

**LAKE CITY AREA FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017**

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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, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 black ink that reads "Dunn & Associates LLC". The signature is fluid and cursive, with "Dunn" and "& Associates" on one line and "LLC" on the line below.

June 26, 2018
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

	2017	2016	2015
Current Assets			
Cash and cash equivalents	\$ 519,223	\$ 488,532	\$ 425,193
Other current assets	160,836	159,199	166,592
	<u>680,059</u>	<u>647,731</u>	<u>591,785</u>
Non Current Assets			
Pension asset	71,211	49,841	50,484
Capital assets – net	401,170	413,975	450,514
Total Assets	<u>1,152,440</u>	<u>1,111,547</u>	<u>1,092,783</u>
Deferred outflows of resources	8,119	6,933	2,978
Current Liabilities	881	2,192	9,541
Total Liabilities	<u>881</u>	<u>2,192</u>	<u>9,541</u>
Deferred Inflows of Resources	<u>144,938</u>	<u>144,182</u>	<u>145,127</u>
Net Position			
Net investment in capital assets	401,170	413,975	450,514
Restricted	3,851	3,640	2,665
Unrestricted	609,719	554,491	487,914
Total Net Position	<u>\$ 1,014,740</u>	<u>\$ 972,106</u>	<u>\$ 941,093</u>

Statement of Activities

	2017	2016	2015
Program Expenses			
Firefighting and rescue	45,077	68,454	56,509
Administration	56,015	62,840	37,823
Building and grounds	12,489	14,892	21,603
Fireworks	7,875	7,500	8,916
Total Program Expenses	<u>121,456</u>	<u>153,686</u>	<u>124,851</u>
Program Revenues			
Charges for services	8,378	7,970	12,029
Grants & contributions	14,878	40,149	117,043
Total Program Revenue	<u>23,256</u>	<u>48,119</u>	<u>129,072</u>
Net Program Expense	<u>98,200</u>	<u>105,567</u>	<u>(4,221)</u>
General Revenues	<u>140,834</u>	<u>136,580</u>	<u>128,954</u>
Change in Net Position	<u>42,634</u>	<u>31,013</u>	<u>133,175</u>
Net Position, Beginning of Year	<u>972,106</u>	<u>941,093</u>	<u>807,918</u>
Net Position, End of Year	<u><u>\$ 1,014,740</u></u>	<u><u>\$ 972,106</u></u>	<u><u>\$ 941,093</u></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, 2017 was \$1,014,740. This is an increase of \$42,634 from 2016 relating to revenues exceeding expenses in that amount. Capital expenditures are not expensed in this statement.

Unrestricted cash, cash equivalents, and investments of the District at December 31, 2017, totaled \$519,223, which represents approximately 76% of the District's current assets and approximately 45% of the District's total assets.

Capital Assets, net of accumulated depreciation, of the District at December 31, 2017, totaled \$401,170, which represents approximately 35% of the District's total assets. The change from the prior year consists of depreciation and there were no additions during the year.

General revenues increased in 2017 to \$140,834 from \$136,580 due to the proceeds from the sale of assets in 2017 that were not received in 2016 and higher property taxes. Program expenses decreased to \$121,456. The decrease 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 General Fund balance increased to \$155,383. The fund balance includes \$3,851 for emergencies in accordance with TABOR requirements. The assets and liabilities are comprised primarily of cash and property tax revenues to be realized in 2017. General Fund revenues exceeded expenditures by \$33,990 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 \$8,141 to \$330,048. The increase is attributed to tax revenues exceeding expenses by that amount.

General Fund Budgetary Discussion

Actual revenues for 2017 were \$15,133 more than the final budget. This is attributed to higher than anticipated taxes and fees for services. Actual expenditures for 2017 were \$29,993 less than the final budgeted expenditures due to various savings offset by increases in 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 did not purchase any assets during the year. The District sold a tanker during the year. 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 2018 should be only slightly higher than 2017, 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. The District has been awarded a grant to purchase a NFPA compliant water tanker to replace the current one which is estimated to cost \$212,000. Operating expenses are projected to increase in 2018.

