



Crystal Lakes Fire Protection District

Financial Statements and Supplementary
Information


For the Year Ended December 31, 2017

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Office of the State Auditor

July 31, 2018



Crystal Lakes Fire Protection District

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Independent Auditor's Report

Board of Directors
Crystal Lakes Fire Protection District
Red Feather Lakes, Colorado

We have audited the accompanying financial statements of the governmental activities and the major funds of the Crystal Lakes Fire Protection District (the "District"), as of and for the year ended December 31, 2017, 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 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Crystal Lake Fire Protection District as of December 31, 2017, and the respective changes in financial position for the year then ended in conformity 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 that 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 22, the Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios - Volunteer Firefighters' Pension Plan on page 23, and the Schedule of District Contributions - Volunteer Firefighters' Pension Plan on page 24 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crystal Lake Fire Protection District's basic financial statements. The budgetary comparison information on pages 25 and 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the financial statements as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
July 31, 2018

Basic Financial Statements

Crystal Lakes Fire Protection District
Statement of Net Position
December 31, 2017

	Governmental Activities
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Assets	
Cash and cash equivalents	\$ 186,558
Investments	376,260
Receivables	2,920
Property taxes receivable	189,092
Capital assets:	
Not being depreciated	13,500
Being depreciated, net of accumulated depreciation	941,046
Net pension asset	102,146
Total assets	1,811,522
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Deferred outflows of resources	
Deferred outflows of resources relating to pensions	29,446
Total deferred outflows of resources	29,446
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Liabilities	
Accounts payable	275,777
Accrued interest payable	1,713
Non-current liabilities:	
Due within one year	55,000
Due in more than one year	635,000
Total liabilities	967,490
<hr/>	
Deferred inflows of resources	
Unearned revenue - property taxes	189,092
Deferred outflows of resources relating to pensions	5,437
Total deferred inflows of resources	194,529
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Net position	
Net investment in capital assets	264,546
Restricted for:	
Emergencies	4,536
Debt service	14,238
Unrestricted	395,629
Total net position	\$ 678,949

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

Crystal Lakes Fire Protection District
Statement of Activities
Year Ended December 31, 2017

	Expenses	Charges for Services	Program Revenues		Governmental Activities	Net Revenue (Expense) and Change in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities						
Administration	\$ 32,255	\$ -	\$ -	\$ -	\$ (32,255)	
Operations	32,535	5,104	7,851	9,430	(10,150)	
Pension contribution	1,951	-	-	-	(1,951)	
Building and Equipment	59,038	-	-	-	(59,038)	
Interest on long-term debt	22,244	-	-	-	(22,244)	
Total governmental activities and primary government	\$ 148,023	\$ 5,104	\$ 7,851	\$ 9,430	(125,638)	
General revenues						
Property taxes					185,452	
Specific ownership taxes					17,233	
Earnings on investments					7,291	
Miscellaneous					423	
Total general revenues					210,399	
Change in net position					84,761	
Net position at beginning of year					594,188	
Net position at end of year					\$ 678,949	

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

Crystal Lakes Fire Protection District
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Assets				
Cash and cash equivalents	\$ 166,165	\$ 20,393	\$ -	\$ 186,558
Investments	136,516	225,506	14,238	376,260
Receivables	2,920	-	-	2,920
Property taxes receivable	105,051	-	84,041	189,092
Total assets	\$ 410,652	\$ 245,899	\$ 98,279	\$ 754,830
Liabilities, deferred inflows of resources and fund balance				
Liabilities				
Accounts payable	\$ 5,841	\$ 269,936	\$ -	\$ 275,777
Total liabilities	5,841	269,936	-	275,777
Deferred inflows of resources				
Unearned revenue - property taxes	105,051	-	84,041	189,092
Total deferred inflows of resources	105,051	-	84,041	189,092
Fund balance				
Restricted:				
Emergencies	4,536	-	-	4,536
Debt service	-	-	14,238	14,238
Committed capital expenditures	134,998	-	-	134,998
Unassigned	160,226	(24,037)		136,189
Total fund balance	299,760	(24,037)	14,238	289,961
Total liabilities, deferred inflows of resources and fund balance	\$ 410,652	\$ 245,899	\$ 98,279	\$ 754,830

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

Crystal Lakes Fire Protection District
Reconciliation of the Governmental Funds Balance Sheet
with the Government-wide Statement of Net Position

December 31, 2017

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

Total fund balance - governmental funds	\$	289,961
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported as assets in the governmental fund financial statements.

