

DEER MOUNTAIN FIRE PROTECTION DISTRICT

AUDITED FINANCIAL STATEMENTS

TEXAS CREEK, COLORADO

December 31, 2016



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By the Office of the State Auditor at 4:40 pm, Sep 27, 2017

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Independent Auditor's Report

August 16, 2017

Board of Directors
Deer Mountain Fire Protection District
Texas Creek, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Mountain Fire Protection District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 unmodified and qualified audit opinions.

Basis for Qualified Opinion

Management has not maintained complete fixed asset accounting records which fully support the cost and related depreciation allowances. Accounting principles generally accepted in the United States of America require that capital assets be recorded at their cost, if purchased, or at fair value, if donated or contributed, and depreciation recorded in the government-wide financial statements. Quantification of the effects of this departure is not practicable.

Qualified Opinions

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Mountain Fire Protection District as of December 31, 2016, 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 and the budgetary comparison information on pages *i* thru *v*, and 16, 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 management's discussion and analysis 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. The budgetary comparison information is the responsibility of management and was derived from and relates 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 information is fairly stated in all material respects in relation to the basic financial statements a whole.

Samuel Row + DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2016

As management of the Deer Mountain Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

District Operation and Background

The Deer Mountain Fire Protection District was formed in November 1985 after the Deer Mountain Volunteer Fire Department saw a need for expansion and tax dollars to run the Fire Department. A special election was held on November 9, 1985. Eighty-two residents voted, 68 for and 14 against. The District received a grant in September 1986 from the Mineral Impact Board for \$30,000 to make station improvements and obtain new vehicles and equipment. In 1989 another grant was used to open a Fire Station in Cotopaxi. The original mill levy was approved at 3.992 mills and later increased by 4 mills to the current effective rate at 7.992 mills.

The District now has three stations in Texas Creek and Cotopaxi. The District operates with 21 firefighters, 7 medical first responders, and 8 support drivers, as well as 8 vehicles ranging from Brush Trucks to Attack Tenders.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$614,792 (net position). Of this amount \$293,193 (48%) unrestricted net position, may be used to meet the District's ongoing obligations to citizens and creditors. A significant portion of the District's net position \$307,999 (50%) reflects its investment in capital assets. These assets include land, buildings and equipment. These capital assets are used to provide services to citizens; consequently, they are not available for future spending.
- The District's total net position increased by \$56,141.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$289,796, for the year ending December 31, 2016.
- At the end of the current fiscal year, unassigned fund balance of the general fund is \$275,496.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The basic financial statements present two different views of the District through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2016

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes. The governmental activities of the District primarily include community safety services. The government-wide financial statements can be found on pages 3 - 4 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as State Statutes. The District currently only has one governmental fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Governmental funds are reported using an accounting method called modified accrual accounting which has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the District's programs.

Overview of the Financial Statements

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation, which is a part of the fund financial statements, to facilitate the comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund.

The District adopts an annual appropriated budget for governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 5 and 7 of this report.

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2016

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 – 15 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the District, assets exceeded liabilities by \$614,792 at the close of fiscal year 2016. Increases or decreases in net position may serve as a useful indicator as to whether the financial condition of the District is improving or deteriorating over time.

A portion of the District's net position reflects its investment in capital assets (i.e., land, buildings, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position at December 31:

Assets:	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 519,033	\$ 454,894
Capital assets	714,868	528,994
Total Assets	<u>1,233,901</u>	<u>983,888</u>
Liabilities:		
Current and other liabilities	63,211	54,948
Long-term liabilities	361,330	177,186
Total Liabilities	<u>424,541</u>	<u>232,134</u>
Deferred inflow – property taxes	<u>194,568</u>	<u>193,103</u>
Net Position:		
Invested in capital assets, net of related debt	307,999	309,500
Restricted for emergencies	13,600	15,500
Unrestricted	293,193	232,951
Total Net Position	<u>\$ 614,792</u>	<u>\$ 558,651</u>

At the end of the current fiscal year, the Deer Mountain Fire Protection District is able to report a positive balance in all categories of net position.