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, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 519,223
Investments	20,000
Accounts receivable	3,540
Intergovernmental receivables	1,557
Prepaid expenses	12,521
Property taxes receivable	123,218
Total Current Assets	<u>680,059</u>

Noncurrent Assets

Net pension asset	71,211
Capital assets	
Nondepreciable	64,148
Depreciable	626,332
Less: Accumulated depreciation	(289,310)
Net Capital Assets	<u>401,170</u>
Total Noncurrent Assets	<u>472,381</u>
Total Assets	<u>1,152,440</u>

Deferred Outflows of Resources

Pension	8,119
Total Deferred Outflows of Resources	<u>8,119</u>

Liabilities

Current Liabilities

Accounts payable	846
Other accrued liabilities	35
Total Liabilities	<u>881</u>

Deferred Inflows of Resources

Deferred property taxes	123,218
Pension	21,720
Total Deferred Inflows of Resources	<u>144,938</u>

Net Position

Net investments in capital assets	401,170
Restricted for emergencies	3,851
Unrestricted	609,719
Total Net Position	<u>\$ 1,014,740</u>

Lake City Area Fire Protection District
Statement of Activities
For the Year Ended December 31, 2017

Governmental Activities	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Service	Operating and Capital Grants and Contributions	
Firefighting and rescue operations	\$ 45,077	\$ 8,378	\$ 9,796	\$ (26,903)
Administration	56,015	-	-	(56,015)
Building and grounds	12,489	-	-	(12,489)
Fireworks	7,875	-	5,082	(2,793)
Total Governmental Activities	\$ 121,456	\$ 8,378	\$ 14,878	(98,200)
General Revenues				
Property taxes				130,833
Specific ownership taxes				9,289
County Treasurer fees				(6,577)
Earnings on investments				2,198
Gain on sale of asset				3,300
Other				1,791
Total Revenues				140,834
Change in Net Position				42,634
Net Position - Beginning of Year				972,106
Net Position - End of Year				\$ 1,014,740

Fund Financial Statements

Lake City Area Fire Protection District
Balance Sheet
December 31, 2017

	Major Funds		Nonmajor Funds		Total Governmental Funds
			Fireworks Fund	Contingency Fund	
	General Fund	Capital Reserve Fund			
Assets					
Current Assets					
Cash and cash equivalents	\$ 118,999	\$ 329,726	\$ 10,584	\$ 59,914	\$ 519,223
Investments	20,000	-	-	-	20,000
Accounts receivable	3,540	-	-	-	3,540
Intergovernmental receivables	1,199	327	-	31	1,557
Prepaid expenses	12,521	-	-	-	12,521
Property taxes receivable	94,885	25,869	-	2,464	123,218
Total Assets	\$ 251,144	\$ 355,922	\$ 10,584	\$ 62,409	\$ 680,059
Liabilities					
Current Liabilities					
Accounts payable	\$ 846	\$ -	\$ -	\$ -	\$ 846
Other accrued liabilities	30	5	-	-	35
Total Liabilities	876	5	-	-	881
Deferred Inflows of Resources					
Deferred property tax revenue	94,885	25,869	-	2,464	123,218
Total Deferred Inflows of Resources	94,885	25,869	-	2,464	123,218
Equity					
Fund Balance					
Non-Spendable	12,521	-	-	-	12,521
Restricted	3,851	-	-	-	3,851
Assigned	-	330,048	10,584	59,945	400,577
Unassigned	139,011	-	-	-	139,011
Total Fund Balance	155,383	330,048	10,584	59,945	555,960
Total Liabilities, Fund Balance and Deferred Inflows	\$ 251,144	\$ 355,922	\$ 10,584	\$ 62,409	\$ 680,059

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	555,960
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	401,170
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.	57,610
Total Net Position	\$ 1,014,740

Lake City Area Fire Protection District
Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2017

