4,525	4,185
Property Taxes Receivable	555,139	783,211
Capital Assets, not depreciated	224,947	30,000
Capital Assets, depreciated	<u>1,804,584</u>	<u>1,619,904</u>
TOTAL ASSETS	<u>4,271,307</u>	<u>3,892,979</u>
<b>DEFERRED OUTFLOWS OF RECOURSES</b>		
Deferred Outflows Related to Pension	<u>151,039</u>	<u>178,776</u>
<b>LIABILITIES</b>		
Accounts Payable	20,665	11,925
Non current Liabilities:		
Net Pension Liability	<u>436,882</u>	<u>416,968</u>
TOTAL LIABILITIES	457,547	428,893
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Tax Revenue	555,139	783,211
Deferred Inflows Related to Pension	22,730	34,284
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	2,029,531	1,649,904
Restricted for TABOR Amendment	20,000	12,000
Unrestricted	<u>1,337,399</u>	<u>1,163,463</u>
TOTAL NET POSITION	<u>\$ 3,386,930</u>	<u>\$ 2,825,367</u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES  
For the Years Ended December 31

	<u>PROGRAM REVENUES</u>				
	<u>2016</u>				<u>2015</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Net (Expenses) Revenue</u>	<u>Net (Expenses) Revenue</u>
<b><u>Governmental Activities</u></b>					
Administration	\$ 168,431	\$ --	\$ --	\$ (168,431)	\$ (101,814)
Fire Protection	76,437	--	--	(76,437)	(100,197)
Training	10,606	--	--	(10,606)	(5,838)
Station Operation & Maintenance	<u>172,580</u>	<u>--</u>	<u>--</u>	<u>(172,580)</u>	<u>(158,814)</u>
Total District	<u>\$ 428,054</u>	<u>\$ --</u>	<u>\$ --</u>	<u>(428,054)</u>	<u>(366,663)</u>

GENERAL REVENUES

Property Taxes	817,507	751,321
Specific Ownership Taxes	60,548	62,004
Grants	97,464	82,201
Investment Income	11,148	2,409
Other Income	2,950	33,328
TOTAL GENERAL REVENUES	<u>989,617</u>	<u>931,263</u>
CHANGES IN NET POSITION	561,563	564,600
NET POSITION, Beginning	2,825,367	2,562,368
Restatement Adjustment	<u>--</u>	<u>(301,601)</u>
NET POSITION, Ending	<u>\$ 3,386,930</u>	<u>\$ 2,825,367</u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

For the Years Ended December 31

	<u>GENERAL FUND</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 107,408	\$ 133,484
Investments	1,574,704	1,322,195
Cash with County Treasurer	4,525	4,185
Property Taxes Receivable	555,139	783,211
<b>TOTAL ASSETS</b>	<u><u>\$ 2,241,776</u></u>	<u><u>\$ 2,243,075</u></u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY LIABILITIES</b>		
Accounts Payable	\$ 20,667	\$ 11,925
<b>TOTAL LIABILITIES</b>	<u>20,667</u>	<u>11,925</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Tax Revenue	555,139	783,211
<b>FUND BALANCE</b>		
Restricted	20,000	12,000
Committed	316,989	--
Unassigned	1,328,981	1,435,939
<b>TOTAL FUND EQUITY</b>	<u>1,665,970</u>	<u>1,447,939</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY</b>	<u><u>\$ 2,241,776</u></u>	<u><u>\$ 2,243,075</u></u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

Reconciliation of the Statement of Net Position  
and the Government Wide Balance Sheet

For the Years Ended December 31

	<u>GENERAL FUND</u>	
	<u>2016</u>	<u>2015</u>
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
FUND BALANCE	\$ 1,665,970	\$ 1,447,939
Deferred outflows and inflows as well as Net Pension Liability related to pensions are not available to pay for current period expenditures or due and payable in the current period and, therefore, are not reported in funds		
Net Pension Liability	(436,882)	(416,968)
Deferred outflows/inflows and deferred amortization related to the pension plan	128,311	144,492
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the Governmental Funds.	<u>2,029,531</u>	<u>1,649,904</u>
NET POSITION of Governmental Activities	<u>\$ 3,386,930</u>	<u>\$ 2,825,367</u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY  
GOVERNMENTAL FUND

