

**LAKE CITY AREA FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2015**

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake City Area Fire Protection District

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Lake City Area Fire Protection District as of and for the year ended December 31, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Lake City Area Fire Protection District, as of December 31, 2015, 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.

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Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Budgetary Comparison Schedule for the General Fund, Schedule of Contributions Multiyear and the Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios Multiyear on pages 3 through 6 and 22 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake City Fire Protection District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Gumm + Associates LLC".

July 18, 2016
Brighton, Colorado

Management's Discussion and Analysis

Lake City Area Fire Protection District

Management's Discussion and Analysis

Introduction:

Management's Discussion and Analysis is intended to provide the reader and user of our financial statements with a narrative overview of the District's financial activities. Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements and notes to the financial statements, beginning on page 7.

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

- Statement of Net Position
- Statement of Activities
- Balance Sheet – Governmental Fund
- Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund
- Notes to the Financial Statements

The financial statements of the District are presented as a special purpose government engaged in government type activities. These financial statements distinguish between the functions of the District that will be principally supported by taxes. The functions of the District include the provision of fire protection services and the preventive mitigation of fire dangers.

The **Statement of Net Position** is prepared using the full accrual basis of accounting, provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (Net Position). Over time, the comparison of changes in Net Position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The **Statement of Activities** provides information about the components – Program Expenses, Program Revenue, General Revenue – of the District's annual operating activities and how those activities affected Net Position.

The **Balance Sheet – Governmental Funds** presents the financial position of the District's funds using the traditional government modified accrual method of accounting, which does not reflect capital assets and debt obligations.

The **Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds** presents the activities of the District's funds using the modified accrual method of accounting which includes expenditures for capital assets and debt service obligations. This method approximates the reporting on a cash basis and closely follows the budgetary method.

The two reconciliations, which accompany these governmental funds statements, provide explanations of the specific differences in these statements as compared to the Statement of Net Position and the Statement of Activities.

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, this will include a comparison of the originally approved budget with the final amended budget.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

Condensed Comparative Financial Information:
Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current Assets			
Cash and cash equivalents	\$ 425,193	\$ 370,689	\$ 322,474
Other current assets	166,592	159,482	124,299
	<u>591,785</u>	<u>530,171</u>	<u>446,773</u>
Non Current Assets			
Pension asset	50,484	-	-
Capital assets – net	450,514	379,476	405,569
Total Assets	<u>1,092,783</u>	<u>909,647</u>	<u>852,342</u>
Deferred outflows of resources	<u>2,978</u>	<u>-</u>	<u>-</u>
Current Liabilities	<u>9,541</u>	<u>7,921</u>	<u>2,999</u>
Total Liabilities	<u>9,541</u>	<u>7,921</u>	<u>2,999</u>
Deferred Inflows of Resources	<u>145,127</u>	<u>123,283</u>	<u>118,593</u>
Net Position			
Net investment in capital assets	450,514	379,476	392,471
Restricted	2,665	2,665	5,876
Unrestricted - Restated	487,914	396,302	332,403
Total Net Position	<u>\$ 941,093</u>	<u>\$ 778,443</u>	<u>\$ 730,750</u>

Statement of Activities

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Program Expenses			
Firefighting and rescue	56,509	56,376	170,362
Administration	37,823	35,125	-
Building and grounds	21,603	18,596	-
Fireworks	8,916	-	-
Total Program Expenses	<u>124,851</u>	<u>110,097</u>	<u>170,362</u>
Program Revenues			
Charges for services	12,029	6,191	-
Grants & contributions	117,043	20,669	11,639
Total Program Revenue	<u>129,072</u>	<u>26,860</u>	<u>11,639</u>
Net Program Expense	<u>(4,221)</u>	<u>83,237</u>	<u>158,723</u>
General Revenues	<u>128,954</u>	<u>130,930</u>	<u>160,057</u>
Change in Net Position	133,175	47,693	1,334
Net Position, Beginning of Year	807,918	760,225	758,891
Net Position, End of Year	<u>\$ 941,093</u>	<u>\$ 807,918</u>	<u>\$ 760,225</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

Discussion of Financial Position and Operating Activities

The District's Net Position as of December 31, 2015 was \$941,093. This is an increase of \$162,650 from 2014 relating to change in net position of \$133,175 and prior period restatement of \$29,475 due to the implementation of a new accounting standard. Capital expenditures are not expensed in this statement.