	Major Funds			Nonmajor Funds		Total Governmental Funds	
	General Fund	Capital Reserve Fund		Fireworks Fund	Contingency Fund		
		General Fund	Capital Reserve Fund				
Revenues							
Property taxes	\$ 100,741	\$ 27,475	\$ -	\$ 2,617	\$ 130,833		
Specific ownership taxes	7,152	1,951	-	186	9,289		
Fire Services	8,246	-	-	-	8,246		
Interest income	2,039	145	-	14	2,198		
Donations	8,266	1,530	5,082	-	14,878		
Grants	-	-	-	-	-		
Petitions and special services	132	-	-	-	132		
Sale of equipment	-	15,000	-	-	15,000		
Miscellaneous	1,791	-	-	-	1,791		
Total Revenue	<u>128,367</u>	<u>46,101</u>	<u>5,082</u>	<u>2,817</u>	<u>182,367</u>		
Expenditures							
Firefighting and rescue	25,920	-	-	-	25,920		
Administration	56,015	-	-	-	56,015		
Building and grounds maintenance	7,378	-	-	-	7,378		
Fireworks	-	-	7,875	-	7,875		
County treasurer fees	5,064	1,381	-	132	6,577		
Capital outlay	-	36,579	-	-	36,579		
Total Expenditures	<u>94,377</u>	<u>37,960</u>	<u>7,875</u>	<u>132</u>	<u>140,344</u>		
Revenue Over (Under) Expenditures	<u>33,990</u>	<u>8,141</u>	<u>(2,793)</u>	<u>2,685</u>	<u>42,023</u>		
Net Change in Fund Balance	<u>33,990</u>	<u>8,141</u>	<u>(2,793)</u>	<u>2,685</u>	<u>42,023</u>		
Fund Balance, beginning of year	<u>121,393</u>	<u>321,907</u>	<u>13,377</u>	<u>57,260</u>	<u>513,937</u>		
Fund Balance, end of year	<u><u>\$ 155,383</u></u>	<u><u>\$ 330,048</u></u>	<u><u>\$ 10,584</u></u>	<u><u>\$ 59,945</u></u>	<u><u>\$ 555,960</u></u>		
Total Change in Fund Balance Governmental Fund						\$ 42,023	
Depreciation expense reported in the Statement of Activities does not require the use of current financial resources therefore is excluded from the fund statements.						(37,684)	
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.						36,579	
Disposals of capital assets are reported in the governmental funds as revenues however, they are reported in the governmental activities net of their depreciable basis.						(11,700)	
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.						13,416	
Change in Net Position of Governmental Activities						<u><u>\$ 42,634</u></u>	

Lake City Area Fire Protection District
Notes to Financial Statements
December 31, 2017

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, 2017

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, 2017

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, 2017

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 \$12,521 as of December 31, 2017.

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 \$3,851 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, 2017**

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, 2017.

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, 2017 the assigned fund balance was \$400,577. The District had \$330,048, \$10,584 and \$59,945 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 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, 2017**

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2017, the District's cash deposits had a carrying balance of \$438,388 with corresponding bank balance of \$455,795, of which \$250,000 is federally insured. The District had deposits in the amount of \$205,795 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, 2017, 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, 2017 the District had \$80,810 invested in COLOTRUST, 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 State Securities Commissioner

Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2017

Note 2 Cash and Investments (Continued)

administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAm by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

The District had investments in Certificates of Deposit at December 31, 2017 totaling \$20,000, all maturing within one year that are not rated. The District has not adopted a formal investment policy. A summary of cash and cash equivalents at December 31, 2017, is as follows:

Cash deposits	\$ 438,388
Colotrust	80,810
Cash on hand	25
Total cash and cash equivalents	<u><u>\$ 519,223</u></u>

