



Summit Fire Authority

Financial Statements and
Supplementary Information
For the Year Ended December 31, 2016

**Summit Fire Authority
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Independent Auditor's Report

Board of Directors
Summit Fire Authority
Frisco, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Summit Fire Authority (the "Authority") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Summit Fire Authority 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 i through v, and the budgetary comparison information for the General Fund on pages 11 through 12 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.

Anton Collins Mitchell LLP

Greeley, Colorado
March 9, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMIT FIRE AUTHORITY

Management's Discussion and Analysis
December 31, 2016

We, the financial managers of the Summit Fire Authority (the "Authority"), offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. These components are discussed below.

Basic financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the Authority's assets, deferred inflows of resources, liabilities, and deferred outflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority 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 reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the Authority include training and administration and hazardous materials.

The government-wide financial statements can be found on pages 1 - 2 of this report.

Fund financial statement: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Authority can be divided into three categories: Governmental, proprietary, and fiduciary funds.

The fund financial statements can be found on pages 1 - 2 of this report and are described in more detail below.

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

Overview of the Financial Statements (continued)

Governmental funds (continued): Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the state budget statutes.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the Authority. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found on pages 3 - 11 of this report.

Financial Analysis of the Authority

The following chart shows the Authority's assets, liabilities, and net position at December 31, 2016 and 2015:

	Governmental Activities	
	2016	2015
Assets:		
Current	\$ 229,465	\$ 212,572
Capital assets, net	1,104,298	1,152,871
Total assets	1,333,763	1,365,443
Liabilities:		
Other liabilities	3,722	2,486
Non-current liabilities	2,074	4,059
Total liabilities	5,796	6,545
Net position:		
Net investment in capital assets	1,102,224	1,148,812
Unrestricted	225,743	210,086
Total net position	\$ 1,327,967	\$ 1,358,898

Financial Analysis of the Authority (continued)

Approximately 83.0% of the Authority's net position reflects its net investment in capital assets. The Authority's most significant capital asset is the training facilities. Other capital assets of the Authority include vehicles, equipment, concrete trench, training container boxes and a storage shed. The Authority's capital assets are described on pages 9 and 10 of this report. The Authority uses its capital assets to provide training to contracting fire districts and to provide services to its citizens; therefore, these assets are not available for future spending. The remaining \$225,743 may be used to meet the Authority's ongoing obligations relating to its operations.

At the end of the 2016 fiscal year, the Authority is able to report positive balances in the net investment in capital assets and unrestricted categories of net position. Overall, the Authority's net position decreased \$30,931 from the prior year. The decrease in net position can be attributed to an increase of expenditures related to general operations and hazmat.

The following chart is a summary of information relating to the Authority's Statement of Revenues, Expenditures and Change in Fund Balance/Statement of Activities.

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services –		
Training and admin.	\$ 492,843	\$ 471,593
Charges for services –		
Hazardous materials	89,898	87,122
Recoveries	2,012	35,274
General revenues:		
Earnings on investments	1,127	219
Miscellaneous revenues	14,134	9,315
Total revenues	<u>600,014</u>	<u>603,523</u>
Expenditures/Expenses:		
Operating expenses –		
Training and administration	537,854	435,917
Operating expenses –		
Hazardous materials	93,091	129,533
Total expenses	<u>630,945</u>	<u>565,450</u>
 Change in net position	 (30,931)	 38,073
 Net position – beginning	 <u>1,358,898</u>	 <u>1,320,825</u>
Net position – ending	\$ <u>1,327,967</u>	\$ <u>1,358,898</u>

Charges for services for hazmat and training and administration were the most significant sources of program revenues, accounting for 97.1% of total revenues. Other revenue such as recoveries, miscellaneous revenues, and earnings on investments represented 2.9% of total revenues.

Financial Analysis of the Authority (continued)

When compared to 2015, total revenues decreased by \$3,509 in 2016. No grants were pursued or issued in 2016.

Depreciation expense of \$71,185 represented 11.3% of total expenditures. Interest expense of \$199 was accounted for in the Authority's expenses in 2016 for the debt service of the copier lease.

When compared to 2015, the Authority's total operating expenses (which include capital outlay costs) increased by \$65,495 in fiscal year 2016. Expenditures for governmental-type activities increased mostly due to an increase in capital purchases.