Cost of capital assets	\$ 1,261,435	
Accumulated depreciation	<u>(306,889)</u>	954,546

Long-term liabilities, including notes payable, capital lease obligations, and accrued interest payable are not due and payable from current financial resources, and therefore, are not reported as liabilities in the fund financial statements.

General obligation bond	\$ (690,000)	
Accrued interest payable	<u>(1,713)</u>	(691,713)

Pension liability and related deferred inflows of resources and deferred outflows of resources are not current financial resources and, therefore, are not reported in the fund financial statements.

Net pension asset	\$ 102,146	
Deferred inflows of resources relating to pensions	(5,437)	
Deferred outflows of resources relating to pensions	29,446	126,155

Total net position - governmental activities	\$	678,949
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The accompanying notes are an integral part of these financial statements.

Crystal Lakes Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended December 31, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues				
Taxes	\$ 121,086	\$ -	\$ 81,599	\$ 202,685
Charges for services	5,104	-	-	5,104
Earnings on investments	2,057	5,234	-	7,291
Grants and donations	17,281	-	-	17,281
Miscellaneous	423	-	-	423
Total revenues	145,951	5,234	81,599	232,784
Expenditures				
Operating				
Administration	32,240	15	-	32,255
Operations	32,535	-	-	32,535
Pension contribution	10,000	-	-	10,000
Building and Equipment	29,667	-	-	29,667
Capital outlay	9,430	742,671	-	752,101
Debt Service				
Principal	-	-	50,000	50,000
Interest	-	-	22,368	22,368
Total expenditures	113,872	742,686	72,368	928,926
Net change in fund balance	32,079	(737,452)	9,231	(696,142)
Fund balance at beginning of year	267,681	713,415	5,007	986,103
Fund balance at end of year	\$ 299,760	\$ (24,037)	\$ 14,238	\$ 289,961

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

Crystal Lakes Fire Protection District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance with the Government-wide Statement of Activities
Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental funds \$ (696,142)

Capital outlay to purchase or build capital assets is reported in the governmental funds as an expenditure. However, for governmental activities, those costs are shown on the statement of net position and depreciated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay exceeded depreciation during the period:

Depreciation expense	\$ (29,371)	
Capital outlay	<u>752,101</u>	722,730

Decrease in accrued interest payable reflected as an expense on the statement of activities and not reflected on the statement of revenues, expenditures and changes in fund balance. 124

Repayment of long-term debt is an expenditure in the governmental fund financial statements, but it reduces long-term liabilities on the statement of net position and does not affect the statement of activities. 50,000

Some expenses reported in the statement of activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds. This includes items relating to the District's volunteer defined benefit retirement plan. 8,049

Change in net position - governmental activities **\$ 84,761**

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

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies

Form of Organization

The Crystal Lakes Fire Protection District (the “District”) is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes (“CRS”). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an “other stand alone government.”

Government-wide and Fund 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 activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support. The District does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those who purchase, use, or directly

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The District has three governmental funds.

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.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and change in fund balances presents increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby 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 recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

Governmental funds are used to account for all or most of a government's general activities. The following are the District's major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to account for the property taxes levied for the general obligation bond and the principal and interest payments on the bond.

Capital Projects Fund - The Capital Projects Fund is used to account for the bond proceeds and the costs incurred for the renovation of the fire station of the District.

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

Budgets

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- By October 15, the District staff submits to the Board of Directors (the “Board”), a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board through passage of a formal resolution.
- The District legally adopts budgets for all of the funds of the District on a basis consistent with GAAP.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

The following tables summarizes the individual fund budgeted expenditures, as originally adopted, any revisions to the budget:

	Original Budget	Total Revisions	Final Budget
General Fund	\$ 338,599	\$ -	\$ 338,599
Debt Service Fund	82,398	-	82,398
Capital Projects Fund	709,606	-	709,606
Totals	\$ 1,130,603	\$ -	\$ 1,130,603

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits. All cash equivalents have an original maturity date of less than three months.

Receivables

In the financial statements, 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, 2017. Property taxes levied on December 31, 2017 are identified as property taxes receivable and deferred inflows of resources.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable District activities in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 asset lives are not capitalized.

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Description	Estimated Lives
Land	N/A
Buildings and improvements	20 - 25 years
Vehicles	10 - 20 years
Equipment	5 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables are reported in the government-wide financial statements. In general, payables that will be paid from governmental funds are reported on the governmental fund financial statements, regardless of whether they will be liquidated with current resources. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports a deferred outflow of resources for pension-related amounts. See Note 6 for additional information relating to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District reports a deferred inflow of resources for property taxes and for pension-related amounts. See Note 6 for additional information relating to pensions.

