

SOUTH ARKANSAS FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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Office of the State Auditor

October 5, 2018

TABLE OF CONTENTS

Independent Auditors' Report	ii-iii
Management's Discussion & Analysis	iv-xi
Basic Financial Statements	
Governmental Funds Balance Sheet/Statement of Net Position	1
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities	2
Notes to the Financial Statements	3-12
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	14
Schedule of Changes in Net Pension Liability & Related Parties.....	15
Schedule of Contributions.....	16

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Arkansas Fire Protection District
P.O. Box 393
Salida, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Arkansas 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.

Auditors' 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 auditors' 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Arkansas Fire Protection District, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages iv-xi, and

14-16 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.

Walke & Associates, P.C.

Walke & Associates, P.C.

Salida, Colorado

October 5, 2018

SOUTH ARKANSAS FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the annual financial report offers readers of the South Arkansas Fire Protection District (the "District") financial statements the District's discussion and analysis of its financial performance during the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Background Information

The South Arkansas Fire Protection District (the District) was created in 1964 by the head of the Masonic Order, George W. Koenig. Around 1963, a fire outside of the city limits spurred a local controversy. The Salida City Council declared that areas not within the city limits were not entitled to any form of fire protection.

A two-mile area around the City of Salida was petitioned to form a fire protection district. A hundred-percent was achieved, and the district was formed. Enough money was generated to order a new fire truck. A portion of Western Fremont County falls within the South Arkansas Fire Protection District.

The District initially had a general fund from a mill levy and a volunteer pension fund. In 1995, the district disbanded the volunteers and entered into an Intergovernmental Agreement with the City of Salida to have the Salida Career Firefighters run their calls and maintain their equipment. Several members from the South Arkansas Volunteers are still collecting a pension.

The final mill levy certified to the County Commissioners is 4.519 for all general operating purposes, subject to statutory and/or TABOR limitation; 0.000 mills for G.O. Bonds; 0.000 mills for refund and abatement; and .135 mills for the Temporary Tax Credit/Mill Levy Reduction to be collected in 2017.

2017 Financial Highlights

- The District's financial status reflected an increase in net position during the 2017 fiscal year of \$345,087 as compared to 2016.
- General revenues account for \$246,843, or 19%, of all revenues. The District had \$1,070,097 program specific revenues in the form of charges for services.
- The District had \$1,008,197 in expenses related to governmental activities, of which \$803,529 of these expenses were program specific charges for services.
- Capital outlays from the general fund in 2017 were comprised of a Rowing Machine purchased for \$1,060.
- The District contributed \$8,700 to the TABOR Reserve Account in 2017, bringing the total Tabor Reserve balance at December 31, 2017 to \$30,000. This fund is established to stay in compliance with the requirements of TABOR.
- The District reduced its outstanding long-term debt by \$29,329.
- With the passage of House Bill 17-1349 in May 2017, the ratio of valuation of assessment of residential property is set at 7.2% for property tax years commencing on and after January 1, 2017. This rate was previously set at the current 7.96%. These adjustments are part of the Gallagher Act of 1982, which establishes a ratio of property taxes in which residential property

taxes cannot exceed 45% of the state’s overall assessed value. Property taxes comprise approximately 15% of the District’s revenue.

Overview of the Financial Statements

This annual financial report consists of three (3) parts: management’s discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two (2) kinds of statements that present different views of the District.

- The first two (2) statements are government-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the government-wide statements.
- The governmental fund statements reflect how basic services such as fire protection were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed information. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District’s general fund budget for the year.

The following diagram displays how the various parts of this annual report are arranged and related to one another.