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains the requirements of setting an emergency reserve. This reserve cannot be accessed except for an unexpected disaster. This reserve amounts to \$13,600 and \$15,500 as of December 31, 2016 and 2015, respectively.

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2016

Government-wide Financial Analysis (Continued)

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. Revenues and expenses in this statement are recorded when earned or when a liability is incurred. The following table reflects the condensed Statement of Activities for the year ended December 31:

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 211,253	\$ 98,122
Capital grants and contributions	9,304	189,103
General revenues:		
Property taxes	193,761	182,566
Specific ownership taxes	28,617	33,268
Gain/(Loss) on sale of assets	24,865	5,250
Unrestricted interest earnings	904	92
Total Revenues	<u>468,704</u>	<u>508,401</u>
Expenses:		
Public safety	374,773	227,461
General government	37,790	43,284
Total Expenses	<u>412,563</u>	<u>270,745</u>
Change in net position	56,141	237,656
Net position – beginning	558,651	320,995
Net position – ending	<u>\$ 614,792</u>	<u>\$ 558,651</u>

Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements.

For 2016, the Directors appropriated \$769,988 for general fund expenditures.

2016 General Fund Budget

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
Revenues	\$ 218,036	\$ 651,062	\$ 787,938
Expenditures	\$ 230,986	\$ 769,988	\$ 731,125

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets as of December 31, 2016 amounts to \$714,868 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment. The increase in the District's investment in capital assets for the current fiscal year was due to current year purchases of a building in the amount of \$242,177 and \$79,855 for various other firefighting equipment. The District also sold assets at a gain of \$27,974.

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2016

Deer Mountain Fire Protection District's Capital Assets

Land	\$	22,325
Furniture & Fixtures		32,420
Building and improvements		471,828
Equipment		1,136,833
Accumulated Depreciation		(948,538)
	\$	<u>714,868</u>

Additional information on the District's capital assets can be found in the notes section on page 13 of this report.

Deer Mountain Fire Protection District's Debt

At the end of 2016, the District had \$406,869 in outstanding debt. The long-term debt commitments are as follows:

Lease purchase for building	\$	291,367
Lease purchase for brush truck 2		67,356
Lease purchase for brush truck 4		48,146
Total debt commitments	\$	<u>406,869</u>

If the District maintains the current payment schedules, then the building lease will be paid off in 15 years, the brush truck 2 lease will be paid off in 5 years, and the brush truck 4 lease will be paid off in 4 years. Information about the District's long-term liabilities is presented in Note G on page 14 in the financial statements.

Request for Information

This financial report is designed to provide a general overview of the Deer Mountain Fire Protection District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Deer Mountain Fire Protection District
Karen McKee
Treasurer
6181 CR 28
Texas Creek, CO 81223

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
DEER MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2016

<u>Assets</u>		
Current Assets		
Cash and equivalents	\$	222,913
Note receivable - current		12,449
Accounts receivable and other		80,964
Taxes receivable		197,088
Prepaid expenses		1,900
Capital assets:		
Land		22,325
Building and improvements		471,828
Machinery and equipment		1,136,833
Furniture and fixtures		32,420
Accumulated depreciation		(948,538)
	Total Current Assets	1,230,182
Noncurrent Assets		
Note receivable - noncurrent		3,719
	Total Assets	1,233,901
<u>Liabilities</u>		
Current Liabilities		
Accounts payable		14,811
Payroll liabilities		1,747
Accrued interest		1,114
Capital leases due within one year		45,539
	Total Current Liabilities	63,211
Long-Term Liabilities		
Capital leases not due within one year		361,330
	Total Liabilities	424,541
<u>Deferred Inflow of Resources</u>		
Deferred inflow - property taxes		194,568
<u>Net Position</u>		
Invested in capital assets, net of related debt		307,999
Restricted for emergencies		13,600
Unrestricted		293,193
	Total Net Position	\$ 614,792

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

STATEMENT OF ACTIVITIES
DEER MOUNTAIN FIRE PROTECTION DISTRICT
For the year ended December 31, 2016