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 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.

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 District, which is not restricted for any project or other purpose. A deficit will require future funding.

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified 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 that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally 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 District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned - 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 - all other amounts which are not restricted for any project or other purpose. A deficit will require future funding.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted resources to have been spent first. When an expenditure is incurred in governmental funds, the District's policy is to pay the expenditure from the restricted fund balance and then from less restrictive classifications - committed, assigned and then unassigned fund balances.

Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the District by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the District.

In the fund financial statements, property taxes are recognized in the year for which they are levied provided they become available and measurable. Property tax revenues are considered available when they become due or past due and are received by the District within 60 days of the end of the fiscal year.

Pensions

The District contributes to a defined benefit pension plan to provide retirement income for volunteer firefighters in recognition of their service to the District. This plan is an agent multiple-employer Public Employee Retirement System affiliated with the Fire and Police Pension Association of Colorado ("FPPA") for the purpose of administering the plan and managing the funds of the plan for investment. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the FPPA. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2017, the District had deposits with financial institutions with a carrying amount of \$185,251. The bank balances with the financial institution were \$187,808, all of which was covered by federal depository insurance.

At December 31, 2017, the District had cash and cash equivalents and investments as follows:

Cash with county treasurer	\$ 1,307
Bank deposits	185,251
Local government investment pool	376,260
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Total cash, cash equivalents and investments	\$ 562,818

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

Investments:

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The District's policy is to hold investments until maturity.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk. As of December 31, 2017, the District had no investments exposed to custodial credit risk.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

Local Government Investment Pools

At December 31, 2017, the District had invested \$376,260 in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 13,500	\$ -	\$ -	\$ 13,500
Construction in Progress	52,521	-	(52,521)	-
Total capital assets, not being depreciated	66,021	-	(52,521)	13,500
Capital assets, being depreciated:				
Buildings and improvements	66,000	795,192	-	861,192
Vehicles and equipment	377,313	9,430	-	386,743
Total capital assets, being depreciated	443,313	804,622	-	1,247,935
Less accumulated depreciation for:				
Buildings and improvements	(46,200)	(11,252)	-	(57,452)
Vehicles and equipment	(231,318)	(18,119)	-	(249,437)
Total accumulated depreciation	(277,518)	(29,371)	-	(306,889)
Total capital assets being depreciated, net	165,795	775,251	-	941,046
Total capital assets, net	\$ 231,816	\$ 775,251	\$ (52,521)	\$ 954,546

Depreciation in the amount of \$29,371 for capital assets has been allocated to the building and equipment activity on the Statement of Activities.

4. Long-Term Debt

Long-term debt consisted of the following at December 31, 2017:

General Obligation Debt - Series 2016

On March 24, 2016, the District issued \$800,000 in a General Obligation Note, Series 2016. The proceeds are being used for renovations at the fire station. The average interest rate on the note is 3.02% and the final maturity date is December 1, 2028.

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

The following is a summary of changes in long-term debt of the District for the year ended December 31, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2016 General Obligation	\$ 740,000	\$ -	\$ (50,000)	\$ 690,000	\$ 55,000
Total	\$ 740,000	\$ -	\$ (50,000)	\$ 690,000	\$ 55,000

The annual requirements to amortize all debt outstanding as of December 31, 2017, are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 55,000	\$ 20,838	\$ 75,838
2019	55,000	19,177	74,177
2020	55,000	17,516	72,516
2021	60,000	15,855	75,855
2022	60,000	14,043	74,043
2023-2027	330,000	41,978	371,978
2028	75,000	2,265	77,265
Totals	\$ 690,000	\$ 131,672	\$ 821,672

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; injuries to employees; and natural disasters. The District carries commercial insurance covering specific and general risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

6. Volunteer Firefighters' Pension Plan

Plan Description. The District has established the Volunteer Firefighters' Pension Plan (the "Volunteer Plan"), an agent multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). As of December 31, 2017, the Plan has 4 retirees and beneficiaries and 11 active members. FPPA issues an annual, publicly available financial report that includes the assets of the Volunteer Plan. The report may be obtained on FPPA's website at www.fppaco.org.