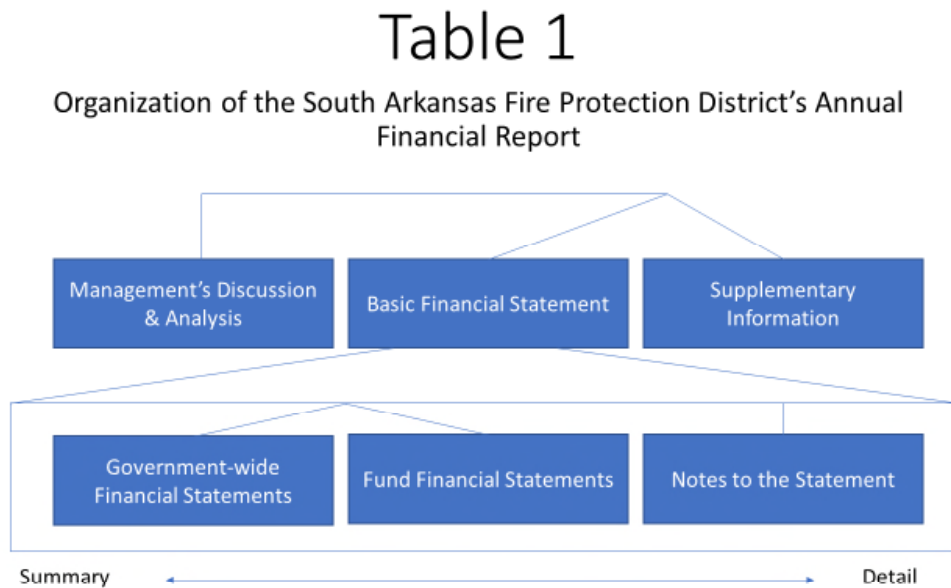


Table 2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview

section of management’s discussion and analysis highlights the structure and contents of each of the two (2) types of financial statements, government-wide and fund financial statements, which found in the basic financial statements.

Table 2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds Fund Financial Statements
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
Required Financial Statements	Statements of Net Position Statements of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers a broad overview of the District’s finances, in a manner similar to a private-sector business. The statement of net position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid, in accordance with the accrual basis and economic resources focus of accounting. These statements provide both short-term and long-term information about the District’s overall financial status.

The Statement of Net Position, presents information on all of the District’s assets and liabilities, with the difference between the two reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District’s overall health, you need to consider additional non-financial factors such as the condition of buildings and equipment.

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 flow in future fiscal periods.

Both of the government-wide financial statements (Statement of Net Position and Statement of Activities) distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). Included in governmental activities are most of the District’s basic services such as fire protection.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District's funds are divided into one category, the governmental fund, which is referred to in the fund financial statements as the General Fund.

-Governmental fund: Most of the District's basic services are included in its governmental fund, which generally focuses on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus that is presented on the government-wide statements, a reconciling schedule is included on the governmental fund statements showing the relationship (or difference) between the fund and government-wide financial statements.

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund which is considered a major fund.

The basic governmental fund financial statements can be found on pages 1-2 of this report.

Notes to the Financial Statements

The notes to the financial statements, which are included on pages 3 to 12 of this report, provide additional information, which is essential to the full understanding of the information included in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position increased to \$1,285,655, or approximately 32%, as compared to the prior year. Table 3 includes a comparison of the District's net position at December 31, 2017 and 2016, respectively.

Table 3 – Condensed Statement of Net Position

	2017	2016 (Unaudited)
ASSETS		
Current Assets	\$ 1,221,467	\$ 876,505
Capital Assets, Net	448,453	489,003
Total Assets	1,669,920	1,365,508
 DEFERRED INFLOWS OF RESOURCES	8,567	7,970
 LIABILITIES		
Current Liabilities	75,138	72,431
Long-term Liabilities	111,306	124,824
Total Liabilities	186,444	197,255
 DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Property Taxes	206,388	199,311
Total deferred inflows of resources	206,388	199,311
 NET POSITION		
Net Investment in Capital Assets	315,227	326,448
Restricted for :		
Emergencies (Tabor Reserve)	30,000	21,300
Unrestricted	940,428	629,164
Total Net Position	\$ 1,285,655	\$ 976,912

The following table, Table 4, includes a summary of the changes in net position for the years ended December 31, 2017 and 2016, respectively.