Significant General Fund budget variances are based on 5% or a \$5,000 variance:

Account	Budget	Actual Amount	Variance Positive (Negative)	Reason
Revenues:				
N/A				
Expenses:				
HCTC Management	\$329,936	\$312,285	\$17,651	Salary and benefits were not fully utilized. A Captain position was vacant during the first quarter. The variance reflects salary/benefit payments made to RWB but then reimbursed back to HCTC after an annual salary/benefit reconciliation.
Natural Gas	\$14,900	\$6,836	\$8,064	Overestimated natural gas usage and charges for 2016.
General Capital Outlay	\$37,000	\$16,953	\$20,047	Original budgeted capital outlay of a boiler replacement for office and classroom did not happen. Current boiler is in decent condition and no replacement was needed.
Equipment Maintenance - Hazmat	\$4,000	\$9,967	\$(5,967)	Items expensed to the Hazmat Capital Outlay were reassigned to hazmat equipment maintenance. The purchase of four Senseit monitors did not meet the capital outlay definition of an initial cost of \$5,000.

Capital Asset and Debt Administration

Capital assets: The Authority's total net capital assets decreased \$48,573 in 2016 due to capital asset additions and depreciation expense. Additional information, as well as a detailed classification of the Authority's capital assets, can be found on pages 9 and 10 of this report.

The Authority entered into a lease agreement on December 17, 2013 for a copier/printer with a bargain purchase option at the end of the lease term. The lease agreement is for a period of 48 months with monthly payments of \$177. The remaining principal balance as of December 31, 2016 is \$2,074.

The Authority has an ongoing operating lease until 2021 for land with the Board of Commissioners of Summit County. The lease requires annual payments of \$100 through 2021.

Next Year's Budget and Fees

The Training and Administration function of the General Fund anticipates a change in budgeted revenue from \$504,923 in 2016 to \$527,989 in 2017; an increase of \$23,066. Budgeted expenses were \$544,583 in 2016, not including appropriated reserves, and projected expenses are \$561,085 in 2017, an increase of \$16,502. Budget history allows for better expenditure projections as the Summit Fire Authority continues to strive for zero based budgeting.

The Hazardous Materials fund anticipates a change in budgeted revenue from \$90,067 in 2016 to \$93,399 in 2017; an increase of \$3,332. This is due to an increase in the Towns and County annual assessments. Budgeted expenses were \$99,090 in 2016 not including appropriated reserves, and projected expenses are \$116,807 for 2017; an increase of \$17,717. This is mostly attributed to an increase in capital outlay.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Summit Fire Authority, P.O. Box 1132, Frisco, CO 80443.

BASIC FINANCIAL STATEMENTS

SUMMIT FIRE AUTHORITY
Governmental Fund Balance Sheet/Government-Wide Statement of Net Position

December 31, 2016

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets:			
Cash and cash equivalents	\$ 75,758	\$ -	\$ 75,758
Cash and cash equivalents - SCES Training Center	791	-	791
Investments	149,694	-	149,694
Accounts receivable	3,222	-	3,222
Capital assets, net of accumulated depreciation	-	1,104,298	1,104,298
Total assets	<u>\$ 229,465</u>	<u>1,104,298</u>	<u>1,333,763</u>
Liabilities:			
Accounts payable	\$ 3,722	-	3,722
Non-current liabilities:			
Due within one year	-	2,074	2,074
Total liabilities	<u>3,722</u>	<u>2,074</u>	<u>5,796</u>
Fund balance:			
Assigned for subsequent year expenditures	56,504	(56,504)	-
Unassigned	169,239	(169,239)	-
Total fund balance	<u>225,743</u>	<u>(225,743)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 229,465</u>		
Net position:			
Net investment in capital assets		1,102,224	1,102,224
Unrestricted		225,743	225,743
Total net position		<u>\$ 1,327,967</u>	<u>\$ 1,327,967</u>

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

SUMMIT FIRE AUTHORITY
Governmental Fund Statement of Revenues, Expenditures and Changes in
Fund Balance/Government-Wide Statement of Activities
For the Year Ended December 31, 2016

