

**LEWIS-ARRIOLA FIRE PROTECTION DISTRICT
DOLORES, COLORADO**

BASIC FINANCIAL STATEMENTS

December 31, 2021

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

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FINANCIAL SECTION

KYLE BLAND, CPA, PC

827 W. 7TH STREET
CORTEZ, CO 81321

JONATHAN KYLE W. BLAND
CERTIFIED PUBLIC ACCOUNTANT

TELEPHONE (970) 739-3876
FAX (970) 565-7074
kyle@jkblandcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lewis-Arriola Fire Protection District

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise Lewis-Arriola Fire Protection District's basic financial statements as listed in the table of contents.

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 Lewi-Arriola Fire Protection District, as of December 31, 2021, 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.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Lewis-Arriola Fire Protection District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about Lewis-Arriola Fire Protection District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute

assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of Lewis-Arriola Fire Protection District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lewis-Arriola Fire Protection District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that historical pension information and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 my inquiries, the basic financial statements, 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.

Kyle Bland CPA PC

Cortez, Colorado
August 25, 2022

BASIC FINANCIAL STATEMENTS

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

For The Year Ended December 31, 2021

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| CURRENT ASSETS | |
| Cash | \$ 19,140 |
| Investments - Colo Trust | 3,005,397 |
| Cash With County Treasurer | 7,626 |
| Other Assets | 144 |
| Property Taxes Receivable | 575,210 |
| Prepaid Insurance | 18,646 |
| Total Current Assets | <u>3,626,163</u> |
| NONCURRENT ASSETS | |
| Capital Assets, Not Depreciated | 99,342 |
| Capital Assets, Depreciated | 2,396,260 |
| Total Noncurrent Assets | <u>2,495,602</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows Related to Pension | 204,414 |
| Total Deferred Outflows of Resources | <u>204,414</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 6,326,179</u> |
| CURRENT LIABILITIES | |
| Accounts Payable | 9,194 |
| Total Current Liabilities | <u>9,194</u> |
| NONCURRENT LIABILITIES | |
| Net Pension Liability | 162,309 |
| Total Noncurrent Liabilities | <u>162,309</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Property Tax Revenue | 575,210 |
| Deferred Inflows Related to Pension | 198,973 |
| Total Deferred Inflows of Resources | <u>774,183</u> |
| NET POSITION | |
| Invested In Capital Assets | 2,495,602 |
| Unrestricted | 2,884,891 |
| Total Net Position | <u>5,380,493</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 6,326,179</u> |

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2021

| <u>Governmental Activities</u> | <u>Expenses</u> | <u>Charges For Services</u> | <u>Operating Contributions</u> | <u>Net (Expenses)</u> |
|---------------------------------------|-------------------|---------------------------------|------------------------------------|---------------------------|
| Administration | \$ 158,163 | \$ - | \$ - | \$ (158,163) |
| Fire Protection | 57,760 | - | - | (57,760) |
| Training | 33,936 | - | - | (33,936) |
| Station/Truck Operation & Maintenance | 268,113 | - | 57,183 | (210,930) |
| Total Governmental Activities | \$ 517,972 | \$ - | \$ 57,183 | \$ (460,789) |

General Revenues

| | |
|--------------------------|------------|
| Property Taxes | \$ 825,101 |
| Specific Ownership Taxes | 91,642 |
| Investment Income | 2,273 |
| Other Revenue | 33,801 |

Total General Revenues 952,817

Changes In Net Position 492,028

Net Position, Beginning 4,888,465

Net Position, Ending \$ 5,380,493

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2021

| | <u>General Fund</u> |
|---|----------------------------|
| ASSETS | |
| Cash | \$ 19,140 |
| Investments - Colo Trust | 3,005,397 |
| Cash With County Treasurer | 7,626 |
| Other Assets | 144 |
| Property Taxes Receivable | 575,210 |
| Prepaid Insurance | <u>18,646</u> |
| Total Assets | <u><u>\$ 3,626,163</u></u> |
| | |
| LIABILITIES | |
| Accounts Payable | \$ 9,194 |
| Total Liabilities | <u>9,194</u> |
| | |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Property Tax Revenue | <u>575,210</u> |
| Total Deferred Inflows of Resources | <u>575,210</u> |
| | |
| FUND BALANCES | |
| Nonspendable | 18,646 |
| Unassigned | <u>3,023,113</u> |
| Total Fund Balances | <u><u>3,041,759</u></u> |
| | |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u><u>\$ 3,626,163</u></u> |