For the Years Ended December 31

	GENERAL FUND	
	2016	2015
REVENUES		
Property Tax	\$ 817,507	\$ 751,321
Specific Ownership Tax	60,548	62,004
Grants	97,464	82,201
Donations	2,950	2,575
Investment	11,148	2,409
Other Income	--	33,328
<b>TOTAL REVENUES</b>	<b>989,617</b>	<b>933,838</b>
EXPENDITURES		
Current		
Administration	47,334	45,939
Fire Protection	76,437	100,197
Training	10,606	5,838
Station Operations Maintenance	38,483	33,957
Capital Outlay	513,726	180,753
<b>TOTAL EXPENDITURES</b>	<b>686,586</b>	<b>366,684</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>303,031</b>	<b>567,154</b>
OTHER FINANCING SOURCES		
Transfers out	85,000	85,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>85,000</b>	<b>85,000</b>
<b>NET CHANGE IN FUND EQUITY</b>	<b>218,031</b>	<b>482,154</b>
FUND EQUITY, Beginning	1,447,939	965,785
FUND EQUITY, Ending	<u>\$ 1,665,970</u>	<u>\$ 1,447,939</u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND EQUITY OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Years Ended December 31

	<u>2016</u>
Net change in Fund Equity - Governmental Funds	\$ 218,031
Government funds do not record the changes in the net pension liability, deferred outflows related to pension, and the deferred inflows related to pension as an adjustment to current year expenditures. However in the Statement of Activities this change is shown as an adjustment to expense.	(36,097)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial individual cost of at least \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Outlays	\$ 513,726
Depreciation Expense	<u>(134,097)</u>
	<u>379,629</u>
Change in Net Position of Governmental Activities	<u>\$ 561,563</u>
	<u>2015</u>
Net change in Fund Equity - Governmental Funds	\$ 482,154
Government funds do not record the changes in the net pension liability, deferred outflows related to pension, and the deferred inflows related to pension as an adjustment to current year expenditures. However in the Statement of Activities this change is shown as an adjustment to expense.	29,125
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial individual cost of at least \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Outlays	\$ 180,753
Depreciation Expense	<u>(127,432)</u>
	<u>53,321</u>
Change in Net Position of Governmental Activities	<u>\$ 564,600</u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Lewis-Arriola Fire Protection District (the District) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant accounting policies:

**Reporting Entity**

The Lewis-Arriola Fire Protection District is in its 41st year of operation. The District continues to meet the growing and on-going needs for emergency services and fire protection in rural areas of Montezuma County, Colorado, in the Lewis, Arriola, Beulah and Goodman Point communities and their surrounding vicinities. The area encompassed by the District's boundary is 68,280 (m/l) acres. In addition to providing protection for its own geographical area, the District maintains verbal or written cooperative fire agreements with four other fire districts in the area – Cortez, Pleasant View, Dolores, and Mancos. In Montezuma County, approximately 70 percent of land ownership is federal and state. Federal lands consist of the San Juan National Forest, public lands managed by the Bureau of Land Management, Mesa Verde National Park, several national monument sites, and the Ute Mountain Ute Indian Reservation. The District has historically responded to calls for assistance from these various agencies whenever needed and will continue to do so.

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Governmental Accounting Standards Board (GASB)*, the financial statements must present the District (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

**Government-Wide and Fund Financial Statements**

Government-wide financial statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of inter fund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues. The District does not operate any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activities are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund financial statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide 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. 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 the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Interest income associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue 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 governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. In the governmental funds statements, capital assets are charged to expenditures when purchased. Capital assets, with an individual cost of \$500 or more and an estimated useful life of more than one year, are recorded at historical cost or estimated historical cost if historical cost is not available. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are valued at the estimated fair value of the item at the date of donation.

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

<u>Asset</u>	<u>Years</u>
Buildings	50
Equipment and vehicles	8-15
Software	5

**Fund Equity Reserves**

Governmental funds report reservations of fund equity for amounts that are not available for appropriation or are legally restricted by law for emergency reserves. The District has reserved \$20,000 for emergency reserves as required by Article X,

Section 20 of the Constitution of Colorado. Designations of fund equity represents tentative management plans that are subject to change.

**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.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Position**

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position are liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

**Fund Equity**

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

- **Restricted** – This classification includes amounts for which constraints have been place on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified \$20,000 Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2015. Committed funds as of December 31, 2016 were \$316,989 for the balance of a contract for the purchase of a fire truck.
- **Unassigned** – This classification includes the residual fund equity for the General Fund. The Unassigned classification also includes negative residual fund equity of any other governmental fund that cannot be eliminated by offsetting of Assigned fund equity amounts.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Equity** (Continued)

The District would typically use restricted fund equity first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position and fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position and fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statement unduly complex and difficult to read.