Unrestricted cash, cash equivalents, and investments of the District at December 31, 2015, totaled \$425,193, which represents approximately 72% of the District's current assets and approximately 39% of the District's total assets.

Capital Assets, net of accumulated depreciation, of the District at December 31, 2015, totaled \$450,514, which represents approximately 41% of the District's total assets. The change from the prior year consists of depreciation and the addition of SCBA's that were purchased by the State of Colorado and donated to the District.

General revenues decreased in 2015 to \$128,954 from \$130,930 due to the proceeds from the sale of assets in 2014 that were not received in 2015. Program expenses increased to \$124,851. The increase in expenses is cannot be attributed to one specific item.

See page 8 of the accompanying Financial Statements for details of these revenues and expenses.

Fund Discussion

The Governmental Fund – General Fund balance increased to \$102,923. The fund balance includes \$2,655 for emergencies in accordance with TABOR requirements. The assets and liabilities are comprised primarily of cash and property tax revenues to be realized in 2015. General Fund revenues exceeded expenditures by \$31,066 see page 10 of the accompanying financial statements for the details of the revenues and expenditures.

Capital Reserve Fund - The capital reserve fund balance increased by \$20,893 to \$283,885. The increase is attributed to tax revenues exceeding expenses by that amount.

General Fund Budgetary Discussion

Actual revenues for 2015 were \$29,091 more than the final budget. This is attributed to higher than anticipated donations and fees for services. Actual expenditures for 2015 were \$10,763 less than the final budgeted expenditures primarily because of lower than expected firefighting costs. See page 11 of the accompanying financial statements for more detail. The budget was not amended for the year, as such all numbers are compared to the final budgeted amounts.

Capital Assets and Long-term Obligations

Capital Assets. The District's primary capital assets are buildings and fire suppression equipment. The District obtained 14 new SCBA units through a donation from the State of Colorado during 2015. The District did not dispose of any assets. See Note 3 of the Notes to the Financial Statements on page 21.

Long-term Debt. The District does not have any long term debt.

Economic Factors and Next Year's Budget. Tax revenue for 2016 should be only slightly higher 4.82% than 2015, attributable to limitations imposed by the TABOR amendment. The District is currently well-equipped and all major upgrades to the fire station have been completed. No capital improvements or acquisitions of equipment are planned for 2016 and operating expenses are projected to increase in 2016.

Requests for Information. This financial report is designed to provide a general overview of Lake City Area Fire Protection District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the District at P.O. Box 574, Lake City, CO 81235.

Basic Financial Statements

Lake City Area Fire Protection District
Statement of Net Position
December 31, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 425,193
Investments	20,000
Accounts receivable	10,768
Intergovernmental receivables	1,640
Prepaid expenses	4,960
Property taxes receivable	129,224
Total Current Assets	<u>591,785</u>

Noncurrent Assets

Net pension asset	50,484
Capital assets	
Nondepreciable	42,021
Depreciable	629,880
Less: Accumulated depreciation	<u>(221,387)</u>
Net Capital Assets	<u>450,514</u>
Total Noncurrent Assets	<u>500,998</u>
Total Assets	<u>1,092,783</u>

Deferred Outflows of Resources

Pension	<u>2,978</u>
Total Deferred Outflows of Resources	<u>2,978</u>

Liabilities

Current Liabilities

Accounts payable	9,532
Other accrued liabilities	9
Total Liabilities	<u>9,541</u>

Deferred Inflows of Resources

Deferred property taxes	129,224
Pension	15,903
Total Deferred Inflows of Resources	<u>145,127</u>

Net Position

Net investments in capital assets	450,514
Restricted for emergencies	2,665
Unrestricted	<u>487,914</u>
Total Net Position	<u>\$ 941,093</u>