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

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

For the Year Ended December 31, 2021

| | <u>GENERAL FUND</u> |
|--|----------------------------|
| FUND BALANCE | \$ 3,041,759 |
| Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the the Governmental Funds. | |
| Governmental Capital Assets | 4,984,777 |
| Less Accumulated Depreciation | (2,489,175) |
| Deferred outflows are not current assets or financial resources; and deferred inflows are not due or payable in the current period and therefore are not reported in the fund balance sheet. | |
| Deferred Outflows Related To Pension | 204,414 |
| Deferred Inflows Related To Pension | (198,973) |
| 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 fund balance sheet. | |
| Net Pension Liability | <u>(162,309)</u> |
| Net Position of Governmental Activities | <u>\$ 5,380,493</u> |

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUND**

For The Year Ended December 31, 2021

| | <u>General Fund</u> |
|--|---------------------|
| REVENUES | |
| Property Taxes | \$ 825,101 |
| Specific Ownership Taxes | 91,642 |
| Investment Income | 2,273 |
| Contribution Income | 57,183 |
| Other Income | 33,801 |
| Total Revenues | <u>1,010,000</u> |
| EXPENDITURES | |
| Administration | 82,617 |
| Fire Protection | 57,760 |
| Training | 33,936 |
| Station & Truck Operation & Maintenance | 39,133 |
| Capital Outlay | 61,942 |
| Total Expenditures | <u>275,388</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 734,612 |
| OTHER FINANCING SOURCES | |
| Transfers In (Out) | <u>(125,000)</u> |
| Total Other Financing Sources and (Uses) | <u>(125,000)</u> |
| Net Change In Fund Balances | 609,612 |
| Fund Balances, Beginning | 2,432,147 |
| Fund Balances, Ending | <u>\$ 3,041,759</u> |

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITES**

For the Year Ended December 31, 2021

| | <u>General Fund</u> |
|---|---------------------|
| Net Change In Fund Balance - Governmental Funds | \$ 609,612 |
| <p>Governmental funds report capital outlays as expenditures. In the Statement of Activities, assets with an initial individual cost of \$5,000 and greater are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.</p> | |
| Capital Outlays | 61,942 |
| Depreciation Expense | (236,289) |
| <p>Governmental Funds report current year contributions to pension plans as expenditures. In the Statement of Activities, the cost of contributions are reclassified to deferred outflows of resources and pension expense is reported.</p> | |
| Current Year Pension Contributions | 125,000 |
| Pension Expense | (68,237) |
| Change in Net Position of Governmental Activites | <u>\$ 492,028</u> |

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY

Reporting Entity

The Lewis-Arriola Fire Protection District (the District) is in its 46th 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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant accounting policies:

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,

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 modified 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 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, 2021

NOTE 2 – 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 fund's 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 strait-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 assumption 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 of 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.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 prepaid items as non-spendable. Prepaid insurance was \$18,646 as of December 31, 2021.
- **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 as of December 31, 2021.
- **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, 2021.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- **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.

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 3 – 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, 2021 were \$19,140.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 – 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
- Banker's 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 \$3,005,397 as of December 31, 2021 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. COLOTRUST is rated AAA by Standard and Poor's.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 4 – 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 1st. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31st, 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, 2021

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

| | Balance 12/31/2020 | Additions | Deletions | Balance 12/31/2021 |
|---|-----------------------|---------------------|-------------|-----------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Depreciated: | | | | |
| Land and Other Nondepreciable Assets | \$ 37,400 | \$ 50,000 | \$ - | \$ 87,400 |
| Equipment Not Placed In Service | - | 11,942 | - | 11,942 |
| Total Capital Assets, Not Depreciated | <u>37,400</u> | <u>61,942</u> | <u>-</u> | <u>99,342</u> |
| Capital Assets, Depreciated: | | | | |
| Buildings | 1,527,359 | - | - | 1,527,359 |
| Equipment | 1,230,259 | - | - | 1,230,259 |
| Trucks | 2,106,006 | - | - | 2,106,006 |
| Furniture and Fixtures | 21,811 | - | - | 21,811 |
| Total Capital Assets, Depreciated | <u>4,885,435</u> | <u>-</u> | <u>-</u> | <u>4,885,435</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings | (354,707) | (58,752) | - | (413,459) |
| Equipment | (964,742) | (56,288) | - | (1,021,030) |
| Trucks | (918,705) | (119,939) | - | (1,038,644) |
| Furniture and Fixtures | (14,732) | (1,310) | - | (16,042) |
| Total Accumulated Depreciation | <u>(2,252,886)</u> | <u>(236,289)</u> | <u>-</u> | <u>(2,489,175)</u> |
| Total Capital Assets, Depreciated, Net | <u>2,632,549</u> | <u>(236,289)</u> | <u>-</u> | <u>2,396,260</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 2,669,949</u> | <u>\$ (174,347)</u> | <u>\$ -</u> | <u>\$ 2,495,602</u> |