		Program Revenue				Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>	Primary Governmental Activities
Primary Government:						
Government activities:						
General government	\$ 37,790	\$ -	\$ -	\$ 1,151	\$ 1,151	\$ (36,639)
Public safety	<u>374,773</u>	<u>211,253</u>	<u>-</u>	<u>8,153</u>	<u>219,406</u>	<u>(155,367)</u>
Total	<u>\$ 412,563</u>	<u>\$ 211,253</u>	<u>\$ -</u>	<u>\$ 9,304</u>	<u>\$ 220,557</u>	<u>\$ (192,006)</u>
General revenues and taxes						
Taxes:						
General property taxes						\$ 193,761
Specific ownership taxes						28,617
Interest income						904
Gain/(Loss) on sale of assets						<u>24,865</u>
					Total General Revenues and Taxes	<u>248,147</u>
					Change in Net Position	56,141
					Net Position - Beginning	<u>558,651</u>
					Net Position - Ending	<u>\$ 614,792</u>

The accompanying notes to financial statements are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BALANCE SHEET- GOVERNMENTAL FUNDS
DEER MOUNTAIN FIRE PROTECTION DISTRICT
 December 31, 2016

		<u>General Fund</u>
<u>Assets</u>		
Cash and cash equivalents	\$	222,913
Taxes receivable		197,088
Accounts and other		<u>80,921</u>
	Total Assets	<u>500,922</u>
<u>Liabilities</u>		
Accounts payable		14,811
Payroll liabilities		<u>1,747</u>
	Total Liabilities	<u>16,558</u>
<u>Deferred Inflow of Resources</u>		
Deferred inflow - property taxes		<u>194,568</u>
<u>Fund Balances</u>		
Restricted for emergencies		13,600
Assigned for major improvements		700
Unassigned		<u>275,496</u>
	Total Fund Balances	<u>\$ 289,796</u>

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

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

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2016

Total Fund Balances - Government Funds	\$ 289,796
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not current financial resources, and therefore, are not reported in the governmental funds.	
Non-depreciable capital assets	\$ 22,325
Depreciable capital assets, net	<u>692,543</u>
Total Capital Assets	714,868
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.	
Long-term liabilities at year end:	(406,869)
Interest payable on the capital lease is not recorded on the fund statements because it is not a current use of cash, interest is accrued on the government-wide statements since the liability is to be paid in the near term.	
	(1,114)
Interest receivable does not provide revenue in the current period, and therefore, it is not recorded in the governmental fund. However, the revenue was earned by the end of the current fiscal year and therefore, is recorded as a current asset in the Statement of Net Position.	
	43
Revenue receivable that does not provide current financial resources is not recorded in the governmental funds.	
	16,168
Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the payments and, therefore, are not reported as expenses in the Statement of Activities.	
	<u>1,900</u>
Net Position of Governmental Activities	<u>\$ 614,792</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

DEER MOUNTAIN FIRE PROTECTION DISTRICT

GOVERNMENTAL FUND

For the Year Ended December 31, 2016

	General Fund
Revenues	
General property tax	\$ 193,761
Specific ownership tax	28,617
Interest income	861
Grant and donation income	9,304
Proceeds from sales of assets	27,974
Charges for services	<u>211,253</u>
Total Revenues	<u>471,770</u>
Expenditures	
General government	35,911
Public safety	243,774
Debt service:	
Principal	112,625
Interest	18,804
Capital outlay	<u>320,011</u>
Total Expenditures	<u>731,125</u>
Excess (Deficiency) of Revenues Over Expenditures	(259,355)
Other Financing Sources (Uses)	
Capital lease	<u>300,000</u>
Fund balances - beginning	<u>249,151</u>
Fund balances - ending	<u>\$ 289,796</u>