**Lake City Area Fire Protection District
Statement of Activities
For the Year Ended December 31, 2015**

	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Service	Operating and Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Firefighting and rescue operations	\$ 52,380	\$ 12,029	\$ 108,563	\$ 68,212
Administration	41,952	-	-	(41,952)
Building and grounds	21,603	-	-	(21,603)
Fireworks	8,916	-	8,480	(436)
Total Governmental Activities	<u>\$ 124,851</u>	<u>\$ 12,029</u>	<u>\$ 117,043</u>	<u>4,221</u>
General Revenues				
Property taxes				123,256
Specific ownership taxes				8,430
County Treasurer fees				(6,073)
Earnings on investments				946
Other				2,395
Total Revenues				<u>128,954</u>
Change in Net Position				133,175
Net Position - Beginning of Year, (Restated)				807,918
Net Position - End of Year				<u>\$ 941,093</u>

Fund Financial Statements

**Lake City Area Fire Protection District
Balance Sheet
December 31, 2015**

	General Fund	Capital Reserve Fund	Fireworks Fund	Contingency Fund	Total Governmental Funds
Assets					
Current Assets					
Cash and cash equivalents	\$ 75,474	\$ 283,540	\$ 11,597	\$ 54,582	\$ 425,193
Investments	20,000	-	-	-	20,000
Accounts receivable	10,768	-	-	-	10,768
Intergovernmental receivables	1,262	345	-	33	1,640
Prepaid expenses	4,960	-	-	-	4,960
Property taxes receivable	99,502	27,138	-	2,584	129,224
Total Assets	\$ 211,966	\$ 311,023	\$ 11,597	\$ 57,199	\$ 591,785
Liabilities					
Current Liabilities					
Accounts payable	\$ 9,532	\$ -	\$ -	\$ -	\$ 9,532
Other accrued liabilities	9	-	-	-	9
Total Liabilities	9,541	-	-	-	9,541
Deferred Inflows of Resources					
Deferred property tax revenue	99,502	27,138	-	2,584	129,224
Total Deferred Inflows of Resources	99,502	27,138	-	2,584	129,224
Equity					
Fund Balance					
Non-Spendable	4,960	-	-	-	4,960
Restricted	2,665	-	-	-	2,665
Assigned	-	283,885	11,597	54,615	350,097
Unassigned	95,298	-	-	-	95,298
Total Fund Balance	102,923	283,885	11,597	54,615	453,020
Total Liabilities, Fund Balance and Deferred Inflows	\$ 211,966	\$ 311,023	\$ 11,597	\$ 57,199	\$ 591,785

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Amounts reported for governmental funds in the Statement of Net Position are different because:

Total fund balance	453,020
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	450,514
Net pension asset and the related deferred inflows and outflows of resources are not current financial resources and are therefore not reported in the fund financial statements.	37,559
Total Net Position	\$ 941,093

**Lake City Area Fire Protection District
Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015**

	General Fund	Capital Reserve Fund	Fireworks Fund	Contingency Fund	Total Governmental Funds
Revenues					
Property taxes	\$ 94,907	\$ 25,884	\$ -	\$ 2,465	\$ 123,256
Specific ownership taxes	6,491	1,770	-	169	8,430
Interest income	752	177	-	17	946
Donations	8,729	-	8,480	-	17,209
Grants	-	99,834	-	-	99,834
Petitions and special services	12,029	-	-	-	12,029
Miscellaneous	2,395	-	-	-	2,395
Total Revenue	<u>125,303</u>	<u>127,665</u>	<u>8,480</u>	<u>2,651</u>	<u>264,099</u>
Expenditures					
Firefighting and rescue	31,116	5,663	-	-	36,779
Administration	41,952	-	-	-	41,952
Building and grounds maintenance	16,492	-	-	-	16,492
Fireworks	-	-	8,916	-	8,916
County treasurer fees	4,677	1,275	-	121	6,073
Capital outlay	-	99,834	-	-	99,834
Total Expenditures	<u>94,237</u>	<u>106,772</u>	<u>8,916</u>	<u>121</u>	<u>210,046</u>
Revenue Over (Under) Expenditures	<u>31,066</u>	<u>20,893</u>	<u>(436)</u>	<u>2,530</u>	<u>54,053</u>
Net Change in Fund Balance	31,066	20,893	(436)	2,530	54,053
Fund Balance, beginning of year	<u>71,857</u>	<u>262,992</u>	<u>12,033</u>	<u>52,085</u>	<u>398,967</u>
Fund Balance, end of year	<u>\$ 102,923</u>	<u>\$ 283,885</u>	<u>\$ 11,597</u>	<u>\$ 54,615</u>	<u>\$ 453,020</u>
Total Change in Fund Balance Governmental Fund					\$ 54,053
Depreciation expense reported in the Statement of Activities does not require the use of current financial resources therefore is excluded from the fund statements.					(28,796)
Capital outlay to purchase or build capital assets is reported in governmental funds as an expenditure. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their useful lives.					99,834
Changes arising from the change in net pension asset and the related deferred inflows and outflows of resources are not current financial resources and are therefore not reported in the fund financial statements.					<u>8,084</u>
Change in Net Position of Governmental Activities					<u>\$ 133,175</u>