Benefits Provided. The plan provides for a monthly pension of \$300 for volunteers who have satisfied the normal age and service requirements and pro rata pensions for volunteers who have satisfied the normal age, but only a portion of the service requirement. It further provides death benefits and a partial pension (50% of the amount the volunteer has earned) for surviving spouses. The normal age and service requirement is the latest date a volunteer reaches 50 years of age or completes 20 years of service. Pro rata pensions would apply to volunteers who reached 50 years of age and had between 10 and 20 years of service. The plan also provides a funeral benefit, lump sum one time only payment of \$100.

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

Funding Policy. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2017, indicated that the current level of contributions to the fund is adequate to support, on an actuarially sound basis, the prospective benefits for the present Plan. Contributions to the Plan from the District were \$10,000 and contributions from the State of Colorado were \$5,850 for the year ended December 31, 2017.

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

At December 31, 2017, the District reported a net pension asset of \$102,146. The net pension asset was measured as of December 31, 2016, and was determined by an actuarial valuation as of January 1, 2017. This measurement date is within one year of the plan sponsor's fiscal year end of December 31, 2017 and may be used for December 31, 2017 reporting purposes.

For the year ended December 31, 2017, the District recognized pension expense of \$1,951. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 55	\$ 5,437
Changes of Assumptions or Other Inputs	5,462	-
Net difference between projected and actual earnings on pension plan investments	13,929	-
District contributions subsequent to measurement date	10,000	-
	\$ 29,446	\$ 5,437

The \$10,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2018	\$ 4,453
2019	4,409
2020	4,052
2021	1,095
	\$ 14,009

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

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
Inflation	3%
Salary Increases	N/A
Investment Rate of Return	7.5%
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 assumptions shown above pertain to the actuarial valuation as of January 1, 2015 and the associated Actuarially Determined Contribution for the year ending December 31, 2016. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for first use in the January 1, 2017 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 1, 2017 Volunteer valuations.

The primary changes, which can be observed in the January 1, 2017 valuation, as compared to the assumptions shown are as follows:

Inflation	2.50%
Mortality	Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Police experience. Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB. Disabled: RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

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 3.78% (based on the weekly rate closest to but not later than the

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%. Projected cash flows used in determining the Single Discount Rate are available upon request.

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 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 which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund’s target asset allocation as of December 31, 2016 are summarized in the table below:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	36%	6.75%
Equity Long/Short	10%	4.85%
Illiquid Alternatives	23%	8.25%
Fixed Income	15%	0.50%
Absolute Return	10%	4.05%
Managed Futures	4%	3.00%
Cash	2%	0.00%*
Total	100%	

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability/ (asset) calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability/ (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1.00% Decrease *	Current Discount Rate *	1.00% Increase *
District’s net pension liability/(asset)	\$(83,017)	\$(102,146)	\$(118,430)

FPPA System Description. The FPPA administers an agent multiple-employer Public Employee Retirement System (“PERS”). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plan has elected to affiliate with FPPA for plan administration and investment only.

Crystal Lakes Fire Protection District
Notes to Financial Statements
December 31, 2017

7. TABOR Compliance

In November 1992, Colorado voters passed an amendment (the “Amendment” or “TABOR”) to the State Constitution (Article X, Section 20), which limits the revenue raising and spending abilities of state and local districts. The limits on property taxes, revenue, and “fiscal year spending” include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources, such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the “spending limit” must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

The Amendment also requires local districts to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$4,536 for this purpose.

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

8. Violation of State Statutes

During the year ended December 31, 2017, expenditures exceeded budget appropriations by \$33,080 in the Capital Projects Fund. This may be in violation of state statutes.

9. Stewardship, Compliance and Accountability

At December 31, 2017, the Capital Projects Fund had a negative fund balance of \$24,037, which will be eliminated with future resources.

10. Subsequent Events

Management of the District has evaluated subsequent events through July 31, 2018, the date that the financial statements were available to be issued. In May 2018, the District purchased a fire engine totaling approximately \$130,000. No additional transactions or events that would require adjustment to or disclosure in the financial statements were identified.