The Statement of Net Position is re-stated for the 2015 year to correct the implementation of GASB 68. The restatement was (\$274,476).

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 2. CASH AND INVESTMENTS**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local governments deposit cash only in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized by the financial institution. 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 institution and held in trust for all the uninsured public deposits as a group. Colorado State Statutes require the market value of the collateral to be at least 102% of the aggregate uninsured deposits.

Federal Deposit Insurance Corporation coverage for government accounts is \$250,000 per official custodian. The cash accounts were FDIC insured as of December 31, 2016.

**Investments**

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which financial instruments local governmental units may invest. These include:

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 2. CASH AND INVESTMENTS** (Continued)

The District had invested \$1,574,704 and \$1,322,195 in 2016 and 2015, respectively, in the Colorado Government Liquid Asset Trust (COLOTRUST); an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. They operate similarly to a money market fund and each share is equal in value to \$1.00.

Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. Colotrust is rated AAA by Standard and Poor's.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2016</u>
Governmental Activities				
Capital Assets, not depreciated:				
Land	\$ 30,000	\$ --	\$ --	\$ 30,000
Equipment Deposit	--	194,947	--	194,947
Total Capital Assets, not depreciated	<u>30,000</u>	<u>194,947</u>	<u>--</u>	<u>224,947</u>
Capital Assets, depreciated:				
Buildings	943,969	200,660	--	1,144,629
Equipment	982,157	20,520	--	1,002,677
Trucks	1,096,169	94,972	--	1,191,141
Furniture and Fixtures	19,186	2,625	--	21,811
Total Capital Assets, depreciated	<u>3,041,481</u>	<u>318,777</u>	<u>--</u>	<u>3,360,258</u>
Less accumulated depreciation for:				
Buildings	(126,676)	(28,809)	--	(155,485)
Equipment	(776,513)	(48,684)	--	(825,197)
Trucks	(510,163)	(55,338)	--	(565,501)
Furniture and Fixtures	(8,225)	(1,266)	--	(9,491)
Total accumulated depreciation	<u>(1,421,577)</u>	<u>(134,097)</u>	<u>--</u>	<u>(1,555,674)</u>
Total Capital Assets, depreciated, net	<u>1,619,904</u>	<u>184,680</u>	<u>--</u>	<u>1,804,584</u>
Governmental Activities Capital Assets, net	<u>\$ 1,649,904</u>	<u>\$ 379,627</u>	<u>\$ --</u>	<u>\$ 2,029,531</u>

Depreciation expense totaling \$134,097 was charged to the fire protection function of the District in 2016.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Governmental Activities				
Capital Assets, not depreciated:				
Land	\$ 30,000	\$ --	\$ --	\$ 30,000
Construction in Progress	549,088	--	(549,088)	--
Total Capital Assets, not depreciated	<u>579,088</u>	<u>--</u>	<u>(549,088)</u>	<u>30,000</u>
Capital Assets, depreciated:				
Buildings	257,361	686,608	--	943,969
Equipment	946,285	35,872	--	982,157
Trucks	1,096,169	--	--	1,096,169
Furniture and Fixtures	11,824	7,362	--	19,186
Total Capital Assets, depreciated	<u>2,311,639</u>	<u>729,842</u>	<u>--</u>	<u>3,041,481</u>
Less accumulated depreciation for:				
Buildings	(104,721)	(21,955)	--	(126,676)
Equipment	(724,125)	(52,388)	--	(776,513)
Trucks	(457,991)	(52,172)	--	(510,163)
Furniture and Fixtures	(7,308)	(917)	--	(8,225)
Total accumulated depreciation	<u>(1,294,145)</u>	<u>(127,432)</u>	<u>--</u>	<u>(1,421,577)</u>
Total Capital Assets, depreciated, net	<u>1,017,494</u>	<u>602,410</u>	<u>--</u>	<u>1,619,904</u>
Governmental Activities Capital Assets, net	<u>\$ 1,596,582</u>	<u>\$ 602,410</u>	<u>\$ (549,088)</u>	<u>\$ 1,649,904</u>

Depreciation expense totaling \$127,432 was charged to the fire protection function of the District in 2015.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN**

**General Information about the Pension Plan**

Plan description - The District, on behalf of its volunteer firefighters, contributes to the Lewis-Arriola Fire Protection District Pension Fund, a defined benefit pension plan which is affiliated with the Colorado Fire and Police Pension Association (FPPA). Assets of the plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund, an agent multiple-employer defined benefit pension plan administered by FPPA. The plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the Board of Directors of the Lewis-Arriola Fire Protection District Pension Fund. Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the plan.