Table 4 – Changes in Net Position

	<u>2017</u>	<u>2016</u> <u>(Unaudited)</u>
REVENUES		
General Revenues		
Property and Specific Ownership Taxes	\$ 226,916	\$ 209,476
Earnings on Investments	336	454
Other	19,591	9,474
Program Revenues		
Charges for Services	1,070,097	564,031
Total Revenues	<u>1,316,940</u>	<u>783,435</u>
EXPENDITURES/EXPENSES		
Personnel Expenses	651,611	363,817
Professional Services	114,885	119,457
Education, Training, and Travel	167,882	68,369
Supplies, Commodities & Materials	14,478	15,149
Equipment Maintenance	7,635	4,431
Interest on Long-Term Debt	10,096	11,961
Depreciation Expense	41,610	41,337
Loss on Sale of Assets	-	34,000
Total Expenditures	<u>1,008,197</u>	<u>658,521</u>
CHANGES IN NET POSITION	<u>\$ 308,743</u>	<u>\$ 124,914</u>

Financial Analysis of District's Funds

General Fund

The general fund was established and is continually funded to provide for the daily activities, salaries, expenses, and operating costs of the District. This fund provides for functional areas of the organization – administration, firefighting, emergency medical service, fire prevention, training, communications, vehicle maintenance, and facility maintenance. The general fund also provides for such other items as insurance, utilities, fees, and other operating costs the District incurs. The primary funding source for the general fund is taxation of real property. Other sources of income for the general fund include development review fees, interest income, and other income. The primary projects or program efforts for establishing needed funding during 2017 were:

1. Salaries and benefits for all personnel of the District.
2. Professional services such as legal, utility, and insurance services.

3. Supplies and materials such as protective equipment, information technology equipment, and medical supplies.
4. Education classes, travel, and supplies for district personnel and public education.
5. Equipment maintenance for all apparatus, vehicles, and power tools.
6. Contributions to the capital reserve account.

General Fund Budgetary Highlights

The District’s budget is prepared according to Colorado Law and is based on accounting for certain transaction on basis of cash receipts and disbursements. The District’s budget for the general fund anticipated that revenues would exceed expenditures by \$142,023. The actual results for the year show revenues exceeding expenditures by \$308,743 in the Statement of Activities, and revenue exceeded expenses by \$37,775 in the General Fund.

It should be noted that the District’s budget format is designed to establish and monitor divisional functions of the Fire District’s operations to more closely align expenses with the areas of responsibility. These divisions are set up as cost centers for accountability in each of the following areas:

- Personnel services
- Professional services
- Supplies and materials
- Education and travel
- Equipment maintenance

The District must maintain at least a 3% emergency contingency restricted reserve account as part of the TABOR Amendment (Taxpayer Bill of Rights). At December 31, 2017, the District’s TABOR reserve amounted to \$30,000.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2017, the District had invested \$1,220,627 (before depreciation) in a broad range of capital assets, including land, our building, site improvements, vehicles and other equipment (See Table 8). This amount represents a net increase of \$1,060 from last year. Additional information on the District’s capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$ 41,610.

Table 5 – Capital Assets (Net of Depreciation)

	Governmental Activities		% Change
	2017	2016	
Land	\$ 50,000	\$ 50,000	0.00%
Buildings and improvements	6,858	8,267	-17.04%
Machinery and Equipment	391,595	430,736	-9.09%
Total	\$ 448,453	\$ 489,003	

Long-Term Debt

By the end of 2017, the District had \$133,226 in capital lease obligations.

Table 6 – Outstanding Long-Term Liabilities

	Total Governmental Activities		
	2017	2016	% Change
Government activities:			
Capital lease obligation	\$ 133,226	\$ 162,555	-18%

Volunteer Firefighters’ Pension Fund

The Volunteer’s Firefighters’ Pension Fund was established and continually funded to provide for the provision of retirement pension benefits for volunteer firefighters of the District. The fund provides for the payment of benefits and expenses of providing those benefits. The primary funding source for this fund is the transfer of funds from the interest from previously invested assets of the fund and from the State of Colorado funding mechanism specifically developed for these benefit efforts. Currently there are no active volunteers within the district. There are six Old Hires (Retired volunteers) that are still receiving a pension; however, the District is no longer making contributions to the Fund. At the time the Old Hires are no longer able to draw on the Fund, the District will receive the remaining Pension Fund balance, in accordance with C.R.S. 31-30 Part 11.

