

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

**BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

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## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Lewis-Arriola Fire Protection District  
P.O. Box 10  
Lewis, CO 81327

### 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, 2023, and the related notes to the financial statements, which collectively comprise the 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 the Lewis-Arriola Fire Protection District, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 the 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 and 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 the aggregate, that raise substantial doubt about the 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 judgment 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 on the effectiveness of the 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 the Management 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 budgetary comparison information on page 23 and a ten-year schedule of pension contributions and historical pension information on page 24, 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  
July 15, 2024

## **BASIC FINANCIAL STATEMENTS**

# LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

## STATEMENT OF NET POSITION

For The Year Ended December 31, 2023

	Governmental Activities
<b>CURRENT ASSETS</b>	
Cash	\$ 38,683
Cash With County Treasurer	35,787
Investments In COLOTRUST	3,646,843
Property Taxes Receivable	837,298
Prepaid Insurance	19,130
Total Current Assets	<u>4,577,741</u>
<b>NONCURRENT ASSETS</b>	
Capital Assets, Not Depreciated	87,400
Capital Assets, Depreciated	2,327,876
Total Noncurrent Assets	<u>2,415,276</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pension	419,697
Total Deferred Outflows of Resources	<u>419,697</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>7,412,714</u></u>
<b>CURRENT LIABILITIES</b>	
Accounts Payable	7,552
Total Current Liabilities	<u>7,552</u>
<b>NONCURRENT LIABILITIES</b>	
Net Pension Liability	142,539
Total Noncurrent Liabilities	<u>142,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	837,298
Deferred Inflows Related to Pension	157,847
Total Deferred Inflows of Resources	<u>995,145</u>
<b>NET POSITION</b>	
Invested In Capital Assets	2,415,276
Unrestricted	3,852,202
Total Net Position	<u>6,267,478</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u><u>\$ 7,412,714</u></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, 2023

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Contributions</u>	<u>Net (Expenses)</u>
Administration	\$ 110,361	\$ -	\$ -	\$ (110,361)
Fire Protection	77,105	-	-	(77,105)
Training	10,258	-	-	(10,258)
Station/Truck Operation & Maintenance	<u>286,488</u>	<u>-</u>	<u>28,181</u>	<u>(258,307)</u>
<b>Total Governmental Activities</b>	<b><u>\$ 484,212</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 28,181</u></b>	<b><u>\$ (456,031)</u></b>

**General Revenues**

Property Taxes	\$ 703,211
Specific Ownership Taxes	85,881
Investment Income	186,866
Loss on Asset Disposition	<u>(116)</u>

**Total General Revenues** 975,842

**Changes In Net Position** 519,811

**Net Position, Beginning** 5,747,667

**Net Position, Ending** \$ 6,267,478

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, 2023

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 38,683
Cash With County Treasurer	35,787
Investments In COLOTRUST	3,646,843
Property Taxes Receivable	837,298
Prepaid Insurance	<u>19,130</u>
<b>Total Assets</b>	<b><u>\$ 4,577,741</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 7,552
Total Liabilities	<u>7,552</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	<u>837,298</u>
Total Deferred Inflows of Resources	<u>837,298</u>
<b>FUND BALANCES</b>	
Nonspendable	19,130
Unassigned	<u>3,713,761</u>
Total Fund Balances	<u>3,732,891</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 4,577,741</u></b>

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, 2023

	<u>GENERAL FUND</u>
<b>FUND BALANCE</b>	<b>\$ 3,732,891</b>
<p>Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the the Governmental Funds.</p>	
Governmental Capital Assets	5,305,073
Less Accumulated Depreciation	(2,889,797)
<p>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.</p>	
Deferred Outflows Related To Pension	419,697
Deferred Inflows Related To Pension	(157,847)
<p>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.</p>	
Net Pension Liability	<u>(142,539)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 6,267,478</u></b>

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, 2023

	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 703,211
Specific Ownership Taxes	85,881
Investment Income	186,866
Contribution Income	28,181
Total Revenues	1,004,139
 <b>EXPENDITURES</b>	
Administration	80,420
Fire Protection	77,105
Training	10,258
Station & Truck Operation & Maintenance	80,169
Capital Outlay	328,164
Total Expenditures	576,116
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	428,023
 <b>OTHER FINANCING SOURCES</b>	
Transfers In (Out)	(125,000)
Total Other Financing Sources and (Uses)	(125,000)
<b>Net Change In Fund Balances</b>	303,023
<b>Fund Balances, Beginning</b>	3,429,868
<b>Fund Balances, Ending</b>	\$ 3,732,891

