

Summit Fire Authority
Financial Statements and
Supplementary Information
For the Year Ended December 31, 2017

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Office of the State Auditor

June 12, 2018

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Independent Auditor's Report

Board of Directors
Summit Fire Authority
Frisco, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Summit Fire Authority (the "Authority") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Summit Fire Authority as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi, and the budgetary comparison information for the General Fund on pages 12 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Anton Collins Mitchell LLP

Greeley, Colorado
June 1, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMIT FIRE AUTHORITY

Management's Discussion and Analysis
December 31, 2017

We, the financial managers of the Summit Fire Authority (the "Authority"), offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2017.

Overview of the Financial Statements

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

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

The Statement of Net Position presents information on all the Authority's assets, deferred inflows of resources, liabilities, and deferred outflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

Fund financial statement: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Authority can be divided into three categories: Governmental, proprietary, and fiduciary funds. The Authority does not report any proprietary or fiduciary funds.

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

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

Overview of the Financial Statements (continued)

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

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

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

Financial Analysis of the Authority

The following chart shows the Authority's assets, liabilities, and net position at December 31, 2017 and 2016:

	Governmental Activities	
	2017	2016
Assets:		
Current	\$ 237,606	\$ 229,465
Capital assets, net	<u>1,032,840</u>	<u>1,104,298</u>
Total assets	<u>1,270,446</u>	<u>1,333,763</u>
Liabilities:		
Other liabilities	2,532	3,722
Non-current liabilities	<u>-</u>	<u>2,074</u>
Total liabilities	<u>2,532</u>	<u>5,796</u>
Net position:		
Net investment in capital assets	1,032,840	1,102,224
Unrestricted	<u>235,074</u>	<u>225,743</u>
Total net position	<u>\$ 1,267,914</u>	<u>\$ 1,327,967</u>

Financial Analysis of the Authority (continued)

Approximately 81% of the Authority's net position reflects its net investment in capital assets. The Authority's most significant capital asset is the training facilities. Other capital assets of the Authority include vehicles, equipment, concrete trench, training container boxes and a storage shed. The Authority's capital assets are described on page 9 of this report. The Authority uses its capital assets to provide training to contracting fire districts and to provide services to its citizens; therefore, these assets are not available for future spending. The remaining \$235,074 may be used to meet the Authority's ongoing obligations relating to its operations.

At the end of the 2017 fiscal year, the Authority is able to report positive balances in the net investment in capital assets and unrestricted categories of net position. Overall, the Authority's net position decreased \$60,053 from the prior year. The decrease in net position can be attributed to an increase of expenditures related to general operations and hazmat.

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

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services –		
Training and admin.	\$ 515,661	\$ 492,843
Charges for services –		
Hazardous materials	92,811	89,898
Recoveries	7,750	2,012
General revenues:		
Earnings on investments	1,986	1,127
Miscellaneous revenues	19,995	14,134
Total revenues	<u>638,203</u>	<u>600,014</u>
Expenditures/Expenses:		
Operating expenses –		
Training and administration	578,768	537,854
Operating expenses –		
Hazardous materials	119,488	93,091
Total expenses	<u>698,256</u>	<u>630,945</u>
Change in net position	(60,053)	(30,931)
Net position – beginning	1,327,967	1,358,898
Net position – ending	<u>\$ 1,267,914</u>	<u>\$ 1,327,967</u>

Charges for services for hazmat and training and administration were the most significant sources of program revenues, accounting for 95.3% of total revenues. Other revenue of recoveries, miscellaneous revenues and earnings on investments, represented 4.7% of total revenues.

Financial Analysis of the Authority (continued)

When compared to 2016, total revenues increased by \$38,189 in 2017. The revenue for governmental activities realized an increase due to an increase in operating expenses, thus an increase in district assessments. Additionally, no grants were pursued or issued in 2017.

Depreciation expense of \$72,525 represented 10.4% of total expenditures. Interest expense of \$704 was accounted for in the Authority's expenses in 2017 for the debt service of the copier lease.

When compared to 2016, the Authority's total operating expenses (which include capital outlay costs) increased by \$67,311 in fiscal year 2017. Expenditures for governmental-type activities increased mostly due to an increase in capital purchases.