Factors Bearing on the District’s Future

- The District will further reduce its outstanding capital lease obligation by \$37,731 in 2018, with a projected payoff in October of 2021.
- As discussed above, the Gallagher Amendment could have an impact on the property taxes the District receives in future periods.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have any questions or need additional financial information, contact the South Arkansas Fire Protection District at 124 E Street Salida, CO 81201, or P.O. Box 393, Salida, CO 81201; telephone 719-539-2212 or fax 719-539-9086. Please direct all questions to Fire Chief Doug Bess.

SOUTH ARKANSAS FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS

SOUTH ARKANSAS FIRE PROTECTION DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

DECEMBER 31, 2017

	General Fund	Adjust- ments	Statement of Net Position
ASSETS			
Cash and Cash Equivalents	183,624	-	183,624
Receivables, Net	831,455	-	831,455
Property Tax Receivable	206,388	-	206,388
Capital Assets, Not Depreciated	-	50,000	50,000
Capital Assets, Net of Depreciation	-	398,453	398,453
Total Assets	1,221,467	448,453	1,669,920
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	-	8,567	8,567
LIABILITIES			
Accounts Payable	26,582	-	26,582
Payroll Liabilities	9,131	-	9,131
Accrued Interest	-	1,694	1,694
Capital Lease Obligation			
Due Within One Year		37,731	37,731
Due More Than One Year		95,495	95,495
Net Pension Liability	-	15,811	15,811
Total Liabilities	35,713	150,731	186,444
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Property Taxes	206,388	-	206,388
Deferred Revenue - Wildland Income	663,420	(663,420)	-
Total deferred inflows of resources	869,808	(663,420)	206,388
FUND BALANCE			
Restricted for :			
Emergencies (Tabor Reserve)	30,000	(30,000)	-
Debt Service - Capital Lease	37,731	(37,731)	-
Assigned for Capital Asset Purchases	148,011	(148,011)	-
Unassigned	100,204	(100,204)	-
Total Fund Balances	315,946	(315,946)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,221,467		
NET POSITION			
Net Investment in Capital Assets		315,227	315,227
Restricted for :			
Emergencies (Tabor Reserve)		30,000	30,000
Unrestricted		940,428	940,428
Total Net Position		1,285,655	1,285,655

The notes to the financial statements are an integral part of this financial statement.

SOUTH ARKANSAS FIRE PROTECTION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Adjust- ments</u>	<u>Statement of Activities</u>
REVENUES			
Taxes			
Property Taxes	198,957	-	198,957
Specific Ownership Taxes	27,959	-	27,959
Interest	336	-	336
Charges for Services	764,987	305,110	1,070,097
Other	19,591	-	19,591
Total Revenues	<u>1,011,830</u>	<u>305,110</u>	<u>1,316,940</u>
EXPENDITURES/EXPENSES			
General Government	131,665	21,297	152,962
Fire Expenditures	803,529	-	803,529
Capital Outlay	1,060	(1,060)	-
Depreciation Expense	-	41,610	41,610
Debt Service			
Principal - Capital Leases	29,329	(29,329)	-
Interest	8,402	1,694	10,096
Total Expenditures	<u>973,985</u>	<u>34,212</u>	<u>1,008,197</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>37,845</u>	<u>(37,845)</u>	
CHANGES IN NET POSITION		308,743	308,743
FUND BALANCES/NET POSITION			
Beginning of year	<u>278,101</u>		<u>976,912</u>
End of year	<u>315,946</u>		<u>1,285,655</u>

The notes to the financial statements are an integral part of this financial statement.

SOUTH ARKANSAS FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to state and local governmental entities, which are set forth by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The South Arkansas Fire Protection District (District) is an independent local governmental district incorporated under the laws of the State of Colorado and governed by five members of the Board of Directors who operate under the Bylaws of the Board of Directors of the South Arkansas Fire Protection District. The District's purpose is to provide fire protection services within the boundaries of the District in Chaffee and Fremont counties, Colorado.