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 ACTIVITIES**

For the Year Ended December 31, 2023

	<u>General Fund</u>
Net Change In Fund Balance - Governmental Funds	\$ 303,023
<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 Outlay	328,164
Depreciation Expense	(212,772)
Loss on Asset Disposition	(116)
<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	(23,488)
Change in Net Position of Governmental Activities	<u>\$ 519,811</u>

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 1 – NATURE OF REPORTING ENTITY**

**Reporting Entity**

The Lewis-Arriola Fire Protection District (the District) is in its 48<sup>th</sup> year of operation. The District continues to meet the growing and continuous 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**

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, 2023

**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.

The fund financial statements separately report governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District's General Fund is the only major governmental fund reported and there were no fiduciary funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the 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, 2023

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Deposits and Investments**

The District considers cash and cash equivalents to be all demand deposits as well as short-term investments with a maturity date of three months or less. Investments are stated at fair value.

**Receivables**

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future periods are reported as prepaid expenses.

**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:

Buildings	39 Years
Equipment and Vehicles	7-20 Years
Software	5 Years

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**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.

**Net Position**

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

*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.

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

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Fund Balance Classification**

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 \$19,130 as of December 31, 2023.

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 did not report any restricted fund balances as of December 31, 2023.

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 did not report any committed fund balances as of December 31, 2023.

Assigned – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The District did not report any assigned fund balances as of December 31, 2023.

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 Assigned fund equity amounts. The District did not report any unassigned fund balances as of December 31, 2023.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Fund Balance Classification – Continued**

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

**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.

**NOTE 3 – CASH AND INVESTMENTS**

**Deposits**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires 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 Statues require the market value of the collateral to be at least 102% of the aggregate uninsured deposits.

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. Cash accounts in the amount of \$38,683 were FDIC insured as of December 31, 2023.

**Cash With County Treasurer**

Property tax revenue is collected monthly on behalf of the District by Montezuma County and distributed to the District in the subsequent month. The District reported \$35,787 in cash held by Montezuma County as of December 31, 2023. The district received this cash deposit into their account on January 3, 2024.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 3 – CASH AND INVESTMENTS - Continued**

**Investments**

Interest Rate Risk

State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. 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
- General obligation and revenue bonds of United States local governmental entities
- Banker's acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts

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

Concentration of Credit Risk

State statutes do not limit the amount the District may invest in one issuer, except for corporate securities.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 3 – CASH AND INVESTMENTS – Continued**

**Investments – Continued**

**Investments in COLOTRUST**

The District reported investments of \$3,646,843 as of December 31, 2023. The investments are managed by the Colorado Government Liquid Asset Trust (COLOTRUST); an investment trust established for local government entities in Colorado to pool surplus funds. COLOTRUST is registered with the State Securities Commissioner and operates similarly to a money market fund; 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.

**NOTE 4 – COUNTY TAX LEVY RECEIVABLE**

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, 2024, amounting to \$837,298 is recorded as property taxes receivable and deferred inflows of resources as of December 31, 2023 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 5 – PREPAID INSURANCE**

Insurance paid in the current year for a subsequent period is recorded as a prepaid expense. Prepaid insurance was \$19,130 as of December 31, 2023.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023, was as follows:

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Governmental Activities				
Capital Assets, Not Depreciated:				
Land and Other Nondepreciable Assets	\$ 87,400	\$ -	\$ -	\$ 87,400
Buildings Not Placed In Service	33,342	212,298	(245,640)	-
Total Capital Assets, Not Depreciated	120,742	212,298	(245,640)	87,400
Capital Assets, Depreciated:				
Buildings	1,527,359	245,640	-	1,772,999
Equipment	1,230,259	115,866	(29,268)	1,316,857
Trucks	2,106,006	-	-	2,106,006
Furniture and Fixtures	21,811	-	-	21,811
Total Capital Assets, Depreciated	4,885,435	361,506	(29,268)	5,217,673
Less Accumulated Depreciation For:				
Buildings	(472,162)	(58,551)	-	(530,713)
Equipment	(1,075,326)	(50,565)	29,152	(1,096,739)
Trucks	(1,141,704)	(103,058)	-	(1,244,762)
Furniture and Fixtures	(16,985)	(598)	-	(17,583)
Total Accumulated Depreciation	(2,706,177)	(212,772)	29,152	(2,889,797)
Total Capital Assets, Depreciated, Net	2,179,258	148,734	(116)	2,327,876
Governmental Activities Capital Assets, Net	<u>\$ 2,300,000</u>	<u>\$ 361,032</u>	<u>\$ (245,756)</u>	<u>\$ 2,415,276</u>