Depreciation expense totaling \$236,289 was charged to the District in 2021.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 6 – 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 (970) 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 30 years. Volunteer firemen with 10 years of service are eligible to retire at age 50. Volunteer firemen 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 – As of January 1, 2021, the following firefighters were covered by the benefit terms:

| | |
|--|----------|
| Active Firefighters | 21 |
| Normal Retired Firefighters | 29 |
| Disabled Retired Firefighters | 0 |
| Beneficiaries of Firefighters | 2 |
| Terminated Vested Retired Firefighters | <u>8</u> |
| Total Number of Members | 60 |

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, 2021

NOTE 6 – 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021.

Actuarial assumptions – The total pension liability in the January 1, 2021, 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, 2021, valuation, was based on the Entry Age Actuarial Cost Method.

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, 2021

NOTE 6 – 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 12/31/2020 | \$ 1,989,434 | \$ 1,617,955 | \$ 371,479 |
| Changes For The Year: | | | |
| Service Cost | 17,435 | - | 17,435 |
| Interest | 150,833 | - | 150,833 |
| Difference Between Expected & Actual | (46,904) | - | (46,904) |
| Changes of Assumptions | - | - | - |
| Contributions - State | - | - | - |
| Contributions - District | - | 125,000 | (125,000) |
| Net Investment Income | - | 215,963 | (215,963) |
| Benefit Payments | (129,604) | (129,604) | - |
| Administrative Expenses | - | (10,429) | 10,429 |
| Net Changes | (8,240) | 200,930 | (209,170) |
| Balances at 12/31/2021 | \$ 1,981,194 | \$ 1,818,885 | \$ 162,309 |

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 | \$ 412,233 | \$ 162,309 | \$ (43,023) |

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, 2021

NOTE 6 – AGENT-MULTIPLE EMPLOYER RETIREMENT PLAN - Continued

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

The District recognized pension expense of \$68,237 and reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources, as of December 31, 2021.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 8,587 | \$ 34,901 |
| Assumption Changes | 26,475 | - |
| Net Difference between projected and actual earnings | 44,352 | 164,072 |
| District contributions subsequent to the measurement | 125,000 | - |
| Total | <u>\$ 204,414</u> | <u>\$ 198,973</u> |

The \$125,000 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, 2021. 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> | |
|---------------------------------|---------------------|
| 2022 | \$ (18,576) |
| 2023 | (27,830) |
| 2024 | (52,510) |
| 2025 | (20,643) |
| Total | <u>\$ (119,559)</u> |

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 6 – AGENT-MULTIPLE EMPLOYER RETIREMENT PLAN - Continued

Payable to the Pension Plan

The District did not report any amounts as a payable of contributions to the pension plan, required for the year ended December 31, 2021. All required contributions to the pension plan were paid in full in the fiscal year.

| <u>Year</u> | <u>Contributions</u> |
|-------------|----------------------|
| 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 |
| 2020 | \$125,000 |
| 2021 | \$125,000 |

| <u>Year</u> | <u>Net Assets Available for Benefits</u> | <u>Pension Benefit Obligation</u> | <u>Percent Funded</u> | <u>Unfunded Pension Benefit Obligation</u> |
|-------------|--|-----------------------------------|-----------------------|--|
| 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 | 1,439,250 | 1,981,237 | 73% | 541,987 |
| 2020 | 1,617,955 | 1,989,434 | 81% | 371,479 |
| 2021 | \$ 1,818,885 | \$ 1,981,194 | 92% | \$ 162,309 |

Assumption Changes

There were no assumption changes in the January 1, 2021, actuarial valuation.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 7 – 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 8 – CONTINGENCIES

In the normal course of operations, the District receives funds from the 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 9 – 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, 2022, amounting to \$575,210 is recorded as taxes receivable and deferred inflows of resources as of December 31, 2021 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 10 – TABOR AMENDMENT

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, 2021

NOTE 11 – PREPAID INSURANCE

Insurance paid in the current year for a subsequent period is recorded as a prepaid expense. Prepaid insurance was \$18,646 As of December 31, 2021.