Per Sections 2100 and 2600 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, a primary government should include all individual organizations in their reporting entity if they are financially accountable for the individual organization, the organization is part of its legal entity, primary government officials appoint the majority of the organization's governing body, the District has the ability to impose its will on the organization, or there is a potential for the organization to provide financial benefits or burdens to the primary government. The primary government may also be financially accountable for an individual organization if that organization is fiscally dependent on the primary government, or if the individual organization holds economic resources entirely, or almost entirely, for the direct benefit of the primary government, the primary government is entitled to a majority of the economic resources received by the component unit, and the economic resources received and/or held by the individual organization are significant to the primary government. Based on these criteria, the District (the primary government) has no component units, as the District is not affiliated with any other entities that meet the aforementioned criteria.

Government-Wide and Fund Financial Statements

The government-wide financial statements, which include the Statement of Net Position column and the Statement of Activities column, report all information related to the non-fiduciary activities of the District. All interfund activity is eliminated from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The governmental fund financial statements, as presented in the General Fund column (i.e., the Governmental Funds Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances), are reported utilizing the modified accrual basis of accounting and the current financial resources measurement focus. Under these methods of reporting, revenues are recognized when they are considered measurable and available. Revenues are classified as available when they are collectible within the current period, or soon enough after the end of the current period such that they can be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are

recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures are recorded only when payment is due.

The government-wide financial statements, as presented in the Statement of Net Position and Statement of Activities columns, are reported utilizing the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property taxes and specific ownership taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District reports one major governmental fund: the General Fund. The General Fund is used to account for all financial resources of the District, except those required to be accounted for in another fund. This fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the Board of Directors of the District.

Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Cash

Cash and Cash Equivalents are defined as cash in the bank, and other investments with original maturities of three months or less.

Receivables

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2017, the District did not have an allowance for uncollectible accounts, as the receivables are expected to be fully collected within one year.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the Statement of Net Position column of the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. The District depreciates capital assets using the straight-line method over the following useful lives:

Buildings	27.5 years
Improvements	10 years
Machinery & Equipment	5-20 years

Compensated Absences

A liability for compensated absences has not been recorded on the financial statements. Due to the voluntary nature of this organization, absences are not compensated.

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities on the statement of net position in the government-wide financial statements. In the fund financial statements, proceeds from debt are recorded as other financing sources, and debt principal and interest payments made in the current period are reported as debt service expenditures in the current period.

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 so will not be recognized as an outflow of resources (expense/expenditure) until that period. The District does not have any deferred outflows of resources in the current period.

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 so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes earned but levied for a subsequent period. The governmental funds balance sheet also includes deferred inflows of resources, which relate to revenue that has been earned by the District but is not considered available within 60 days past the current period end.

Pensions

The District holds a Volunteer Firefighters' Pension Fund, which is an agent multiple-employer plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). The net pension asset, deferred outflows of resources, and deferred inflows of resources related to pension, pension expense, information about the fiduciary net position and additions to/deletions from the fiduciary net position of the Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows of resources on the government-wide financial statements, as shown in the Net Position column on the financial statements. Net position is classified as follows:

- *Net Investment in Capital Assets* – consists of capital assets, net of accumulated depreciation, less outstanding balances of any borrowings or liabilities that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted* – consists of amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Unrestricted* – consists of the remaining net amount of assets, liabilities, and deferred inflows of resources that are not included in the aforementioned categories.

Fund Balance

Fund balances are classified based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are presented on the governmental fund balance sheet, as shown in the General Fund column. Fund balances are classified as follows:

- *Nonspendable* – consists of amounts that cannot be spent because they are in nonspendable form (i.e. inventories or prepaid items).
- *Restricted* – consists of amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

- *Committed* – consists of amounts that can be used only for specific purposes determined by a formal action of the District’s Board of Directors, the District’s highest-level decision-making body. Committed amounts cannot be used for any other purpose unless the commitments are modified or rescinded through ordinances or resolutions approved by the Board. At December 31, 2017, the District has no committed funds.
- *Assigned* – consists of amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes, as delegated by the Board of Directors.
- *Unassigned* – consists of all other amounts that do not fall into the above categories and are available for all other purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance/net position is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District 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.