Depreciation expense totaling \$212,772 was recorded in the government-wide financial statements as of December 31, 2023.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 7 – 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, 2023, the following firefighters were covered by the benefit terms:

Active Firefighters	25
Retired Firefighters	27
Beneficiaries of Firefighters	3
Disabled Retired Firefighters	0
Inactive Terminated Vested Firefighters	<u>8</u>
Total Number of Members	63

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, 2023

**NOTE 7 – 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023.

Actuarial assumptions – The total pension liability in the January 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 Years
Asset Valuation Method	5-year Smoothed Fair Value
Inflation	2.50%
Projected Salary Increases	N/A
Investment Rate Return	7%
Cost of Living Adjustments	N/A

The actuarial assumptions used in the January 1, 2023, valuation, were 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, 2023

**NOTE 7 – AGENT-MULTIPLE EMPLOYER RETIREMENT PLAN - Continued**

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2022	\$ 2,001,562	\$ 2,108,270	\$ (106,708)
Changes For The Year:			
Service Cost	13,120	-	13,120
Interest	136,257	-	136,257
Difference Between Expected & Actual	37,761	-	37,761
Changes of Assumptions	21,843	-	21,843
Contributions - State	-	17,435	(17,435)
Contributions - District	-	125,000	(125,000)
Net Investment Income	-	(154,519)	154,519
Benefit Payments	(125,066)	(125,066)	-
Administrative Expenses	-	(28,182)	28,182
Net Changes	83,915	(165,332)	249,247
Balances at 12/31/2023	\$ 2,085,477	\$ 1,942,938	\$ 142,539

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:

	Decrease 6%	Rate 7%	Increase 8%
District's Net Pension Liability	\$ 407,149	\$ 142,539	\$ (75,219)

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, 2023

**NOTE 7 – 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 \$23,488 and reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources, as of December 31, 2023.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 25,709	\$ 10,895
Changes in assumptions	14,872	-
Net Difference between projected and actual earnings	254,116	146,952
District contributions subsequent to the measurement	125,000	-
Total	<u>\$ 419,697</u>	<u>\$ 157,847</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, 2023. 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>	
2024	\$ 1,810
2025	33,677
2026	37,834
2027	63,529
Total	<u>\$ 136,850</u>

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 7 – AGENT-MULTIPLE EMPLOYER RETIREMENT PLAN - Continued**

**Payable to the Pension Plan**

The District did not report any contributions payable to the pension plan, required for the year ended December 31, 2023. All required contributions to the pension plan were paid in full within the fiscal year.

<u>Year</u>	<u>Contributions</u>	<u>Actuarial Determined Contributions</u>
2014	\$75,000	\$72,941
2015	\$85,000	\$54,009
2016	\$85,000	\$54,009
2017	\$85,000	\$54,216
2018	\$95,000	\$54,216
2019	\$85,000	\$71,052
2020	\$125,000	\$71,052
2021	\$125,000	\$41,937
2022	\$125,000	\$41,937
2023	\$125,000	\$23,327

<u>Year</u>	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percent Funded</u>	<u>Net 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
2022	2,108,270	2,001,562	105%	(106,708)
2023	\$ 1,942,938	\$ 2,085,477	93%	\$ 142,539

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 7 – AGENT-MULTIPLE EMPLOYER RETIREMENT PLAN - Continued**

**Assumption Changes**

The global assumption set for plans administered by FPPA was changed in the 2022 Experience Study and effective as of January 1, 2023. The actuarial valuation dated January 1, 2023, was the first valuation for this plan with the new assumptions. The mortality assumptions were updated to the Pub-2010 Public Safety Mortality tables projected with the ultimate rates of the MP-2020 projection scale. The dollar value impact of the change in actuarial assumptions was \$21,843 and will be amortized over four years beginning in 2023.

**NOTE 8 – 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, 2023

**NOTE 9 – 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.

**NOTE 10 – 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 11 – RELATED PARTY TRANSACTIONS**

The District hired local companies that are owned by volunteer firefighters for building and mechanical services during the calendar year 2023. The total value of these services was \$22,037.