NOTE L – SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through August 25, 2022, the date the financial statements were made available. There were no events reported that required adjustment to the financial statements as of December 31, 2021.

REQUIRED SUPPLEMENTAL INFORMATION

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

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

For The Year Ended December 31, 2021

| REVENUES | Budget Amounts | | Actual | Variance |
|--------------------------------------|--------------------|--------------------|---------------------|---------------------|
| | Original | Final | | |
| Property Tax | \$ 798,382 | \$ 798,382 | \$ 825,101 | \$ 26,719 |
| Specific Ownership Tax | 65,000 | 65,000 | 91,642 | 26,642 |
| Donations | 7,000 | 7,000 | 57,183 | 50,183 |
| Other | 15,000 | 15,000 | 33,801 | 18,801 |
| Investment Income | 20,000 | 20,000 | 2,273 | (17,727) |
| TOTAL REVENUES | 905,382 | 905,382 | 1,010,000 | 104,618 |
| EXPENDITURES | | | | |
| Administration: | | | | |
| Professional | 17,000 | 17,000 | 17,102 | (102) |
| Office Supplies | 2,000 | 2,000 | 1,257 | 743 |
| Board of Directors | 3,000 | 3,000 | 2,550 | 450 |
| Collection Fee's - County Treasurer | 17,000 | 17,000 | 16,522 | 478 |
| Other | 15,000 | 15,000 | 13,750 | 1,250 |
| Total Administration | 54,000 | 54,000 | 51,181 | 2,819 |
| Fire Protection: | | | | |
| Fireman Reimbursement | 30,000 | 30,000 | 29,775 | 225 |
| Supplies | 15,605 | 15,605 | 7,411 | 8,194 |
| Insurance | 27,000 | 27,000 | 22,830 | 4,170 |
| Training | 11,000 | 11,000 | 33,936 | (22,936) |
| Station Operation | 56,100 | 56,100 | 44,496 | 11,604 |
| Dispatch Services and Communications | 12,000 | 12,000 | 10,207 | 1,793 |
| Repairs and Maintenance | 34,400 | 34,400 | 13,610 | 20,790 |
| Other | 15,700 | 15,700 | - | 15,700 |
| Total Fire Protection | 201,805 | 201,805 | 162,265 | 39,540 |
| Capital Outlay | 2,374,577 | 2,374,577 | 61,942 | 2,312,635 |
| TOTAL EXPENDITURES | 2,630,382 | 2,630,382 | 275,388 | 2,354,994 |
| Expenditures (over)/under Revenues | (1,725,000) | (1,725,000) | 734,612 | 2,459,612 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (125,000) | (125,000) | (125,000) | - |
| Total Other Financing Sources (Uses) | (125,000) | (125,000) | (125,000) | - |
| NET CHANGE IN FUND EQUITY | (1,850,000) | (1,850,000) | 609,612 | 2,459,612 |
| FUND EQUITY - Beginning | 1,900,000 | 1,900,000 | 2,432,147 | 532,147 |
| FUND EQUITY - Ending | \$ 50,000 | \$ 50,000 | \$ 3,041,759 | \$ 2,991,759 |

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

| | <u>2021</u> | <u>2020</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 | \$ 41,937 | \$ 71,502 | \$ 71,052 | \$ 54,216 | \$ 54,009 | \$ 72,941 | \$ 54,009 | \$ 54,009 | \$ 72,941 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>142,435</u> | <u>102,435</u> | <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>\$ (100,498)</u> | <u>\$ (30,933)</u> | <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 | \$ 125,000 | \$ 125,000 | \$ 85,000 | \$ 95,000 | \$ 85,000 | \$ 85,000 | \$ 85,000 | \$ 75,000 | \$ 75,000 |
| District Contributions as a percentage of Total Contribution | 88% | 122% | 83% | 84% | 83% | 83% | 83% | 81% | 81% |

NOTES TO SCHEDULE

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, 2021.

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 | 2.50% |
| Salary Increases | N/A |
| Investment Rate of Return | 7% |
| Retirement Age | 50% per year of eligibility until 100% at age 65 |

Mortality

Pre-retirement: 2006 central rates from the RP-2014 Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality.
Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.
Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2021

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 District Contributions

The aggregate actuarial cost method is used. Actuarial information is available in the Actuarial Valuation Report as of January 1, 2021.