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

<u>Account</u>	<u>Budget</u>	<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>	<u>Reason</u>
Revenues:				
Classes/Seminars	\$6,500	\$742	\$(5,758)	The number of classes and seminars to be held in 2017 were over anticipated creating less in revenue.
Gain on Sale of Capital Assets	\$0	\$7,100	\$7,100	This is attributed to the sale of SFA's FlameSim Fire Simulation System, used frequently for training practices over the past 3 years. This package, consisting of 5 computers, 3 monitors, 6 FlameSim Controllers and Software keys was sold to Greater Eagle Fire District in November 2017.
Recoveries	\$0	\$7,750	\$7,750	This revenue is unpredictable. This reflects income to the hazmat budget from incident reimbursements billed by the DERA (SFA). These recoveries are comprised of agency response, supplies used, and indirect costs.

Expenses:

HCTC Management	\$347,895	\$354,407	\$(6,512)	Salary and benefits were fully utilized. Additionally, there were extra premiums due for a workers comp claim on one of the employees at SFA.
Buildings and Grounds Maintenance	\$7,700	\$13,532	\$(5,832)	A need for new lighting was recognized in the 3Q of 2017. The SFA Board approved the expenditure to replace the lighting structure in the classroom and the garage. The work was completed and payment made in the 4Q.
General Capital Outlay	\$38,700	\$13,713	\$24,987	Budgeted capital outlay consisted of purchasing 4 SCBA Packs at original cost. Instead, a contract to purchase older/unused packs from another fire department was made; creating a savings to the capital outlay budget.

Capital Asset and Debt Administration

Capital assets: The Authority's total net capital assets decreased \$71,458 in 2017 due to total accumulated depreciation. Additional information, as well as a detailed classification of the Authority's capital assets, can be found on page 9 of this report.

The Authority entered into a lease agreement on December 17, 2013 for a copier/printer with a bargain purchase option at the end of the lease term. The lease agreement was for a period of 48 months with monthly payments of \$177. The Authority made the final payment on the lease agreement during the year; therefore, there was no amount remaining as of December 31, 2017.

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

Next Year's Budget and Fees

The Training and Administration function of the General Fund anticipates a change in budgeted revenue from \$527,989 in 2017 to \$556,581 in 2018; an increase of \$28,592. Budgeted expenses were \$561,085 in 2017, not including appropriated reserves, and projected expenses are \$583,835 in 2018, an increase of \$22,750. Budget history allows for better expenditure projections as the Summit Fire Authority continues to strive for zero based budgeting.

The Hazardous Materials function of the General Fund anticipates a change in budgeted revenue from \$93,399 in 2017 to \$96,871 in 2018; an increase of \$3,472. This is due to an increase in the Towns and County annual assessments. Budgeted expenses were \$116,807 in 2017 not including appropriated reserves, and projected expenses are \$91,136 for 2018; a decrease of \$25,671. This is mostly attributed to a decrease in capital outlay.

Request for Information

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

BASIC FINANCIAL STATEMENTS

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

December 31, 2017

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets:			
Cash and cash equivalents	\$ 86,391	\$ -	\$ 86,391
Cash and cash equivalents - SCES Training Center	1,008	-	1,008
Investments	146,029	-	146,029
Accounts receivable	3,178	-	3,178
Prepaid items	1,000	-	1,000
Capital assets, net of accumulated depreciation	-	1,032,840	1,032,840
Total assets	<u>\$ 237,606</u>	<u>1,032,840</u>	<u>1,270,446</u>
Liabilities:			
Accounts payable	\$ 2,532	-	2,532
Total liabilities	<u>2,532</u>	<u>-</u>	<u>2,532</u>
Fund balance:			
Assigned for subsequent year expenditures	27,254	(27,254)	-
Unassigned	207,820	(207,820)	-
Total fund balance	<u>235,074</u>	<u>(235,074)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 237,606</u>		
Net position:			
Net investment in capital assets		1,032,840	1,032,840
Unrestricted		235,074	235,074
Total net position		<u>\$ 1,267,914</u>	<u>\$ 1,267,914</u>

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

SUMMIT FIRE AUTHORITY
Governmental Fund Statement of Revenues, Expenditures and Changes in
Fund Balance/Government-Wide Statement of Activities
For the Year Ended December 31, 2017