**NOTE 12 – 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 13 – SUBSEQUENT EVENTS**

The District's management has evaluated subsequent events through July 15, 2024, the date the financial statements were made available. There were no events reported that required adjustment to the financial statements as of December 31, 2023.

**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, 2023

<b>REVENUES</b>	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
Property Tax	\$ 680,960	\$ 680,960	\$ 703,211	\$ 22,251
Specific Ownership Tax	55,000	55,000	85,881	30,881
Contributions	8,000	8,000	28,181	20,181
Other	16,000	16,000	-	(16,000)
Investment Income	2,000	2,000	186,866	184,866
<b>TOTAL REVENUES</b>	<b>761,960</b>	<b>761,960</b>	<b>1,004,139</b>	<b>242,179</b>
<b>EXPENDITURES</b>				
Administration:				
Professional	20,000	20,000	13,890	6,110
Office Supplies	2,000	2,000	1,914	86
Board of Directors	3,000	3,000	2,750	250
Collection Fee's - County Treasurer	17,000	17,000	14,067	2,933
Fire Chief Administration	15,600	15,600	15,550	50
<b>Total Administration</b>	<b>57,600</b>	<b>57,600</b>	<b>48,171</b>	<b>9,429</b>
Fire Protection:				
Fireman Reimbursement	30,000	30,000	30,000	-
Fire Chief Expense	8,000	8,000	3,038	4,962
Supplies	43,410	43,410	23,995	19,415
Insurance	35,000	35,000	28,352	6,648
Training	13,000	13,000	10,258	2,742
Station Operation	53,000	53,000	50,910	2,090
Dispatch Services and Communications	15,000	15,000	10,898	4,102
Repairs and Maintenance	39,400	39,400	33,972	5,428
Other	21,625	21,625	8,358	13,267
<b>Total Fire Protection</b>	<b>258,435</b>	<b>258,435</b>	<b>199,781</b>	<b>58,654</b>
Capital Outlay	3,370,925	3,370,925	328,164	3,042,761
<b>TOTAL EXPENDITURES</b>	<b>3,686,960</b>	<b>3,686,960</b>	<b>576,116</b>	<b>3,110,844</b>
Expenditures (over)/under Revenues	(2,925,000)	(2,925,000)	428,023	3,353,023
Other Financing Sources (Uses)				
Transfers out	(125,000)	(125,000)	(125,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(125,000)</b>	<b>(125,000)</b>	<b>(125,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND EQUITY</b>	<b>(3,050,000)</b>	<b>(3,050,000)</b>	<b>303,023</b>	<b>3,353,023</b>
<b>FUND EQUITY - Beginning</b>	<b>3,100,000</b>	<b>3,100,000</b>	<b>3,429,868</b>	<b>329,868</b>
<b>FUND EQUITY - Ending</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 3,732,891</b>	<b>\$ 3,682,891</b>

**LEWIS-ARRIOLA FIRE PROTECTION DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 23,327	\$ 41,937	\$ 41,937	\$ 71,502	\$ 71,052	\$ 54,216	\$ 54,216	\$ 54,009	\$ 54,009	\$ 72,941
Contributions in Relation to the Actuarially Determined Contribution	142,435	142,435	142,435	102,435	102,435	112,435	102,435	102,435	102,435	92,435
Contribution Deficiency (Excess)	\$ (119,108)	\$ (100,498)	\$ (100,498)	\$ (30,933)	\$ (31,383)	\$ (58,219)	\$ (48,219)	\$ (48,426)	\$ (48,426)	\$ (19,494)
District Contribution	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 85,000	\$ 95,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 75,000
District Contributions as a percentage of Total Contribution	88%	88%	88%	122%	83%	84%	83%	83%	83%	81%

**NOTES TO SCHEDULE**

Valuation Date: Actuarially determined contribution rates were calculated as of January 1, 2023.

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:** Pub-2010 Public Safety Healthy Employee Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale, 60% multiplier.  
**Post-retirement:** Pub-2010 Public Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, projected with the ultimate values of the MP-2020 projection scale.  
**Disabled:** Pub-2010 Public Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, set forward five years projected with the MP-2020 Ultimate Projection scale, with minimum probability of 3.5% for males and 2.5% for females.

LEWIS-ARRIOLA FIRE PROTECTION DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2023

**NOTE 1 – 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.

**NOTE 2 – SCHEDULE OF DISTRICT CONTRIBUTIONS**

Actuarial information is available in the Actuarial Valuation Report prepared by Gabriel, Roeder, Smith & Company, as of January 1, 2023.