Note 3 Capital Assets

	Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017
Nondepreciable				
Land	\$ 42,021	\$ -	\$ -	\$ 42,021
Construction in progress	-	22,127	-	22,127
Total Nondepreciable	<u>42,021</u>	<u>22,127</u>	<u>-</u>	<u>64,148</u>
Depreciable				
Buildings and improvements	255,557	-	-	255,557
Equipment	374,323	14,452	(18,000)	370,775
Total Depreciable	<u>629,880</u>	<u>14,452</u>	<u>(18,000)</u>	<u>626,332</u>
TOTAL	<u>671,901</u>	<u>36,579</u>	<u>(18,000)</u>	<u>690,480</u>
Less Accumulated Depreciation				
Buildings and improvements	(120,415)	(5,111)	-	(125,526)
Equipment	(137,511)	(32,573)	6,300	(163,784)
Total Accumulated Depreciation	<u>(257,926)</u>	<u>(37,684)</u>	<u>6,300</u>	<u>(289,310)</u>
Net Capital Assets	<u><u>\$ 413,975</u></u>	<u><u>\$ (1,105)</u></u>	<u><u>\$ (11,700)</u></u>	<u><u>\$ 401,170</u></u>

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

**Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2017**

Note 3 Capital Assets (Continued)

Building and grounds	\$ 5,111
Firefighting and rescue operations	32,573
Total depreciation charged to expense	<u>\$ 37,684</u>

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 \$ 3,851 as of December 31, 2017.

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, 2017, the District contributed \$2,700. The State contributed \$2,246, which was equal or greater than the required contributions to the Plan. The plan covers one retiree and beneficiary, 11 active member and 1 inactive member.

Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2017

Note 6 Pension Plans (Continued)

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

At December 31, 2017, the Department reported an asset of (\$71,211) for its net pension liability / (asset). The net pension liability / (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. For the year ended December 31, 2017, the Department recognized pension income of \$13,416. At December 31, 2017, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$778	\$21,720
Changes in assumptions	0	0
Net difference between actual and projected earnings on pension plan investments	4,641	0
Department contributions subsequent to the measurement date	2,700	0
Total	\$8,119	\$21,720

\$2,700 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, 2017. Additional deferred outflows and inflows of resources, inflows of resources to be recognized in future periods are as follow:

Year Ending	Net Deferred Outflows / (Inflows) of Resources
2018	(1,651)
2019	(4,352)
2020	(3,757)
2021	(2,116)
2022	(1,725)
Thereafter	-
Total	(13,601)

Actuarial assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2017

Note 6 Pension Plans (Continued)

Investment rate of return	7.5 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	N/A
Cost of Living Adjustment	0.0 percent
Inflation	2.5 percent

On-duty related mortality is assumed to be 0.00020 per year for all members. The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2012–December 31, 2015. As a result of the 2015 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.0 percent to 2.5 percent.
- Revised the pre-retirement and post-retirement mortality tables

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	36%	6.75%
Equity Long/Short	10%	4.85%
Illiquid Alternatives	23%	8.25%
Fixed Income	15%	.50%
Absolute Return	10%	4.05%
Managed Futures	4%	3.00%
Cash	2%	0.00%
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, 2016, 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.

Lake City Area Fire Protection District
Notes to Financial Statements (Continued)
December 31, 2017

Note 6 Pension Plans (Continued)

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 liability/(Asset) would be if it were calculated using a discount rate that is 1-percentage-point 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)	(\$67,369)	(\$71,211)	(\$74,365)

* The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.78 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.

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, 2017

	Original and Final Budget	Actual	Variance with final budget	
			Positive (negative)	
Revenues				
Property taxes	\$ 101,334	\$ 100,741	\$ (593)	
Specific ownership taxes	3,000	7,152		4,152
Fire Services	-	8,246		8,246
Interest income	900	2,039		1,139
Donations	8,000	8,266		266
Petitions and special services	-	132		132
Grants	-	-		-
Miscellaneous	-	1,791		1,791
Total Revenue	<u>113,234</u>	<u>128,367</u>		<u>15,133</u>
Expenditures				
Elections	-	-		-
Administration	59,500	56,015		3,485
Fire Fighting	29,100	18,849		10,251
Fire Prevention	400	-		400
Training	9,000	2,524		6,476
Communications	6,400	4,547		1,853
Buildings and grounds	14,900	7,378		7,522
County Treasurer fees	5,070	5,064		6
Total Expenditures	<u>124,370</u>	<u>94,377</u>		<u>29,993</u>
Net Change in Fund Balance	\$ (11,136)	33,990	\$ 45,126	
Fund Balance, beginning of year		<u>121,393</u>		
Fund Balance, end of year		<u>\$ 155,383</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 * (c)	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
2015	\$ -	\$ 4,763	\$ (4,763)	N/A	N/A
2016	\$ -	\$ 7,442	\$ (7,442)	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, 2015, determines the contribution amounts for 2016 and 2017.