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
Program revenues			
Charges for services:			
Contracting districts	\$ 547,278	\$ -	\$ 547,278
County/Towns	61,194	-	61,194
Classes and seminars	742	-	742
Recoveries	7,750	-	7,750
Other	17,237	-	17,237
Total program revenues	<u>634,201</u>	<u>-</u>	<u>634,201</u>
Expenditures			
Functions:			
Training and administration	512,392	65,672	578,064
Hazardous materials	112,635	6,853	119,488
Debt service			
Principal	2,074	(2,074)	-
Interest	704	-	704
Capital expenditures	6,151	(6,151)	-
Total expenditures	<u>633,956</u>	<u>64,300</u>	<u>698,256</u>
Excess (deficiency) of revenues over expenditures	<u>245</u>	<u>(64,300)</u>	<u>(64,055)</u>
General revenues:			
Earnings on investments	1,986	-	1,986
Proceeds from/Gain on sale of capital assets	7,100	(5,084)	2,016
Total general revenues	<u>9,086</u>	<u>(5,084)</u>	<u>4,002</u>
Change in net position	9,331	(69,384)	(60,053)
Fund balance/net position			
Beginning of year	<u>225,743</u>	<u>1,102,224</u>	<u>1,327,967</u>
End of year	<u>\$ 235,074</u>	<u>\$ 1,032,840</u>	<u>\$ 1,267,914</u>

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

NOTES TO THE FINANCIAL STATEMENTS

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2017

1. Summary of significant accounting policies

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

Reporting entity

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

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

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

Blended component unit

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

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

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2017

1. Summary of significant accounting policies (continued)

Government-wide and fund financial statements

The government-wide financial statements (i.e. Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its blended component unit. Governmental activities, which normally are supported by charges for services, are reported separately from business-type activities, which rely to a significant extent on fees for support. The Authority does not report any business-type activities.

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

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports only one governmental fund:

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

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

Assets, liabilities and net position

Cash and cash equivalents

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

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2017

1. Summary of significant accounting policies (continued)

Investments

The District's investments are reported at fair value, except for local government investment pools, which are reported at net asset value.

Receivables

Receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2017.

Capital assets

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

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

Description	Estimated Lives
Buildings	40
Land Improvements	12
Office equipment	5
Training Equipment	7 – 15
Vehicles	5

Fund balance and net position

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

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

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

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

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2017

1. Summary of significant accounting policies (continued)

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

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

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

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

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

Unassigned – amounts that are available for any purpose.

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

Estimates

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

2. Reconciliation of government-wide and fund financial statements

Explanation of differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

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

1) Capital assets of \$2,419,381, less accumulated depreciation of \$1,386,541, or a net book value of \$1,032,840, are not current financial resources, and therefore, are not reported in the funds.

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2017

2. Reconciliation of government-wide and fund financial statements (continued)

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

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

1) Governmental funds report capital outlay of \$6,151 as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense of \$72,525, 2) the repayment of the principal of long-term debt of \$2,074 consumes the current financial resources of governmental funds, and 3) the gain on the sale of capital assets is reduced by the \$5,084 net book value of the capital assets disposed. None of these transactions, however, has any effect on net position.

3. Stewardship, compliance, and accountability

Budgets and budgetary accounting

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

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

TABOR Amendment - Revenue and Spending Limitation Amendment

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

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

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2017

4. Detailed notes concerning the funds

Deposits and investments

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The Pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits.

At December 31, 2017, the Authority had cash and cash equivalent balances, as follows:

Petty Cash	\$	150
Bank Deposits – SCES Training Center		1,008
Bank Deposits		<u>86,241</u>
	\$	<u>87,399</u>

At December 31, 2017, the Authority had deposits with financial institutions with a carrying amount of \$87,249. The bank balances with the financial institutions were \$98,964, all of which is covered by federal depository insurance.

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

Custodial Credit Risk

At December 31, 2017, the Authority had invested \$146,029 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 adheres to FASB and reports its investments in accordance with ASC 820. The Trust is rated AAAM by Standard and Poor’s and is measured at net asset value.

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2017

4. Detailed notes concerning the funds (continued)

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:				
Construction in Progress	\$ 10,385	\$ -	\$(10,385)	\$ -
Total capital assets not being depreciated	10,385	-	(10,385)	-
Capital assets being depreciated:				
Buildings	2,014,682	-	-	2,014,682
Land Improvements	27,831	16,536	-	44,367
Office Equipment	14,774	-	-	14,774
Training Equipment	284,731	-	(9,087)	275,644
Vehicles	69,914	-	-	69,914
Total capital assets being depreciated	2,411,932	16,536	(9,087)	2,419,381
Less accumulated depreciation for:				
Buildings	(1,018,798)	(50,367)	-	(1,069,165)
Land Improvements	(3,860)	(988)	-	(4,848)
Office Equipment	(11,768)	(3,007)	-	(14,775)
Training Equipment	(229,148)	(11,533)	4,003	(236,678)
Vehicles	(54,445)	(6,630)	-	(61,075)
Total accumulated depreciation	(1,318,019)	(72,525)	4,003	(1,386,541)
Total capital assets being depreciated, net	1,093,913	(55,989)	(5,084)	1,032,840
Total capital assets, net	\$1,104,298	\$(55,989)	\$(15,469)	\$1,032,840

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2017

4. Detailed notes concerning the funds (continued)

Capital assets (continued)

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

Training and administration	\$ 65,672
Hazardous materials	6,853
	<u>\$ 72,525</u>

Joint venture agreement

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

Capital lease obligations

On December 17, 2013, the Authority entered into a lease agreement for a copier. The lease agreement is for a period of 48 months with monthly payments of \$177; the final payment was paid in December 2017.