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

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

DEER MOUNTAIN FIRE PROTECTION DISTRICT

For the Year Ended December 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	40,645
<p>Amounts reported for governmental activities in the Statement of Activities and Changes in Net Positions were different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.</p>		
Capital outlay	\$	320,011
Depreciation expense	<u>(114,860)</u>	205,151
<p>Current year note receivable payments provide current financial resources to the fund, but in the Statement of Net Position it reduces the receivable balance. Interest receivable is not a current receipt of cash, and therefore, is not recorded in the fund but it is a current asset in the Statement of Net Assets.</p>		
Note receivable payments	(3,281)	
Interest receivable at year-end	<u>43</u>	(3,238)
<p>Basis of assets that have been sold does not affect governmental funds since they record the revenues as they are received, however the Statement of Activites does recognize basis and the gain needs to be adjusted for this difference.</p>		
		172
<p>Current year capital lease payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against long-term liabilities. Interest payable is not a current use of cash, and therefore, is not recorded in the governmental fund but it is a current liability in the Statement of Net Assets.</p>		
Capital lease payments	112,625	
Interest payable at year-end	<u>(1,114)</u>	111,511
<p>Capital lease proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. The capital lease is not revenue in the statement of activities, but rather constitutes long-term liabilities in the Statement of Net Assets.</p>		
		(300,000)
<p>Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the payments, and therefore, are not reported as expenses in the Statement of Activities.</p>		
		<u>1,900</u>
Change in Net Position - Governmental Activities	\$	<u>56,141</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DEER MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2016

Note A - Summary of Significant Accounting Policies

The basic financial statements of Deer Mountain Fire Protection District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the District are described below.

Financial Reporting Entity

The Deer Mountain Fire Protection District was formed in November 1985 after the Deer Mountain Volunteer Fire Department saw a need for expansion and tax dollars to run the Fire Department. A special election was held on November 9, 1985. Eighty-two residents voted, 68 for and 14 against. The District received a grant in September 1986 from the Mineral Impact Board to make station improvements and obtain new vehicles and equipment. In 1989 another grant was used to open a Fire Station in Cotopaxi. The District is organized under the laws of the State of Colorado. It operates under the jurisdiction of a local Board of Directors, whose members are elected by the voters of the District. The District provides fire protection services as well as emergency medical services to the public. As required by generally accepted accounting principles, these financial statements present the Deer Mountain Fire Protection District (the primary government) and its component units, if any. No additional separate governmental units, agencies, or nonprofit corporations are included in the financial statements of the District since none were discovered to fall within the oversight responsibility based upon the application of the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Government-wide Financial Statements

The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities of the District.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2016

Note A - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Grants and similar items are recognized when requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The District only has a general fund, therefore no reconciliations are necessary to combine or eliminate interfund balances. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide financial statements. The District has presented all major funds that meet the applicable criteria. The following funds are major funds:

General Fund

This fund records financial transactions for the regular operations of the District. All revenues and expenditures not allocated by law or contractual agreement to a special fund are accounted for in this fund. The general fund is the only fund of the District.

Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents are short-term, liquid investments that are quickly converted to known cash amounts, including restricted cash and cash equivalents with maturities of three months or less so as to minimize the risk of value changes.

Receivables

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

Investments

The District's policy is to state investments in their financial statements at fair value. Unrealized gain or loss resulting from the change in fair market value of investments is recognized in the statement of revenues, expenses and changes in net position. The District does not currently have any investments.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2016

Note A - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are defined by the District as assets tangible in nature, with an initial individual cost of \$1,000 or more. Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

Buildings and improvements	20 - 50 years
Equipment	5 - 15 years
Vehicles	5 - 15 years

Land and related improvements are not depreciated and assets under construction are not depreciated until they become available for service.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, property taxes. This item is deferred and recognized as an inflow of resources in the period that the amounts become available.

Accounts Payable

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to December 31, 2016.

Unearned Revenue

Unearned revenues are reported in the governmental fund financial statements when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise in both government-wide and fund financial statements when resources are received before they are earned. In subsequent periods, when both revenue recognition criteria are met, the liability for unearned revenue is removed and revenue is recognized.