FPPA issues a publicly available annual financial report that includes the assets of the Lewis-Arriola Fire Protection District Pension Fund. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado 80111 or by calling FPPA at 770-3772 in the Denver metro area, or 1-800-332-3772 from outside the metro area.

Benefits provided - The Lewis-Arriola Fire Protection District Pension Plan provides retirement and death benefits. Retirement benefits for volunteer fireman with ten years of volunteer service are calculated as \$21.25 per month per year of volunteer service for a maximum of 20 years. Volunteer fireman with 10 years of service are eligible to retire at age 50. Volunteer fireman with 10 years of service are eligible for death benefits. Death benefits are a lump sum payment of \$600 if death occurs before retirement or 50% of the retiree's benefit if the member is married commencing on the date the deceased member would have turned age 50 for retired members.

Firefighters covered by benefit terms - At January 1, 2015, the following firefighters were covered by the benefit terms:

Active Firefighters	25
Normal Retired Firefighters	25
Disabled Retired Firefighters	0
Beneficiaries of Firefighters	2
Vested Retired Firefighters	<u>6</u>
Total Number of Members	<u>58</u>

Contributions - Article 15 of the Regulations of the State grants the authority to establish and amend the contribution requirements of the District. The board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN (Continued)**

determined contribution for the District is ½ mill of the assessed valuation of the District. The State of Colorado's contribution has been established by the legislature and is based upon the amounts contributed by the district. The State currently matches 90% of the District's contributions up to a maximum of ½ mill on the assessed valuation. The firefighters do not contribute to the plan.

**Net Pension Liability**

The District's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 Years
Asset Valuation Method	5-year Smoothed Fair Value
Investment Rate Return	7.5%
Projected Salary Increases	N/A
Inflation	3%
Cost of Living Adjustments	None

The actuarial assumptions used in the January 1, 2015 valuation were based on the Entry Age Cost Method for actuarial valuations as of June 15, 2007 or later.

Discount rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the State contributions will be made at the current contribution rate and that the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the State rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive volunteer firemen. 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.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 4. **AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN** (Continued)

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2015	\$ 1,707,342	\$ 1,290,374	\$ 416,968
Changes for the year:			
Interest	124,304	--	124,304
Service Cost	16,642	--	16,642
Contributions - State	--	17,435	(17,435)
Contributions - District	--	85,000	(85,000)
Net Investment Income	--	21,753	(21,753)
Benefit Payments	(118,388)	(118,388)	--
Administrative Expenses	--	(3,156)	3,156
Net Changes	22,558	2,644	19,914
Balances at 12/31/2016	\$ 1,729,900	\$ 1,293,018	\$ 436,882

**Changes in the Net Pension Liability (Continued)**

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the District, using the discount rate of 7.5 percent, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's Net Pension Liability	\$ 641,295	\$ 436,882	\$ 267,621

Pension plan fiduciary net position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN** (Continued)

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

For the year ended December 31, 2016, the District recognized pension expense of \$36,097 and \$19,995 for the year ended 2015. At December 31, 2016 and 2015 the District reported deferred outflows of resource and deferred inflows of resources related to pensions from the following sources:

	<u>2015</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 8,776	\$ 34,284
Amortization of deferrals	2,194	(11,554)
District contributions subsequent to the measurement date	<u>85,000</u>	<u>--</u>
<b>TOTAL</b>	<b>\$ 95,970</b>	<b>\$ 22,730</b>

	<u>2016</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 66,039	\$ 22,730
Amortization of deferrals	17,058	(11,554)
District contributions subsequent to the measurement date	<u>85,000</u>	<u>--</u>
<b>TOTAL</b>	<b>\$ 168,097</b>	<b>\$ 11,176</b>

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN** (Continued)

The \$85,000 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016 and 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31,	
2016	\$ (9,360)
2017	5,504
2018	5,882

**Payable to the Pension Plan**

At December 31, 2016, the District had no amount to report as a payable of contributions to the pension plan required for the year ended December 31, 2016. All required contributions to the pension plan were paid in full in the fiscal year.

