

**LEWIS-ARRIOLA FIRE PROTECTION DISTRICT**

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

**December 31, 2019**

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

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## Independent Auditor's Report



Heidi A. Trainor, CPA, MS Tax

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

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Lewis-Arriola Fire Protection District, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lewis-Arriola Fire Protection District, as of December 31, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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

Management has omitted the Management's Discussion and Analysis and the 10 year fiscal historical pension information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24-26 and the Schedule of District's Contributions on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge I obtained during my audit of the basic financial statements.

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



Heidi A Trainor, C.P.A., P.C.  
May 18, 2020

**BASIC FINANCIAL STATEMENTS**

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2019

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash	\$ 43,675
Investments	2,111,065
Cash with County Treasurer	47,931
Property Taxes Receivable	798,268
Prepaid Insurance	17,481
Capital Assets, not depreciated	74,950
Capital Assets, depreciated	<u>2,442,080</u>
<b>TOTAL ASSETS</b>	<u>5,535,450</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pension	<u>313,384</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 5,848,834</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 48,775
<b>NON CURRENT LIABILITIES</b>	
Net Pension Liability	<u>541,987</u>
<b>TOTAL LIABILITIES</b>	590,762
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	798,268
Deferred Inflows Related to Pension	<u>55,750</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	2,517,030
Unrestricted	<u>1,887,024</u>
<b>TOTAL NET POSITION</b>	<u>4,404,054</u>
<b>TOTAL LIABILITIES, DEFERED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 5,848,834</u></u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

	<u>PROGRAM REVENUES</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Net (Expenses) Revenue</u>
<b><u>Governmental Activities</u></b>				
Administration	\$ 170,882	\$ --	\$ --	\$ (170,882)
Fire Protection	54,728	--	--	(54,728)
Training	6,598	--	--	(6,598)
Station Operation & Maintenance	<u>255,482</u>	<u>--</u>	<u>--</u>	<u>(255,482)</u>
Total District	<u>\$ 487,690</u>	<u>\$ --</u>	<u>\$ --</u>	<u>(487,690)</u>

GENERAL REVENUES

Property Taxes	799,607
Specific Ownership Taxes	83,102
Investment Income	46,467
Other Income	<u>5,974</u>

TOTAL GENERAL REVENUES 935,150

CHANGES IN NET POSITION 447,460

NET POSITION, Beginning 3,956,594

NET POSITION, Ending \$ 4,404,054

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2019

	<u>GENERAL FUND</u>
<b>ASSETS</b>	
Cash	\$ 43,675
Investments	2,111,065
Cash with County Treasurer	47,931
Property Taxes Receivable	798,268
Prepaid Insurance	17,481
TOTAL ASSETS	<u>\$ 3,018,420</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY LIABILITIES</b>	
Accounts Payable	\$ 48,775
TOTAL LIABILITIES	<u>48,775</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	798,268
<b>FUND EQUITY</b>	
Fund Balance	
Nonspendable	17,481
Unassigned	2,153,896
TOTAL FUND EQUITY	<u>2,171,377</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY	<u>\$ 3,018,420</u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF GOVERNMENT FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

For the Year Ended December 31, 2019

	<u>GENERAL FUND</u>
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
FUND BALANCE	\$ 2,171,377
Net Pension Liability related to pensions are not available to pay for current period expenditures or due and payable in the current period and, therefore are not reported in funds.	
Net Pension Liability	(541,987)
Deferred outflows/inflows and deferred amortization related to the pension plan	257,634
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the Governmental Funds.	<u>2,517,030</u>
NET POSITION of Governmental Activities	<u><u>\$ 4,404,054</u></u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

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

For the Year Ended December 31, 2019

	<u>GENERAL FUND</u>
<b>REVENUES</b>	
Property Tax	\$ 799,607
Specific Ownership Tax	83,102
Investment	46,467
Other Income	<u>5,974</u>
<b>TOTAL REVENUES</b>	<u>935,150</u>
<b>EXPENDITURES</b>	
Current	
Administration	43,496
Fire Protection	54,728
Training	6,598
Station Operations Maintenance	53,330
Capital Outlay	<u>148,872</u>
<b>TOTAL EXPENDITURES</b>	<u>307,024</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>628,126</u>
<b>OTHER FINANCING SOURCES</b>	
Transfers out	<u>85,000</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>85,000</u>
<b>NET CHANGE IN FUND EQUITY</b>	543,126
FUND EQUITY, Beginning	<u>1,628,251</u>
FUND EQUITY, Ending	<u><u>\$ 2,171,377</u></u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND EQUITY OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