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
Program revenues			
Charges for services:			
Contracting districts	\$ 524,461	\$ -	\$ 524,461
County/Towns	58,280	-	58,280
Classes and seminars	4,573	-	4,573
Recoveries	2,012	-	2,012
Other	9,561	-	9,561
Total program revenues	<u>598,887</u>	<u>-</u>	<u>598,887</u>
Expenditures			
Functions:			
Training and administration	485,501	64,532	550,033
Hazardous materials	91,901	6,653	98,554
Debt service			
Principal	1,985	(1,985)	-
Interest	1,194	-	1,194
Capital expenditures	3,776	(3,776)	-
Total expenditures	<u>584,357</u>	<u>65,424</u>	<u>649,781</u>
Excess (deficiency) of revenues over expenditures	<u>14,530</u>	<u>(65,424)</u>	<u>(50,894)</u>
General revenues:			
Earnings on investments	1,127	-	1,127
Total general revenues	<u>1,127</u>	<u>-</u>	<u>1,127</u>
Change in net position	15,657	(65,424)	(49,767)
Fund balance/net position			
Beginning of year	<u>210,086</u>	<u>1,148,812</u>	<u>1,358,898</u>
End of year	<u>\$ 225,743</u>	<u>\$ 1,083,388</u>	<u>\$ 1,309,131</u>

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

NOTES TO THE FINANCIAL STATEMENTS

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2016

1. Summary of significant accounting policies

The accounting policies of the Summit Fire Authority (the "Authority"), located in Frisco, Colorado, conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of the financial statements.

Reporting entity

The Authority is a quasi-municipal corporation organized and operated pursuant to State of Colorado Revised Statutes. The Authority is governed by a Board of Directors comprised of representatives from Copper Mountain Consolidated Metropolitan Authority, Lake Dillon Fire Protection Authority, and Red, White and Blue Fire Protection Authority (the "contracting authorities").

The Authority was organized to conduct and develop cooperative programs designed to improve the fire protection and related services of the contracting authorities. Other services include the implementation of cost saving measures through various types of resource pooling, joint purchases, use, and participation arrangements. The Authority provided oversight on the construction of the Training Facility and provides for its management (see note 4).

The Authority functions as a "Jointly Governed Organization." Participation is not required and is a year-to-year commitment since the participants may withdraw for the following year by communicating their intention during the period of June 1 through July 15 of the current year. The contract requires that they remain obligated for their share of debts incurred while they were a participant; they retain no financial interest in the Authority upon withdrawal.

Blended component unit

The financial statements of the Authority have been prepared in conformity with US GAAP, which requires that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, the Authority has identified a blended component unit within its reporting entity.

In 1997, the Authority created the Summit County Emergency Services Training Center (the "Center"). The Center is a corporation that is exempt from income taxes under the Internal Revenue Code Section 501(c)(3). The Center was formed for the purpose of making grant applications and receiving donations to assist in funding the construction and operation of the Training Facility. Although the Center is legally separate from the Authority, the Center is reported as if it were a part of the primary government as the Authority is financially accountable for the Center. The activity for the Center is included within the General Fund for reporting purposes.

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2016

1. Summary of significant accounting policies (continued)

Government-wide and fund financial statements

The government-wide financial statements (i.e. Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its blended component unit. Governmental activities, which normally are supported by charges for services, are reported separately from business-type activities, which rely to a significant extent on fees for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with the specific function. Program revenues include charges for services. Earnings on investments and miscellaneous revenues are reported as general revenues.

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 the related cash flow.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues 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 under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports only one governmental fund:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources not required to be accounted for in another fund.

Amounts reported as program revenues include charges for services or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues.

Assets, liabilities and net position

Cash and cash equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or significant penalty and short-term investments with an original maturity of three months or less.

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2016

1. Summary of significant accounting policies (continued)

Investments and Fair Value Measurements

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

Investments measured at fair value on a recurring basis represent the amount invested with a local government investment pool, with a fair value of approximately \$149,964, measured at the fair value of the investment pool's share price multiplied by the number of shares held as of December 31, 2016 (Level 2).

Receivables

Receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2016.

Capital assets

Capital assets, which include buildings, equipment, and vehicles, are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Buildings, land improvements, vehicles and equipment are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities. Estimated useful lives for asset types are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40
Land Improvements	12
Office equipment	5
Training Equipment	7 - 15
Vehicles	5

Fund balance and net position

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

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

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2016

1. Summary of significant accounting policies (continued)

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

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

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The five categories, and their general meanings, are as follows:

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

Restricted – amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation, or because of constraints imposed by creditors, grantors, or the laws or regulations of other governments.

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

Assigned – The assigned fund balance includes amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

Unassigned – amounts that are available for any purpose.