<u>Year</u>	<u>Contributions</u>
2007	\$64,435
2008	\$71,878
2009	\$60,614
2010	\$63,000
2011	\$63,000
2012	\$75,000
2013	\$75,000
2014	\$75,000
2015	\$85,000
2016	\$85,000

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN (Continued)**

	Net Assets Available for Benefits	Pension Benefit Obligation	Percent Funded	Unfunded Pension Benefit Obligation
2007	\$ 968,941	\$ 1,235,633	78%	\$ 266,692
2009	905,242	1,499,586	60%	594,344
2011	1,006,916	1,512,995	67%	506,079
2013	1,117,429	1,690,013	66%	572,584
2015	1,290,374	1,707,342	74%	416,968
2016	1,293,018	1,729,900	75%	436,882

**Assumption Changes**

Assumption changes will be made starting with the January 1, 2017 valuation. The inflation rate will change to 2.50% from 3% currently and the Mortality table will change from the Pre and Post Retirement RP-2000 combined Mortality table to the RP-2014 Mortality table. The Disabled Mortality table will change from the RP-2000 table to the RP-2014 table.

**NOTE 5. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past three years.

**NOTE 6. CONTINGENCIES**

In the normal course of operations, the District receives funds from various agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 7. COUNTY TAX LEVY**

Property taxes are collected on behalf of the District by Montezuma County and then remitted to the District. The property tax is levied and certified in December of the year prior to the year the taxes are collected. Property taxes become an enforceable lien on January 1 of each year. Taxes are payable either in two installments due on February 28 and June 15, or in full on April 30. The full amount of taxes levied on January 1, 2016 is recorded as taxes receivable and deferred inflows of resources as of December 31, 2015 since the amount is measurable but not available until the following year. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible based upon an analysis of historical trends.

**NOTE 8. TAX, SPENDING AND DEBT LIMITATIONS**

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

**REQUIRED SUPPLEMENTAL INFORMATION**

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND EQUITY - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2016

	Budget Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Property Tax	\$ 786,200	\$ 786,200	\$ 817,507	\$ 31,307
Specific Ownership Tax	35,000	35,000	60,548	25,548
Donations	1,000	1,000	2,950	1,950
Grants	2,000	2,000	97,464	95,464
Other	4,000	4,000	--	(4,000)
Investment Income	2,000	2,000	11,148	9,148
<b>TOTAL REVENUES</b>	<b>830,200</b>	<b>830,200</b>	<b>989,617</b>	<b>159,417</b>
<b>EXPENDITURES</b>				
Administration:				
Professional	15,000	15,000	15,265	(265)
Office Supplies	2,000	2,000	1,216	784
Board of Directors	3,000	3,000	2,500	500
Collection Fees - County Treasurer	18,500	18,500	16,354	2,146
Other	12,000	12,000	660	11,340
<b>Total Administration</b>	<b>50,500</b>	<b>50,500</b>	<b>35,995</b>	<b>14,505</b>
Fire protection:				
Fireman Reimbursement	30,000	30,000	29,999	1
Supplies	29,000	29,000	14,765	14,235
Insurance	30,000	30,000	21,586	8,414
Training	20,000	20,000	10,606	9,394
Station Operation	20,000	20,000	19,111	889
Dispatch Services	9,000	9,000	9,267	(267)
Repairs and Maintenance	36,000	36,000	15,346	20,654
Other	33,200	33,200	16,185	17,015
<b>Total Fire Protection</b>	<b>207,200</b>	<b>207,200</b>	<b>136,865</b>	<b>70,335</b>
Capital Outlay	1,325,000	1,325,000	513,726	811,274
<b>TOTAL EXPENDITURES</b>	<b>1,582,700</b>	<b>1,582,700</b>	<b>686,586</b>	<b>896,114</b>
Expenditures (over)/under Revenues	(752,500)	(752,500)	303,031	1,055,531

(Continued)

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND EQUITY - BUDGET AND ACTUAL  
 GENERAL FUND  
 For the Year Ended December 31, 2016

(Continued)

	Budget Amounts		Actual	Variance
	Original	Final		
Other financing sources (uses)				
Transfers out	85,000	85,000	85,000	--
Total Other Financing Sources(Uses)	85,000	85,000	85,000	--
NET CHANGE IN FUND EQUITY	(837,500)	(837,500)	218,031	1,055,531
FUND EQUITY - Beginning	900,000	900,000	1,447,939	547,939
FUND EQUITY - Ending	<u>\$ 62,500</u>	<u>\$ 62,500</u>	<u>\$ 1,665,970</u>	<u>\$ 1,603,470</u>