Net change in Fund Balance - Governmental Funds		\$ 543,126
Government funds do not record the changes in the net pension liability, deferred outflows related to pension, and the deferred inflows related to pension as an adjustment to current year expenditures. However in the Statement of Activities this change is shown as an adjustment to pension expense.		(42,386)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial individual cost of at least \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlays	\$ 148,872	
Depreciation Expense	<u>(202,152)</u>	<u>(53,280)</u>
Change in Net Position of Governmental Activities		<u>\$ 447,460</u>

See accompanying notes to basic financial statements

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

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

**Reporting Entity**

The Lewis-Arriola Fire Protection District is in its 44th year of operation. The District continues to meet the growing and on-going needs for emergency services and fire protection in rural areas of Montezuma County, Colorado, in the Lewis, Arriola, Beulah and Goodman Point communities and their surrounding vicinities. The area encompassed by the District's boundary is 68,280 (m/l) acres. In addition to providing protection for its own geographical area, the District maintains verbal or written cooperative fire agreements with four other fire districts in the area – Cortez, Pleasant View, Dolores, and Mancos. In Montezuma County, approximately 70 percent of land ownership is federal and state. Federal lands consist of the San Juan National Forest, public lands managed by the Bureau of Land Management, Mesa Verde National Park, several national monument sites, and the Ute Mountain Ute Indian Reservation. The District has historically responded to calls for assistance from these various agencies whenever needed and will continue to do so.

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

**Government-Wide and Fund Financial Statements**

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

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

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

Fund financial statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Interest income associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

The district reports the following governmental fund:

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. In the governmental funds statements, capital assets are charged to expenditures when purchased. Capital assets, with an individual cost of \$5000 or more and an estimated useful life of more than one year, are recorded at historical cost or estimated historical cost if historical cost is not available. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are valued at the estimated fair value of the item at the date of donation.

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

	<u>Asset</u>	<u>Years</u>
	Buildings	30
	Equipment and vehicles	7-15
	Software	5

**Use of Estimates**

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

**Net Position**

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

*Net Investment in Capital Assets* includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, constructions, or improvement of those assets.

*Restricted Net Position* includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use until a future project.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

*Unrestricted Net Position* typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

**Fund Balance**

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

- Non-spendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The District reports deposits and prepaid items as non-spendable at December 31, 2019.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District does not report any restricted fund balances at December 31, 2019.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District does not report any committed fund balances as of December 31, 2019.
- Unassigned – This classification includes the residual fund equity for the General Fund. The Unassigned classification also includes negative residual fund equity of any other governmental fund that cannot be eliminated by offsetting of Assigned fund equity amounts.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

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

**Deferred Outflows/Inflows of Resources**

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

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

**NOTE 2. CASH AND INVESTMENTS**

**Deposits**

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

Federal Deposit Insurance Corporation coverage for government accounts is \$250,000 per official custodian. The cash accounts that were FDIC insured as of December 31, 2019 were \$43,675.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

**Investments**

Interest Rate Risk

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

Credit Risk

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

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

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

The District had invested \$2,111,065 in 2019 in the Colorado Government Liquid Asset Trust (COLOTRUST); an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. They operate similarly to a money market fund and each share is equal in value to \$1.00.

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

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

- In September, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2019</u>
Governmental Activities				
Capital Assets, not depreciated:				
Land	\$ 30,000	\$ --	\$ --	\$ 30,000
Equipment Not Placed in Service	<u>--</u>	<u>44,950</u>	<u>--</u>	<u>44,950</u>
Total Capital Assets, not depreciated	30,000	44,950	--	74,950
Capital Assets, depreciated:				
Buildings	1,500,765	27,283	--	1,528,048
Equipment	1,142,320	41,891	--	1,184,211
Trucks	1,787,291	34,748	(26,816)	1,795,223
Furniture and Fixtures	<u>21,811</u>	<u>--</u>	<u>--</u>	<u>21,811</u>
Total Capital Assets, depreciated	<u>4,452,187</u>	<u>103,922</u>	<u>(26,816)</u>	<u>4,529,293</u>
Less accumulated depreciation for:				
Buildings	(238,083)	(57,951)	--	(296,034)
Equipment	(916,643)	(44,633)	--	(961,276)
Trucks	(741,017)	(98,258)	22,794	(816,481)
Furniture and Fixtures	<u>(12,112)</u>	<u>(1,310)</u>	<u>--</u>	<u>(13,422)</u>
Total accumulated depreciation	(1,907,855)	(202,152)	22,794	(2,087,213)
Total Capital Assets, depreciated, net	<u>2,544,332</u>	<u>(98,230)</u>	<u>(4,022)</u>	<u>2,442,080</u>
Governmental Activities Capital Assets, net	<u>\$ 2,574,332</u>	<u>\$ (53,280)</u>	<u>\$ (4,022)</u>	<u>\$ 2,517,030</u>