Lake City Area Fire Protection District
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies

Financial Reporting Entity

In conformance with Governmental Accounting and Financial Reporting Standards, Lake City Area Fire Protection District, (the "District"), is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District within the geographical area organized as the Lake City Area Fire Protection District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District was formed in 1982 to provide firefighting prevention and search and rescue operations for the Lake City area. The District has no employees and all operations are contracted or volunteer.

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. No other entities have been included in the District's financial statements.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government and exclude the activity of funds that are fiduciary in nature.

The Statement of Net Position presents the financial position of the governmental activities at the end of the year. The Statement of Activities presents a comparison between program expenses and the program revenue for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general revenue of the District, with certain limited exceptions. The comparison of program expenses with program revenue identifies the extent to which each governmental function is self financing or draws from the general revenue of the District.

Fund Financial Statements

During the year the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds.

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting

The accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. Fund types used by the District are described below.

Fund Type

General Fund – the General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Reserve Fund - is used to account for the ongoing capital needs of the District including the acquisition of sites, buildings, equipment and vehicles.

Contingency Reserve Fund – is used to accumulate resources for unforeseen circumstances.

Fireworks Fund - is used to account for the fireworks activity.

Measurement Focus

Government-wide Financial Statement

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental funds statements.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenue

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis, when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization. The transactions are classified as operating revenues.

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 1 Summary of Significant Accounting Policies (Continued)

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. Revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. These transactions are classified as non-operating revenues.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Cash and cash equivalents- The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with maturities of 90 days or less at the date of their acquisition.

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No allowance for doubtful accounts has been established since the District has the right to place a lien on the property to collect the balance due.

Assets and Liabilities

Capital assets –Capital assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation over the estimated useful lives of the assets is computed using the straight-line method. Estimated useful lives are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings	50 years
Equipment	5-25 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. General capital assets are those assets not specifically related to activities reported in other funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide Statement of Net Position but are not reported in the fund financial statements.

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

Accrued Liabilities and long-Term Obligation

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Long-term debt obligations are not recognized as a liability on the governmental fund financial statements but instead are recorded when paid.

Deferred Outflows / Inflows of Resources

The District implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). As a result in addition to assets, liabilities and net position, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investments in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted Net Position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.” These net position are available for future operations or distributions.

Fund Balance

Nonspendable- consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in tact. The nonspendable fund balance was \$4,960 as of December 31, 2015.

Restricted - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the District to establish Emergency reserves (see Note 4). A reservation of \$2,665 of the General Fund balance has been made in compliance with this requirement.

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Committed- General Fund - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The District had a committed fund balance of \$0 as of December 31, 2015.

Assigned – Includes all amounts that are constrained by the District's intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Directors. As of December 31, 2015 the assigned fund balance was \$350,097. The District had \$283,885, \$11,597 and \$54,615 assigned for the purpose of capital projects, fireworks and contingencies, respectively.

Unassigned- consists of the residual classification for the General Fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

When resources are available for use by multiple categories, it is the District's policy to use the most restrictive resources first, then those with lesser restrictions as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all General and Special Revenue funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2015, the District's cash deposits had a carrying balance of \$345,771 with corresponding bank balance of \$350,609 of which \$250,000 is federally insured. The District had deposits in the amount of \$100,609 which are in excess of FDIC coverage. These deposits are collateralized under the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's deposit policy is in accordance with State statute. As of December 31, 2015, none of the District's bank deposits were exposed to custodial credit risk.