See accompanying notes to required supplementary information

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND EQUITY- BUDGET AND ACTUAL  
 GENERAL FUND  
 For the Year Ended December 31, 2015

	Budget Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Property Tax	\$ 735,378	\$ 735,378	\$ 751,321	\$ 15,943
Specific Ownership Tax	30,000	30,000	62,004	32,004
Donations	5,000	5,000	2,575	(2,425)
Other	7,000	7,000	82,201	75,201
Grants	1,000	1,000	33,328	32,328
Investment Income	750	750	2,409	1,659
<b>TOTAL REVENUES</b>	<b>779,128</b>	<b>779,128</b>	<b>933,838</b>	<b>154,710</b>
<b>EXPENDITURES</b>				
Administration:				
Professional	15,000	15,000	15,387	(387)
Office Supplies	2,500	2,500	1,170	1,330
Board of Directors	4,000	4,000	2,350	1,650
Collection Fees - County Treasurer	15,500	15,500	15,031	469
Other	6,300	6,300	7,822	(1,522)
<b>Total Administration</b>	<b>43,300</b>	<b>43,300</b>	<b>41,760</b>	<b>1,540</b>
Fire protection:				
Fireman Reimbursement	36,000	36,000	29,999	6,001
Supplies	38,750	38,750	24,045	14,705
Insurance	30,000	30,000	26,615	3,385
Training	20,000	20,000	5,838	14,162
Station Operation	45,000	45,000	31,699	13,301
Dispatch Services	9,000	9,000	9,598	(598)
Repairs and Maintenance	32,600	32,600	8,555	24,045
Other	10,000	10,000	7,822	2,178
<b>Total Fire Protection</b>	<b>221,350</b>	<b>221,350</b>	<b>144,171</b>	<b>77,179</b>
Capital Outlay	1,000,978	1,000,978	180,753	820,225
<b>TOTAL EXPENDITURES</b>	<b>1,265,628</b>	<b>1,265,628</b>	<b>366,684</b>	<b>898,944</b>
Expenditures (over)/under Revenues	(486,500)	(486,500)	567,154	1,053,654

(Continued)

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND EQUITY - BUDGET AND ACTUAL  
 GENERAL FUND  
 For the Year Ended December 31, 2015

(Continued)

	Budget Amounts		Actual	Variance
	Original	Final		
Other financing sources (uses)				
Transfers out	85,000	85,000	85,000	--
Total Other Financing Sources(Uses)	85,000	85,000	85,000	--
NET CHANGE IN FUND EQUITY	(571,500)	(571,500)	482,154	1,053,654
FUND EQUITY - Beginning	650,000	650,000	965,785	315,785
FUND EQUITY - Ending	<u>\$ 78,500</u>	<u>\$ 78,500</u>	<u>\$ 1,447,939</u>	<u>\$ 1,369,439</u>

See accompanying notes to required supplementary information

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2016

**Budgetary Data**

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.

The variance between budgeted and actual property tax revenue was due to assessed property valuations in the district being overstated and challenged by the owners of the property in court as well as individually.

**Schedule of Funding Progress**

The aggregate actuarial cost method is used. Actuarial information is available for 2016.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

	<u>Last 5 Fiscal Years</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially Determined Contribution	\$ 72,941	\$ 54,009	\$ 54,009	\$ 72,941	\$ 72,941
Contributions in Relation to the Actuarially Determined Contribution	<u>102,435</u>	<u>102,435</u>	<u>92,435</u>	<u>92,435</u>	<u>92,435</u>
Contribution Deficiency (Excess)	<u>\$ (29,494)</u>	<u>\$ (48,426)</u>	<u>\$ (38,426)</u>	<u>\$ (19,494)</u>	<u>\$ (19,494)</u>
District Contribution	\$ 85,000	\$ 85,000	\$ 75,000	\$ 75,000	\$ 75,000
District Contributions as a Percentage of Total Contribution	82.98%	82.98%	81.14%	81.14%	81.14%

**NOTES TO SCHEDULE**

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, 2015.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 years
Asset Valuation Method	Market Value
Inflation	N/A
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	All fire fighters are assumed to retire upon attainment of age 50 and completion of 20 years of service but not later than age 60 with 10 years service.
Mortality	IRS 2008 Small Plan Combined projected to 2014. 1994 Group Annuity Mortality Table set forward 5 years.