Depreciation expense totaling \$202,152 was charged to the fire protection function of the District in 2019.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 5. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN**

**General Information about the Pension Plan**

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

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

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

Firefighters covered by benefit terms - At January 1, 2019, the following firefighters were covered by the benefit terms:

Active Firefighters	28
Normal Retired Firefighters	29
Disabled Retired Firefighters	0
Beneficiaries of Firefighters	2
Terminated Vested Retired Firefighters	<u>6</u>
Total Number of Members	<u>65</u>

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 5. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN (Continued)**

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

**Net Pension Liability**

The District's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions - The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 Years
Asset Valuation Method	5-year Smoothed Fair Value
Investment Rate Return	7%
Projected Salary Increases	N/A
Inflation	2.5%
Cost of Living Adjustments	None

The actuarial assumptions used in the January 1, 2019 valuation were based on the Entry Age Cost Method for actuarial valuations as of June 15, 2007 or later.

Discount rate - The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that the State contributions will be made at the current contribution rate and that the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the State rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive volunteer firemen. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 5. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN** (Continued)

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2018	\$ 1,832,406	\$ 1,488,406	\$ 344,000
Changes for the year:			
Interest	133,240	--	133,240
Service Cost	15,980	--	15,980
Difference Between Expected and Actual	31,690	--	31,690
Changes of Assumptions	97,716	--	97,716
Contributions - State	--	--	--
Contributions - District	--	95,000	(95,000)
Net Investment Income	--	(1,025)	1,025
Benefit Payments	(129,795)	(129,795)	--
Administrative Expenses	--	(13,336)	13,336
Net Changes	148,831	(49,156)	197,987
Balances at 12/31/2019	\$ 1,981,237	\$ 1,439,250	\$ 541,987

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the District, using the discount rate of 7 percent, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
District's Net Pension Liability	\$ 796,370	\$ 541,987	\$ 333,697

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 5. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN** (Continued)

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

For the year ended December 31, 2019, the District recognized pension expense of \$127,386. At December 31, 2019 the District reported deferred outflows of resource and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 28,415	\$ 55,750
Assumption Changes	84,960	--
Net Difference between projected and actual earnings on pension plan investments	115,009	--
District contributions subsequent to the measurement date	85,000	--
<b>TOTAL</b>	<b><u>\$ 313,384</u></b>	<b><u>\$ 55,750</u></b>

The \$85,000 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Net Deferred Outflows/ (Inflows) of Resources	
<u>Year Ending December 31,</u>	
2020	\$ 71,041
2021	40,761
2022	35,043
2023	25,789
<b>TOTAL</b>	<b><u>\$ 172,634</u></b>

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 5. AGENT- MULTIPLE EMPLOYER RETIREMENT PLAN** (Continued)

**Payable to the Pension Plan**

At December 31, 2019, the District had no amount to report as a payable of contributions to the pension plan required for the year then ended December 31, 2019. All required contributions to the pension plan were paid in full in the fiscal year.

<u>Year</u>	<u>Contributions</u>
2010	\$63,000
2011	\$63,000
2012	\$75,000
2013	\$75,000
2014	\$75,000
2015	\$85,000
2016	\$85,000
2017	\$85,000
2018	\$95,000
2019	\$85,000

	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percent Funded</u>	<u>Unfunded Pension Benefit Obligation</u>
2007	\$ 968,941	\$ 1,235,633	78%	\$ 266,692
2009	905,242	1,499,586	60%	594,344
2011	1,006,916	1,512,995	67%	506,079
2013	1,117,429	1,690,013	66%	572,584
2015	1,290,374	1,707,342	74%	416,968
2016	1,293,018	1,729,900	75%	436,882
2017	1,336,216	1,813,918	74%	477,702
2018	1,488,406	1,832,406	90%	344,000
2019	1,939,250	1,981,237	73%	541,987

**Assumption Changes**

Assumption changes will be made starting with the January 1, 2019 actuarial valuation. The investment rate of return will change from 7.5% to 7.0%.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 6. RISK MANAGEMENT**

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

**NOTE 7. CONTINGENCIES**

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

**NOTE 8. COUNTY TAX LEVY**

Property taxes are collected on behalf of the District by Montezuma County and then remitted to the District. The property tax is levied and certified in December of the year prior to the year the taxes are collected. Property taxes become an enforceable lien on January 1 of each year. Taxes are payable either in two installments due on February 28 and June 15, or in full on April 30. The full amount of taxes levied on January 1, 2020 is recorded as taxes receivable and deferred inflows of resources as of December 31, 2019 since the amount is measurable but not available until the following year. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible based upon an analysis of historical trends.