Property Taxes

Property taxes attach as an enforceable lien on January 1 of each year. The taxes are due in full by April 30, or in two installments by February 28, and June 15. Taxes become delinquent after those dates and are subject to interest charges. Property tax revenue is recognized when received by the Chaffee County Treasurer and Fremont County Treasurer. The 2017 taxes levied for operations during 2017 are recognized and classified in the financial statements as a receivable and corresponding deferred inflow of resources.

Budgets

South Arkansas Fire Protection District prepares and approves the annual budget for each fund in accordance with the Colorado Budget Law. All Board of Director meetings are posted for notice in various governmental buildings throughout Chaffee and Fremont counties throughout the year, and these regularly scheduled meetings are open to the public. Administrative staff prepare the budget documents and present them to the Board by November 15 of each year. The Board then holds a discussion that is open to the public to discuss the budget and any necessary modifications. The Board will then adopt the budget through the passage of a resolution prior to December 31.

The budget is prepared and adopted in accordance with U.S. generally accepted accounting principles (GAAP). All budget amounts presented reflect the original budget and the final amended budget, as applicable. The total expenditures for each fund cannot exceed the budgeted amount during a fiscal year. Any revisions to the budget that alter the total expenditures of any fund must be approved by the Board.

Reclassifications

Certain balances were required to be re-classed and adjusted to the entity’s 2016 financial information to conform to GAAP and to be consistent with 2017 financial statement presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

A summary of deposits at December 31, 2017 follows:

Cash Deposits	\$ 181,181
Cash with County Treasurers	<u>2,443</u>
Total Cash and Cash Equivalents	<u>\$ 183,624</u>

The District is required to comply with State of Colorado (State) statutes which govern the District’s deposits of cash. Per the State statutes, the District is required to use an eligible public depository for cash deposits, which includes banks that are insured or guaranteed by federal deposit insurance (FDIC).

Custodial Credit Risk – Deposits – Regarding deposits, custodial credit risk is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories, as discussed above. Per PDPA, amounts held above federal insurance levels are required to be collateralized in accordance with PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 pledged collateral must exceed 102% of the bank’s aggregate uninsured public deposits at all times. At December 31, 2017, the District had a carrying amount and bank balance of deposits of \$181,181 and \$217,220, respectively. As the bank balances are below \$250,000 and are split between two different eligible depositories, the bank balances are fully covered by FDIC insurance, and thus, none of the deposits were required to be covered by PDPA as of December 31, 2017.

The District does not have a policy regarding custodial risk for deposits.

NOTE 3 – PROPERTY TAXES RECEIVABLE

At December 31, 2017, the District had an estimated property tax receivable as follows:

Governmental Activities:

General Fund	<u>\$ 206,388</u>
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NOTE 4 – CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2017:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Total Capital Assets, not being depreciated	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Capital Assets, being depreciated				
Buildings and Improvements	376,047	-	-	376,047
Machinery and Equipment	843,520	1,060	-	844,580
Total Capital Assets, being depreciated	<u>1,219,567</u>	<u>1,060</u>	<u>-</u>	<u>1,220,627</u>
Less Accumulated Depreciation				
Buildings and Improvements	(367,780)	(1,409)	-	(369,189)
Machinery and Equipment	(412,784)	(40,201)	-	(452,985)
Total Accumulated Depreciation	<u>(780,564)</u>	<u>(41,610)</u>	<u>-</u>	<u>(822,174)</u>
Total Capital Assets being depreciated, net	<u>439,003</u>	<u>(40,550)</u>	<u>-</u>	<u>398,453</u>
Governmental Activities Capital Assets, Net	<u>489,003</u>	<u>(40,550)</u>	<u>-</u>	<u>448,453</u>

Depreciation was charged to the general government program of the District.