Required Supplementary Information

Crystal Lakes Fire Protection District
Schedule of Revenues, Expenditures and Changes in
Fund Balance (Budget and Actual) - General Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 112,999	\$ 112,999	\$ 121,086	\$ 8,087
Earnings on investments	800	800	2,057	1,257
Grants and donations	211,000	211,000	17,281	(193,719)
Charges for Services	500	500	5,104	4,604
Miscellaneous	13,300	13,300	423	(12,877)
Total revenues	338,599	338,599	145,951	(192,648)
Expenditures				
Operating				
Administration	36,600	36,600	32,240	4,360
Operations	51,699	51,699	32,535	19,164
Pension contribution	10,000	10,000	10,000	-
Building and Equipment	19,300	19,300	29,667	(10,367)
Capital outlay	215,500	215,500	9,430	206,070
Contingency	5,500	5,500	-	5,500
Total expenditures	338,599	338,599	113,872	224,727
Change in fund balance	\$ -	\$ -	32,079	\$ 32,079
Fund balance at beginning of year			267,681	
Fund balance at end of year			\$ 299,760	

See accompanying Independent Auditor's Report.

Crystal Lakes Fire Protection District
Schedule of Changes in Net Pension Liability/(Asset)
and Related Ratios - Volunteer Firefighters' Pension Plan
Last Ten Fiscal Years

Measurement Period Ended December 31,	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 10,102	\$ 10,102	\$ 9,354
Interest on the Total Pension Liability	12,447	11,291	10,213
Benefit Changes	-	-	-
Difference Between Expected and Actual Experience	(7,334)	-	205
Assumption Changes	7,367	-	-
Benefit Payments	(6,210)	(5,760)	(5,760)
Net Change in Total Pension Liability	16,372	15,633	14,012
Total Pension Liability - Beginning	164,052	148,419	134,407
Total Pension Liability - Ending	\$ 180,424	\$ 164,052	\$ 148,419
Plan Fiduciary Net Position			
Employer Contributions	\$ 6,500	\$ 6,500	\$ 6,500
Pension Plan Net Investment Income	14,435	4,423	15,824
Benefit Payments	(6,210)	(5,760)	(5,760)
Pension Plan Administrative Expenses	(701)	(1,518)	(750)
State of Colorado Supplemental Discretionary Payment	5,850	5,850	5,850
Net Change in Plan Fiduciary Net Position	19,874	9,495	21,664
Plan Fiduciary Net Position - Beginning	262,696	253,201	231,537
Plan Fiduciary Net Position - Ending	\$ 282,570	\$ 262,696	\$ 253,201
Net Pension Liability/(Asset) - Ending	\$ (102,146)	\$ (98,644)	\$ (104,782)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	156.61%	160.13%	170.60%
Covered Payroll	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See accompanying Independent Auditor's Report.

Crystal Lakes Fire Protection District
Schedule of District Contributions
Volunteer Firefighters' Pension Fund
Last Ten Fiscal Years

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 899	\$ 12,350	\$ (11,451)	N/A	N/A
2015	\$ 899	\$ 12,350	\$ (11,451)	N/A	N/A
2016	\$ -	\$ 12,350	\$ (12,350)	N/A	N/A
2017	\$ -	\$ 15,850	\$ (15,850)	N/A	N/A

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See accompanying Independent Auditor's Report.

Notes to Schedule of Contributions:

Actual Contribution includes both the employer and State of Colorado Supplemental Discretionary Payment.

Valuation Date:

Actuarially determined contributions rates are calculated as of January 1 of odd number years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2015, determines the contribution amounts for 2016 and 2017.

Other Supplementary Information

Crystal Lakes Fire Protection District
Schedule of Revenues, Expenditures and Changes in
Fund Balance (Budget and Actual) - Capital Projects Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$ -	\$ -	\$ 5,234	\$ 5,234
Total revenues	-	-	5,234	5,234
Expenditures				
Administration	-	-	15	(15)
Capital Outlay	709,606	709,606	742,671	(33,065)
Total expenditures	709,606	709,606	742,686	(33,080)
Change in fund balance	\$ 709,606	\$ 709,606	\$ (737,452)	\$ (27,846)
Fund balance at beginning of year			<u>713,415</u>	
Fund balance at end of year			<u>\$ (24,037)</u>	

See accompanying Independent Auditor's Report.

Crystal Lakes Fire Protection District
Schedule of Revenues, Expenditures and Changes in
Fund Balance (Budget and Actual) - Debt Service Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 82,398	\$ 82,398	\$ 81,599	\$ (799)
Total revenues	82,398	82,398	81,599	(799)
Expenditures				
Debt Service				
Principal	50,000	50,000	50,000	-
Interest	32,398	32,398	22,368	10,030
Total expenditures	82,398	82,398	72,368	10,030
Change in fund balance	\$ -	\$ -	9,231	\$ 9,231
Fund balance at beginning of year			5,007	
Fund balance at end of year			<u>\$ 14,238</u>	

See accompanying Independent Auditor's Report.