**NOTE 9. TABOR AMENDEMENT**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. Based upon the voters' approval of the District's exemption from the Tabor limitation and "any other law" including the 5.5% limitation. The District has been exempt from the requirements of the Tabor amendment including the 5.5% growth limitation since January 1, 2016. The District believes it is in compliance with the Amendment and does not report a restriction of fund balance in the General Fund.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 10. PREPAID INSURANCE**

Insurance paid in the current year for a subsequent period is recorded as a prepaid expense. Prepaid insurance was \$17,481 as of December 31, 2019.

**NOTE 11. SUBSEQUENT EVENTS**

**COVID-19**

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

**REQUIRED SUPPLEMENTAL INFORMATION**

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

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

For the Year Ended December 31, 2019

	Budget Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Property Tax	\$ 761,297	\$ 761,297	\$ 799,607	\$ 38,310
Specific Ownership Tax	55,000	55,000	83,102	28,102
Donations	6,500	6,500	7,200	700
Other	6,000	6,000	(1,226)	(7,226)
Investment Income	25,000	25,000	46,467	21,467
		0		
<b>TOTAL REVENUES</b>	<b>853,797</b>	<b>853,797</b>	<b>935,150</b>	<b>81,353</b>
<b>EXPENDITURES</b>				
Administration:				
Professional	17,000	17,000	10,860	6,140
Office Supplies	2,000	2,000	1,136	864
Board of Directors	3,000	3,000	2,500	500
Collection Fees - County Treasurer	13,000	13,000	16,000	(3,000)
Other	12,000	12,000	12,500	(500)
<b>Total Administration</b>	<b>47,000</b>	<b>47,000</b>	<b>42,996</b>	<b>4,004</b>
Fire protection:				
Fireman Reimbursement	31,000	31,000	30,000	1,000
Supplies	26,540	26,540	9,583	16,957
Insurance	27,000	27,000	6,989	20,011
Training	20,000	20,000	6,598	13,402
Station Operation	14,000	14,000	18,217	(4,217)
Dispatch Services	9,000	9,000	10,290	(1,290)
Repairs and Maintenance	31,800	31,800	20,854	10,946
Other	39,140	39,140	12,625	26,515
<b>Total Fire Protection</b>	<b>198,480</b>	<b>198,480</b>	<b>115,156</b>	<b>83,324</b>
Capital Outlay	1,972,257	1,972,257	148,872	1,823,385
<b>TOTAL EXPENDITURES</b>	<b>2,217,737</b>	<b>2,217,737</b>	<b>307,024</b>	<b>1,910,713</b>
Expenditures (over)/under Revenues	(1,363,940)	(1,363,940)	628,126	1,992,066

(Continued)

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND EQUITY - BUDGET AND ACTUAL  
 GENERAL FUND  
 For the Year Ended December 31, 2019

(Continued)

	Budget Amounts		Actual	Variance
	Original	Final		
Other financing sources (uses)				
Transfers out	85,000	85,000	85,000	--
Total Other Financing Sources(Uses)	85,000	85,000	85,000	--
NET CHANGE IN FUND EQUITY	(1,448,940)	(1,448,940)	543,126	1,992,066
FUND EQUITY - Beginning	1,500,000	1,500,000	1,628,251	128,251
FUND EQUITY - Ending	<u>\$ 51,060</u>	<u>\$ 51,060</u>	<u>\$ 2,171,377</u>	<u>\$ 2,120,317</u>

See accompanying notes to required supplementary information

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2019

**Budgetary Data**

The Budgetary Comparison Schedule, included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results.

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

**Schedule of Funding Progress**

The aggregate actuarial cost method is used. Actuarial information is available for 2019.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

	<u>Last 7 Fiscal Years</u>						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$ 71,052	\$ 54,216	\$ 54,009	\$ 72,941	\$ 54,009	\$ 54,009	\$ 72,941
Contributions in Relation to the Actuarially Determined Contribution	<u>102,435</u>	<u>112,435</u>	<u>102,435</u>	<u>102,435</u>	<u>102,435</u>	<u>92,435</u>	<u>92,435</u>
Contribution Deficiency (Excess)	<u>\$ (31,383)</u>	<u>\$ (58,219)</u>	<u>\$ (48,426)</u>	<u>\$ (29,494)</u>	<u>\$ (48,426)</u>	<u>\$ (38,426)</u>	<u>\$ (19,494)</u>
District Contribution	\$ 85,000	\$ 95,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 75,000	\$ 75,000
District Contributions as a Percentage of Total Contribution	83%	85%	83%	83%	83%	81%	81%

**NOTES TO SCHEDULE**

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, 2019.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 years
Asset Valuation Method	5 - Year Smoothed Fair Value
Inflation	N/A
Salary Increases	N/A
Investment Rate of Return	7%
Retirement Age	50% per year of eligibility until 100% at age 65

Mortality **Pre-retirement:** RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality.

**Post-retirement:** For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Table for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.