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 7 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,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service cost	\$ 1,882	\$ 1,882	\$ 1,774							
Interest	2,897	2,650	3,763							
Changes of benefit terms	-	-	-							
Differences between expected and actual experience	(15,119)	-	(19,226)							
Changes of assumptions	944	-	-							
Benefit payments, including refunds of employee contributions	(1,300)	(1,200)	(1,200)							
Net Change in Total Pension Liability	(10,696)	3,332	(14,889)							
Total Pension Liability -Beginning	38,337	35,005	49,894							
Total Pension Liability - Ending	27,641	38,337	35,005							
<hr/>										
Plan Fiduciary Net Position										
Contributions - Employer	5,196	2,507	62							
Net investment income	4,954	1,602	5,391							
Benefit payments, including refunds of employee contributions	(1,300)	(1,200)	(1,200)							
Administrative expense	(422)	(2,476)	(509)							
State of Colorado supplemental discretionary payments	2,246	2,256	2,376							
Net Change in Plan Fiduciary Net Positions	10,674	2,689	6,120							
Plan Fiduciary Net Position - Beginning	88,178	85,489	79,369							
Plan Fiduciary Net Position - Ending	98,852	88,178	85,489							
Net Pension liability (Asset) - Ending	(71,211)	(49,841)	(50,484)							
<hr/>										
Plan fiduciary net position as a percentage of the total pension liability	357.63%	230.01%	244.22%							
Covered employee payroll	N/A	N/A	N/A							
Net pension liability as a percentage of covered employees payroll.	N/A	N/A	N/A							

* Information for the prior 7 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, 2017

	Original and Final Budget	Actual	Variance with final budget Positive (negative)
Revenues			
Property taxes	\$ 27,636	\$ 27,475	\$ (161)
Specific ownership taxes	2,000	1,951	(49)
Interest income	75	145	70
Donations	35,000	1,530	(33,470)
Grants	211,595	-	(211,595)
Miscellaneous	-	15,000	15,000
Total Revenue	<u>276,306</u>	<u>46,101</u>	<u>(230,205)</u>
Expenditures			
County Treasurer fees	1,385	1,381	4
Capital outlay	540,705	36,579	504,126
Total Expenditures	<u>542,090</u>	<u>37,960</u>	<u>504,130</u>
Net Change in Fund Balance	<u>\$ (265,784)</u>	<u>8,141</u>	<u>\$ 273,925</u>
Fund Balance, beginning of year		<u>321,907</u>	
Fund Balance, end of year		<u>\$ 330,048</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, 2017

	Original and Final Budget	Actual	Variance with final budget Positive (negative)
Revenues			
Property taxes	\$ 2,632	\$ 2,617	\$ (15)
Specific ownership taxes	120	186	66
Interest income	10	14	4
Total Revenue	2,762	2,817	55
Expenditures			
County Treasurer fees	135	132	3
Total Expenditures	135	132	3
Net Change in Fund Balance	\$ 2,627	2,685	\$ 58
Fund Balance, beginning of year		57,260	
Fund Balance, end of year		\$ 59,945	

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, 2017

	Original and Final Budget	Actual	Variance with final budget Positive (negative)
Revenues			
Donations	\$ 7,000	\$ 5,082	\$ (1,918)
Total Revenue	7,000	5,082	(1,918)
Expenditures			
Fireworks	8,500	7,875	625
Total Expenditures	8,500	7,875	625
Net Change in Fund Balance	\$ (1,500)	(2,793)	\$ (1,293)
Fund Balance, beginning of year		13,377	
Fund Balance, end of year		\$ 10,584	