Interest Rate Risk

Colorado statutes require that no investment may have a maturity in excess of five years from the date of purchase, unless an available active market exists. The District's investment portfolio does not contain investments that exceed that limitation of five years.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

- 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 government entities
- Bankers' acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

At December 31, 2015 the District had \$79,422 invested in COLOTRUST, and which is an investment vehicles established for government entities in Colorado to pool surplus funds. As an investment pool, the trusts operate under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner. The Trust invests in securities that are

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 2 Cash and Investments (Continued)

Investments (Continued)

specified by the Colorado Revised Statutes (24-75-601). Authorized securities include US Treasuries, US Agencies, commercial paper, repurchase agreements and bank deposits (collateralized through PDPA)

The Trust operates similar to a 2a7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. The Trusts are rated AAA by the Standard & Poor's Corporation. Designated custodial banks provide safekeeping and depository services to the Trusts in connection with the direct investment and withdrawal functions of the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the account maintained for the custodial bank.

The District had investments in Certificates of Deposit at December 31, 2015 totaling \$20,000, all maturing within one year. The District has not adopted a formal investment policy. A summary of cash and cash equivalents at December 31, 2015, is as follows:

Cash deposits	\$ 345,771
Colotrust	79,422
Total cash and cash equivalents	<u>\$ 425,193</u>

Note 3 Capital Assets

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
Nondepreciable				
Land	\$ 42,021	\$ -	\$ -	\$ 42,021
Total Nondepreciable	<u>42,021</u>	<u>-</u>	<u>-</u>	<u>42,021</u>
Depreciable				
Buildings and improvements	255,557	-	-	255,557
Equipment	274,489	99,834	-	374,323
Total Depreciable	<u>530,046</u>	<u>99,834</u>	<u>-</u>	<u>629,880</u>
TOTAL	<u>572,067</u>	<u>99,834</u>	<u>-</u>	<u>671,901</u>
Less Accumulated Depreciation				
Buildings and improvements	(110,193)	(5,111)	-	(115,304)
Equipment	(82,398)	(23,685)	-	(106,083)
Total Accumulated Depreciation	<u>(192,591)</u>	<u>(28,796)</u>	<u>-</u>	<u>(221,387)</u>
Net Capital Assets	<u>\$ 379,476</u>	<u>\$ 71,038</u>	<u>\$ -</u>	<u>\$ 450,514</u>

Depreciation expense has been allocated to the various activities as follows:

Building and grounds	\$ 5,111
Firefighting and rescue operations	23,685
Total depreciation charged to expense	<u>\$ 28,796</u>

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 4 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

Spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves, which must be at least 3% of fiscal year spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. This District had an emergency reserve of \$ 2,665 as of December 31, 2015.

Note 5 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District maintains commercial insurance to mitigate their risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 6 Pension Plans

The District has established an agent multiple-employer defined benefit pension plan for volunteer firefighters (the "Plan") as authorized by the State of Colorado statute. The Plan is administered by the FPPA. Any firefighter who has both attained the age of 65 and completed 10 years of active service shall be eligible for monthly pension. A firefighter, who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the pension Board of Directors. The annual financial report of FPPA may be obtained by contacting FPPA at 5290 DTC Parkway, Suite 100, Greenwood Village, CO 80111-2721.

The Plan receives contributions from the District in an amount to be established by the Pension Board annually. As established by the legislature, the State of Colorado contributes 90% of the District's contribution. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. For the year ended December 31, 2015, the District contributed \$2,507. The State contributed \$2,256, which was equal or greater than the required contributions to the Plan.

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

At December 31, 2015, the Department reported an asset of (\$50,484) for its net pension liability / (asset). The net pension liability / (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date.