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

Estimates

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

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2016

2. Reconciliation of government-wide and fund financial statements

Explanation of differences between the governmental fund Balance Sheet and the Government-Wide Statement of Net Position

The Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position includes an adjustments column. Explanation of the adjustments included in the reconciling column is as follows:

1) Capital assets of \$2,422,317, less accumulated depreciation of \$1,318,019, or a net book value of \$1,104,298, are not current financial resources, and therefore, are not reported in the funds. 2) Non-current liabilities of \$2,074 are not due and payable from current financial resources and therefore, are not reported as liabilities in the fund statements.

Explanation of differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities

The Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and Government-Wide Statement of Activities includes an adjustments column:

1) Governmental funds report capital outlay of \$22,612 as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense of \$71,185, 2) the repayment of the principal of long-term debt of \$1,985 consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

3. Stewardship, compliance, and accountability

Budgets and budgetary accounting

In the fall of each year, the Authority's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. The fund level of classification is the level of classification at which expenditures may not legally exceed appropriations. All appropriations lapse at the end of each fiscal year. Appropriations for a fund may be increased provided they are offset by unanticipated resources.

The budget for the General Fund is adopted on a basis consistent with US GAAP. During the year, the Authority did not amend the budget.

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2016

3. Stewardship, compliance, and accountability (continued)

TABOR Amendment - Revenue and Spending Limitation Amendment

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

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

4. Detailed notes concerning the funds

Deposits and investments

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 institution to create a single collateral pool for all public funds. The Pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits.

At December 31, 2016, the Authority had cash and cash equivalent balances, as follows:

Petty Cash	\$	150
Bank Deposits		<u>76,399</u>
	\$	<u>76,549</u>

At December 31, 2016, the Authority had deposits with financial institutions with a carrying amount of \$76,399. The bank balances with the financial institutions were \$77,785, all of which is covered by federal depository insurance.

Colorado Revised Statutes specify types of investments meeting defined rating and risk criteria in which local governments may invest. The allowed investments include participation in state regulated investment pools.

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2016

4. Detailed notes concerning the funds (continued)

Deposits and investments (continued)

Custodial Credit Risk

At December 31, 2016, the Authority had invested \$149,694 in the Colorado Local Government Liquid Asset Trust (the "Trust"), a local government investment pool. As an investment pool, the Trust operates under the C.R.S. 24-75-701 and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

Capital assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ 10,385	\$ -	\$ 10,385
Total capital assets not being depreciated	-	10,385	-	10,385
Capital assets being depreciated:				
Buildings	2,014,682	-	-	2,014,682
Land Improvements	21,263	6,568	-	27,831
Office Equipment	14,774	-	-	14,774
Training Equipment	279,072	5,659	-	284,731
Vehicles	69,914	-	-	69,914
Total capital assets being depreciated	2,399,705	12,227	-	2,411,932
Less accumulated depreciation for:				
Buildings	(968,431)	(50,367)	-	(1,018,798)
Land Improvements	(3,192)	(668)	-	(3,860)
Office Equipment	(7,776)	(3,992)	-	(11,768)
Training Equipment	(219,620)	(9,528)	-	(229,148)
Vehicles	(47,815)	(6,630)	-	(54,445)
Total accumulated depreciation	(1,246,834)	(71,185)	-	(1,318,019)
Total capital assets being depreciated, net	1,152,871	(58,958)	-	1,093,913
Total capital assets, net	\$1,152,871	\$(48,573)	\$ -	\$1,104,298

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2016

4. Detailed notes concerning the funds (continued)

Capital assets (continued)

Depreciation expense was charged to functions of the primary government as follows:

Training and administration	\$ 64,532
Hazardous materials	6,653
	<u>\$ 71,185</u>

Joint venture agreement

On July 11, 1996, the Authority entered into a Joint Training Facility Agreement with three intergovernmental authorities (“contracting authorities”), whereby the contracting authorities will receive a proportionate ownership interest in the Training Facility as tenants in common in proportion to their respective ownership. Should the Authority cease to exist, the contracting authorities who own an interest in the Training Facility at that time shall be successors to all interests of the Authority.

Capital lease obligations

On December 17, 2013, the Authority entered into a lease agreement for a copier. The lease agreement is for a period of 48 months with monthly payments of \$177; the final payment is due in December 2017. The value of the asset acquired through capital lease was \$7,776. As of December 31, 2016, the Authority had accumulated depreciation of \$5,702, leaving a net book value of the asset of \$2,074 at year end.