NOTE 5 – LEASE OBLIGATION

Capital Lease

On October 1, 2009, the District entered into an equipment lease and option agreement with Collegiate Peaks Bank to finance the purchase of two new Type 1 Tender Fire Apparatus bodies and international chassis'. The total purchase price of the equipment was \$481,158; of which the District paid \$150,000 up front, resulting in a \$331,158 being financed through Collegiate Peaks Bank at a 5.1% interest rate through an equipment lease and option agreement due on October 1, 2021. The equipment has a twenty-year estimated useful life. This year, \$24,058 was included in depreciation expense. The District has the option to purchase the equipment through a prepayment of the outstanding lease obligation. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. Interest paid and classified as an expenditure during the year totaled \$8,402.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

<u>Year ending December 31</u>	Governmental Activities
2018	\$ 37,731
2019	37,731
2020	37,731
2021	<u>37,731</u>
Total Minimum Lease Payments	<u>\$ 150,924</u>
Less: Amount Representing Interest	<u>(17,698)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 133,226</u></u>

NOTE 6 – VOLUNTEER PENSION FUND

General Plan Information

Plan Description

The District holds a Volunteer Firefighters’ Pension Fund, which is considered an agent multiple-employer plan, and was originally established for volunteer firefighters as authorized by the State of Colorado Statutes. The plan has been closed to new members for numerous years, as the District no longer has volunteer firefighters. The plan is administered by the Fire and Police Pension Association of Colorado (“FPPA”). The FPPA’s Comprehensive Annual Financial Report (CAFR) can be obtained by contacting FPPA at 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111-2721.

Benefits Provided

Volunteer firefighters who have attained the age of 50 and provided at least 20 years of service are eligible for a full monthly benefit of \$225. Firefighters are also eligible for an extended service amount of \$11.25 per year of service each month. A disability retirement benefit of \$150 per month for short term disability for a line of duty injury is available for less than or equal to one year.

Spouses of firefighters are also eligible for survivor benefits, which consist of \$112.50 per month following death after normal retirement, or following death before the firefighter was retirement eligible due to death in the line of duty as a volunteer firefighter. An additional \$5.63 per month is available as survivor benefits following death after vested retirement with 10 to 20 years of service per year of service, and after normal retirement with extended service. A \$400 lump sum one-time funeral benefit is also available as a part of the plan.

Contributions

The plan has been closed to new members for numerous years, as there are no longer any volunteer firefighters at the District. Therefore, no contributions were made in 2017, nor were there any made in the previous two periods.

Employees Covered by Benefit Terms

As of the actuarial valuation date of January 1, 2017, the Volunteer Plan included six retirees and beneficiaries currently receiving benefits.

Pension Assets & Liabilities

At December 31, 2017, the Volunteer Plan reported a net pension liability of \$15,811. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

Pension Expense, Deferred Outflows of Resources & Deferred Inflows of Resources

For the year ended December 31, 2017, the Volunteer Plan recognized a pension expense of \$21,297. In addition, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	\$ 8,567	-
Total	\$ 8,567	-

The District had no contributions to the Plan after the valuation date of January 1, 2017. Amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending December 31	Net Deferred Outflows/ (Inflows) of Resources
2018	\$ 2,711
2019	2,713
2020	2,483
2021	660
2022	-
Thereafter	-
Total	\$ 8,567

Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are displayed below. In the January 1, 2017 valuation, the following changes were made:

- The inflation rate was decreased from 3% to 2.5%, and
- And the mortality tables were changed to the RP-2014 Mortality Tables.

Measurement Date	December 31, 2016
Actuarial Valuation Date	January 1, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 years*
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%

Mortality for pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. For post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment. For Disabled: RP-2000 Disabled Mortality Table. All tables projected with Scale AA.

*Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

The long-term expected rate of return on plan assets 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 following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	36.00%	6.75%
Equity Long/Short	10.00%	4.85%
Illiquid Alternatives	23.00%	8.25%
Fixed Income	15.00%	0.50%
Absolute Return	10.00%	4.05%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00%*
Total	100.00%	

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

Changes in the District's Net Pension Liability

Changes in the District's net pension liability for the Plan for the year ended December 31, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liabilities (a) - (b)
Balance, December 31, 2016	\$ 149,891	\$ 155,974	\$ (6,083)
Changes for the year:			
Interest	10,511	-	10,511
Difference between expected and actual experience	9,131	-	9,131
Changes of Assumptions	9,385	-	9,385
Net investment income	-	7,641	(7,641)
Benefit Payments	(19,845)	(19,845)	-
Administrative Expense	-	(508)	508
Net Changes	9,182	(12,712)	21,894
Balance, December 31, 2017	\$ 159,073	\$ 143,262	\$ 15,811

Sensitivity of Net Pension Liability/(Asset) to the Single Discount Rate Assumption

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

1% Decrease	Current Single Discount Rate Assumption	1% Increase
6.50%	7.50%	8.50%
\$ 26,351	\$ 15,811	\$ 6,458

NOTE 7 – TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20 (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

The amendment also requires Emergency Reserves, which must be at least three percent of fiscal year revenues. This Emergency Reserve has been presented as a restricted fund balance in the General Fund Balance Sheet and a restricted net position in the government-wide Statement of Net Position. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District's Emergency Reserve at December 31, 2017 amounted to \$30,000.

NOTE 8 – 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. For these risks, the District maintains commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims have not exceeded insured amounts in the last three years.

SOUTH ARKANSAS FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SOUTH ARKANSAS FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2017

	Original And Final Budget	Actuals	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Property Taxes	\$ 199,311	\$ 198,957	\$ (354)
Specific Ownership Taxes	22,000	27,959	5,959
Interest	665	336	(329)
Charges for Services	300,000	764,987	464,987
Other	3,432	19,591	16,159
Total Revenues	525,408	1,011,830	486,422
EXPENDITURES/EXPENSES			
General Government	139,154	131,665	7,489
Fire Expenditures	196,500	803,529	(607,029)
Capital Outlay	10,000	1,060	8,940
Debt Service			
Principal	29,324	29,329	(5)
Interest	8,407	8,402	5
Total Expenditures	383,385	973,985	(590,600)
Net Change in Fund Balance	\$ 142,023	\$ 37,845	\$ (104,178)
FUND BALANCES			
Beginning of year		278,101	
End of year		\$ 315,946	

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP and the schedule is presented on GAAP basis.

SOUTH ARKANSAS FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND
RELATED RATIOS
Last 10 Fiscal Years*

Measurement period ending December 31,	2016	2015	2014
<u>Total Pension Liability</u>			
Interest	\$ 10,511	\$ 11,162	\$ 9,890
Benefit changes	-	-	18,451
Difference between expected and actual experience	9,131	-	8,470
Changes in assumptions	9,385	-	-
Benefit payments	(19,845)	(19,845)	(19,845)
Net change in total pension liability	9,182	(8,683)	16,966
Total pension liability - beginning	149,891	158,574	141,608
Total pension liability - ending	<u>\$ 159,073</u>	<u>\$ 149,891</u>	<u>\$ 158,574</u>
<u>Plan Fiduciary Net Position</u>			
Net investment income	7,641	3,159	11,818
Benefit payments	(19,845)	(19,845)	(19,845)
Pension plan administrative expense	(508)	(1,385)	(653)
Net change in plan fiduciary net position	(12,712)	(18,071)	(8,680)
Plan fiduciary net position - beginning	155,974	174,045	182,725
Plan fiduciary net position - ending	<u>\$ 143,262</u>	<u>\$ 155,974</u>	<u>\$ 174,045</u>
Net pension liability (asset) - ending	15,811	(6,083)	(15,471)
Plan fiduciary net position as a percentage of total pension liability	90.06%	104.06%	109.76%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered employee payroll	N/A	N/A	N/A

*Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

**SOUTH ARKANSAS FIRE PROTECTION DISTRICT
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years***

Measurement period ending December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ -	\$ -	\$ -
Actual contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution excess	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Covered payroll	N/A	N/A	N/A
Actual contribution as a percentage of covered employee payroll	N/A	N/A	N/A

*Fiscal year 2015 was the first year of implementation, therefore only available years are shown.