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 6 Pension Plans (Continued)

For the year ended December 31, 2015, the Department recognized pension income of \$8,084. At December 31, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	of	Deferred Inflows of Resources
Differences between actual and expected experience	\$0		\$15,903
Changes in assumptions	0		0
Net difference between actual and projected earnings on pension plan investments	471		0
Department contributions subsequent to the measurement date	2,507		0
Total	\$2,978		\$15,903

\$2,507 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. *Actuarial assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Future pension expense from the amortization of deferred outflows and inflows of resources are

Year Ending	Net Deferred Outflows / (Inflows) of Resources
2016	(698)
2017	(3,205)
2018	(3,205)
2019	(3,206)
2020	(2,611)
Thereafter	-
Total	(12,925)

Investment rate of return	7.5 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0 – 14.0 percent
Cost of Living Adjustment	0.0 percent
Inflation	3.0 percent

On-duty related mortality is assumed to be 0.00020 per year for all members.

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 6 Pension Plans (Continued)

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5 percent to 3.0 percent.
- Reduced the normal investment return assumption from 8.0 percent to 7.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	40%	8.9%
Equity Long/Short	10%	7.5%
Illiquid Alternatives	18%	10.5%
Fixed Income	15%	4.6%
Absolute Return	12%	6.5%
Managed Futures	4%	5.5%
Cash	1%	2.5%
Total	100%	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2014, are summarized in the above table.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Director’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. 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.

Sensitivity of the Department’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Department’s net pension liability/(asset) calculated using the discount rate of 7.50 percent, as well as what the Department’s net pension

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2015**

Note 6 Pension Plans (Continued)

liability/(Asset) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease*	Current Discount Rate*	1.00% Increase*
Department's net pension liability/(asset)	(\$45,672)	(\$50,484)	(\$54,442)

* The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.65 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

State of Colorado Fire and Police Pension Association – Defined Contribution Plan

The District contributes to the Statewide Defined Contribution Plan ("SWDC"), a cost sharing multiple-employer defined contribution pension plan administered by the Colorado Fire and Police Pension Association. The SWDC plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for plan members through the SWDC plan, which is also administered by the Colorado Fire and Police Pension Association. The paid fire chief and paid firefighters of the District are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The District contributions to the SWDC plan for the years ending December 31, 2015, 2014, 2013 were \$2,507, \$0 and \$2,640, respectively, equal to the required contribution.

Note 8 Prior Period Adjustment

For the year ended December 31, 2015 the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. The implementation of the new accounting standard required the beginning net position to be restated. The restatement resulted in an increase of net position in the amount of \$29,475. There was no effect on Statement of Revenues, Expenses and Changes in Net Position for the year ended.

Required Supplementary Information

Lake City Area Fire Protection District
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget Positive (negative)</u>
Revenues				
Property taxes	\$ 92,462	\$ 92,462	\$ 94,907	\$ 2,445
Specific ownership taxes	3,000	3,000	6,491	3,491
Interest income	750	750	752	2
Donations	-	-	8,729	8,729
Petitions and special services	-	-	12,029	12,029
Miscellaneous	-	-	2,395	2,395
Total Revenue	<u>96,212</u>	<u>96,212</u>	<u>125,303</u>	<u>29,091</u>
Expenditures				
Elections	-	-	-	-
Administration	37,600	37,600	37,823	(223)
Fire Fighting	18,400	31,570	26,601	4,969
Fire Prevention	400	400	-	400
Training	5,500	5,500	4,515	985
Communications	6,400	6,400	4,129	2,271
Buildings and grounds	18,900	18,900	16,492	2,408
County Treasurer fees	4,630	4,630	4,677	(47)
Total Expenditures	<u>91,830</u>	<u>105,000</u>	<u>94,237</u>	<u>10,763</u>
Net Change in Fund Balance	<u>\$ 4,382</u>	<u>\$ (8,788)</u>	31,066	<u>\$ 39,854</u>
Fund Balance, beginning of year			<u>71,857</u>	
Fund Balance, end of year			<u>\$ 102,923</u>	

**Lake City Area Fire Protection District
Schedule of Contributions Multiyear
Last 10 Fiscal Years ****

FY Ending December 31, (a)	Actuarially Determined Contribution (b)	Actual Contribution * ©	Contribution Deficiency (Excess) (d) = (b) - (c)	Covered Payroll (e)	Actual Contribution as a % of Covered Payroll (f)
2014	\$ -	\$ 2,438	\$ (2,438)	N/A	N/A

* Includes both employer and State of Colorado Supplemental Discretionary Payment

Notes to the Schedule of Contributions

Valuation Date

Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2013, determines the contribution amounts for 2014 and 2015.