The following is a summary of changes in long-term debt of the Authority for the year ended December 31, 2016:

	Beginning balance	Additions	Debt retired	Ending balance	Due within one year
2013 copier lease	\$ 4,059	\$ -	\$ (1,985)	\$ 2,074	\$ 2,074
Total	\$ 4,059	\$ -	\$ (1,985)	\$ 2,074	\$ 2,074

The 2017 annual requirements to amortize all debt outstanding as of December 31, 2016 is principal payments totaling \$2,074, interest payments totaling \$50 and total payments of \$2,124.

Operating leases

On May 28, 1996, the Authority entered into an intergovernmental lease agreement for land with the Board of Commissioners of Summit County. The lease requires annual payments of \$100 through 2021. Total lease expense for the year ended December 31, 2016 amounted to \$100.

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2016

5. Other information

Risk management

The Authority is exposed to various risks of loss related to workers compensation; general liability, unemployment, torts, theft of, damage to, and destruction of assets; and errors and omissions. The Authority has acquired commercial coverage for these risks. Claims, if any, are not to exceed the commercial insurance coverage. Settled claims, if any, have not exceeded this coverage in the past three years.

Subsequent events

In preparing the financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through March 9, 2017 the date that the financial statements were available to be issued. No events requiring recognition or disclosure were identified.

REQUIRED SUPPLEMENTARY INFORMATION

SUMMIT FIRE AUTHORITY

General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual - Training and Administration Function

For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Contracting districts	\$ 492,843	\$ 492,843	\$ -
Earnings on investments	80	531	451
Classes and seminars	6,500	4,573	(1,927)
Other	5,500	9,561	4,061
Total revenues	504,923	507,508	2,585
Expenditures:			
HCTC management compensation	329,936	312,285	17,651
Contract instructors	25,000	28,015	(3,015)
Equipment maintenance	22,000	23,927	(1,927)
Capital outlay	37,000	16,953	20,047
Training supplies	14,000	13,816	184
Internet, website and software	13,550	12,716	834
Electricity	11,330	10,669	661
Insurance	10,730	10,143	587
Vehicle maintenance	6,930	9,386	(2,456)
Staff training	10,000	8,063	1,937
Uniforms and bunker gear	10,000	7,880	2,120
Natural Gas	14,900	6,836	8,064
Building and grounds maintenance	10,200	5,570	4,630
Audit	4,896	4,140	756
Colorado Division Certificates	4,250	3,580	670
Supplies	3,800	3,189	611
Telephone	3,200	3,179	21
Propane	2,500	2,992	(492)
Debt service	2,220	2,184	36
Safety committee	750	1,589	(839)
Dues and subscriptions	2,145	1,463	682
Workers compensation	960	1,133	(173)
Sanitation and water	1,026	1,048	(22)
Board expenses	1,100	997	103
Payroll taxes	1,000	367	633
Land lease	100	100	-
Bank fees	60	40	20
Legal	1,000	-	1,000
Total expenditures	544,583	492,260	52,323
Excess (deficiency) of revenues over expenditures	\$ (39,660)	15,248	\$ 54,908
Fund balance - beginning of year		165,412	
Fund balance - end of year		\$ 180,660	

See accompanying Independent Auditor's Report

SUMMIT FIRE AUTHORITY
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Hazardous Materials Function
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Contracting districts	\$ 31,617	\$ 31,618	\$ 1
County assessments	18,857	18,857	-
Town assessments	39,423	39,423	-
Recoveries	-	2,012	2,012
Earnings on investments	170	596	426
Total revenues	<u>90,067</u>	<u>92,506</u>	<u>2,439</u>
Expenditures:			
Coordination	60,966	61,001	(35)
Equipment maintenance	4,000	9,967	(5,967)
Capital outlay	14,000	5,659	8,341
DERA Management	4,000	4,000	-
Insurance	3,000	2,859	141
Training and development	4,500	2,626	1,874
Vehicle maintenance	2,500	2,139	361
Response agency	-	1,380	(1,380)
Response supplies	4,600	1,330	3,270
Internet	480	480	-
Audit	544	460	84
Vehicle fuel and oil	500	196	304
Total expenditures	<u>99,090</u>	<u>92,097</u>	<u>6,993</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (9,023)</u>	409	<u>\$ 9,432</u>
Fund balance - beginning of year		<u>44,674</u>	
Fund balance - end of year		<u>\$ 45,083</u>	

See accompanying Independent Auditor's Report