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

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

Operating leases

On May 28, 1996, the Authority entered into an intergovernmental lease agreement for land that the Authority’s buildings are located on with the Board of Commissioners of Summit County. The lease requires annual payments of \$100 through 2021. Total lease expense for the year ended December 31, 2017 amounted to \$100.

SUMMIT FIRE AUTHORITY
Notes to the Financial Statements

December 31, 2017

5. Other information

Risk management

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

Subsequent events

In preparing the financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 1, 2018 the date that the financial statements were available to be issued. No events requiring recognition or disclosure were identified.

REQUIRED SUPPLEMENTARY INFORMATION

SUMMIT FIRE AUTHORITY**General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance -****Budget and Actual - Training and Administration Function****For the Year Ended December 31, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Contracting districts	\$ 515,661	\$ 515,661	\$ -
Earnings on investments	578	943	365
Classes and seminars	6,500	742	(5,758)
Gain on sale of capital assets	-	7,100	7,100
Other	5,250	17,237	11,987
Total revenues	527,989	541,683	13,694
Expenditures:			
HCTC management compensation	347,895	354,407	(6,512)
Contract instructors	12,405	8,073	4,332
Equipment maintenance	23,850	24,878	(1,028)
Capital outlay	38,700	13,713	24,987
Training supplies	13,662	11,003	2,659
Internet, website and software	23,480	21,773	1,707
Electricity	11,200	8,971	2,229
Insurance	10,600	10,476	124
Vehicle maintenance	12,000	9,409	2,591
Staff training	9,000	4,424	4,576
Uniforms and bunker gear	7,200	4,594	2,606
Natural Gas	11,000	6,356	4,644
Building and grounds maintenance	7,700	13,532	(5,832)
Technical rescue	4,500	4,383	117
Audit	4,230	4,344	(114)
Colorado Division Certificates	4,000	6,024	(2,024)
Supplies	3,800	3,175	625
Telephone	3,200	2,778	422
Propane	3,000	1,631	1,369
Debt service	2,220	3,283	(1,063)
Safety committee	1,000	-	1,000
Dues and subscriptions	2,050	1,624	426
Workers compensation	378	378	-
Sanitation and water	1,055	1,112	(57)
Board expenses	1,100	552	548
Payroll taxes	700	288	412
Land lease	100	100	-
Bank fees	60	40	20
Legal	1,000	-	1,000
Total expenditures	561,085	521,321	39,764
Excess (deficiency) of revenues over expenditures	\$ (33,096)	20,362	\$ 53,458
Fund balance - beginning of year		180,660	
Fund balance - end of year		\$ 201,022	

See accompanying Independent Auditor's Report.

SUMMIT FIRE AUTHORITY

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

Budget and Actual - Hazardous Materials Function

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Contracting districts	\$ 31,617	\$ 31,617	\$ -
County assessments	19,800	19,800	-
Town assessments	41,394	41,394	-
Recoveries	-	7,750	7,750
Earnings on investments	588	1,043	455
Total revenues	<u>93,399</u>	<u>101,604</u>	<u>8,205</u>
Expenditures:			
Coordination	63,097	63,095	2
Equipment maintenance	4,000	575	3,425
Capital outlay	34,200	32,440	1,760
DERA Management	4,000	4,000	-
Insurance	3,000	2,869	131
Training and development	2,000	552	1,448
Vehicle maintenance	2,560	2,261	299
Response agency	-	4,073	(4,073)
Supply inventory	2,500	1,696	804
Internet	480	480	-
Audit	470	483	(13)
Vehicle fuel and oil	500	111	389
Total expenditures	<u>116,807</u>	<u>112,635</u>	<u>4,172</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (23,408)</u>	(11,031)	<u>\$ 12,377</u>
Fund balance - beginning of year		<u>45,083</u>	
Fund balance - end of year		<u>\$ 34,052</u>	

See accompanying Independent Auditor's Report.