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 market
Inflation	3.00%
Salary Increases	N/A
Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP -2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled:RP-2000 Disabled Mortality Table All tables projected with Scale AA

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

** Information for the prior 9 years was not available to report

**Lake City Area Fire Protection District
Required Supplementary Information
Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios Multiyear
Last 10 Fiscal Years**

Measurement date December 31,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service cost	\$ 1,774									
Interest	3,763									
Changes of benefit terms	-									
Differences between expected and actual experience	(19,226)									
Changes of assumptions	-									
Benefit payments, including refunds of employee contributions	(1,200)									
Net Change in Total Pension Liability	(14,889)									
Total Pension Liability -Beginning	49,894									
Total Pension Liability - Ending	35,005									
Plan Fiduciary Net Position										
Contributions - Employer	62									
Net investment income	5,391									
Benefit payments, including refunds of employee contributions	(1,200)									
Administrative expense	(509)									
State of Colorado supplemental discretionary payments	2,376									
Net Change in Plan Fiduciary Net Positions	6,120									
Plan Fiduciary Net Position - Beginning	79,369									
Plan Fiduciary Net Position - Ending	85,489									
Net Pension liability (Asset) - Ending	(50,484)									
Plan fiduciary net position as a percentage of the total pension liability	244.22%									
Covered employee payroll	N/A									
Net pension liability as a percentage of covered employees payroll.	N/A									

* Information for the prior 9 years was not available to report

Other Supplementary Information

Lake City Area Fire Protection District
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Reserve Fund
For the Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance with final budget Positive (negative)
Revenues			
Property taxes	\$ 25,889	\$ 25,884	\$ (5)
Specific ownership taxes	2,000	1,770	(230)
Interest income	75	177	102
Grants	-	99,834	99,834
Total Revenue	<u>27,964</u>	<u>127,665</u>	<u>99,701</u>
Expenditures			
Fire Fighting	-	5,663	(5,663)
County Treasurer fees	1,300	1,275	25
Capital outlay	203,222	99,834	103,388
Total Expenditures	<u>204,522</u>	<u>106,772</u>	<u>97,750</u>
Net Change in Fund Balance	<u>\$ (176,558)</u>	20,893	<u>\$ 197,451</u>
Fund Balance, beginning of year		<u>262,992</u>	
Fund Balance, end of year		<u>\$ 283,885</u>	

Lake City Area Fire Protection District
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Contingency Reserve Fund
For the Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with final budget Positive (negative)</u>
Revenues			
Property taxes	\$ 2,466	\$ 2,465	\$ (1)
Specific ownership taxes	120	169	49
Interest income	10	17	7
Total Revenue	<u>2,596</u>	<u>2,651</u>	<u>55</u>
Expenditures			
County Treasurer fees	<u>135</u>	<u>121</u>	<u>14</u>
Total Expenditures	<u>135</u>	<u>121</u>	<u>14</u>
Net Change in Fund Balance	<u>\$ 2,461</u>	2,530	<u>\$ 69</u>
Fund Balance, beginning of year		<u>52,085</u>	
Fund Balance, end of year		<u>\$ 54,615</u>	

Lake City Area Fire Protection District
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Fireworks Fund
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget Positive (negative)</u>
Revenues				
Donations	\$ 7,000	\$ 7,000	\$ 8,480	\$ 1,480
Total Revenue	<u>7,000</u>	<u>7,000</u>	<u>8,480</u>	<u>1,480</u>
Expenditures				
Fireworks	<u>7,400</u>	<u>8,950</u>	<u>8,916</u>	<u>34</u>
Total Expenditures	<u>7,400</u>	<u>8,950</u>	<u>8,916</u>	<u>34</u>
Net Change in Fund Balance	<u>\$ (400)</u>	<u>\$ (1,950)</u>	(436)	<u>\$ 1,514</u>
Fund Balance, beginning of year			<u>12,033</u>	
Fund Balance, end of year			<u>\$ 11,597</u>	