Property Taxes

Fremont County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year and may be paid in two equal installments before the last day of February and the 15th day of June or in full before the last day of April.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Available means due or past due and receivable within the current period and collected no more than 60 days after December 31.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2016

Note A - Summary of Significant Accounting Policies (Continued)

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 carries commercial insurance for such risks, including workers' compensation and accident insurance. Settled claims resulting from these risks did not exceed commercial insurance coverage during 2016.

Note B - Stewardship, Compliance, And Accountability

Budgets and Budgetary Data

Formal budgetary accounting is employed as a management control tool for all funds of the District. Budgets are prepared on the modified accrual basis of accounting for all government fund types. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution. The Board of the District may amend the original adopted budget during the year by passing a new resolution to reflect current needs, changing conditions, or revised estimates. The budgetary amounts presented in the accompanying financial statements/schedules reflect original and most recent amended amounts which were adopted in accordance with the appropriate provisions of state law. Encumbrance accounting is not employed as part of the budgetary process. Encumbrance accounting allows a governmental entity to account for open purchase orders (purchase orders for which the underlying goods or services have not been received before the end of an accounting period) as expenditures against the budget of that accounting period. All unencumbered budget appropriations lapse at the end of each fiscal year. The District does not recognize encumbrances.

Tax, Revenue, Spending and Debt Limitations

In November, 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992.

In addition to the tax raising, revenue, spending and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies must establish an "emergency reserve". To be used for declared emergencies only, each entity shall reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended December 31, 2016, the District has reserved \$13,600, which represents 3% of fiscal year spending.

Note C - Cash Deposits

Deposits

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

As of December 31, 2016, all of the District deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2016

Note C - Cash Deposits (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes.

A summary of cash and deposits held at year end follows:

	<u>Carrying Amounts</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Deposits:			
Checking Accounts	\$ 222,913	\$ 222,913	\$ -

Note D - Accounts and Other Receivables

Tax receivable consist of taxes which are due but will not be collected until January 2017. Account receivables consist mainly of fire payments and emergency medical services that were earned in 2016 but will not be collected until 2017. As of December 31, 2016, these receivables are considered both measurable and available.

The District sold a lot of land and is carrying a note receivable in the amount of \$19,450 with 4.00% interest, due in 60 monthly payments of \$358, beginning February 13, 2016. The balance at December 31, 2016 was \$16,168. This asset is reflected on the government-wide statement of net position as well as the interest accrued in the amount of \$43 at December 31, 2016.

Note E - Property Tax Accrual

Property taxes which have been levied for 2016 which will not be collected until 2017 have been accrued as a receivable at December 31, 2016. An offsetting amount for deferred inflow of resources - unavailable property tax revenue has also been recorded in the general fund.

Note F - Change in Capital Assets

The following is a summary of the changes in capital assets:

	<u>Balance at 1-1-16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12-31-16</u>
Land	\$ 41,602	\$ -	\$ 19,277	\$ 22,325
Buildings and improvements	229,651	242,177	-	471,828
Machinery and equipment	1,078,691	77,834	19,692	1,136,833
Furniture and fixtures	32,420	-	-	32,420
Totals	<u>1,382,364</u>	<u>\$ 320,011</u>	<u>\$ 38,969</u>	<u>1,663,406</u>
Less: accumulated depreciation	<u>(853,370)</u>			<u>(948,538)</u>
Net Capital Assets	<u>\$ 528,994</u>			<u>\$ 714,868</u>

Depreciation expense by function:

General government	\$ 1,879
Public safety	112,981
	<u>\$ 114,860</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2016

Note F - Change in Capital Assets (Continued)

The District has not maintained fixed asset or depreciation schedules. Since the District has always qualified for an exemption from audit, this was never an issue. However, due to the District being required to have an audit this year, we have attempted to estimate the original cost of assets and their depreciation to date. The opinion has been qualified for this departure in generally accepted accounting principles.

Note G - Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements:

Community First National Bank	Balance at 1-1-2016	Additions	Reductions	Balance at 12-31-2016	Due in One Year
Rescue tools	\$ 16,018	\$ -	\$ (16,018)	\$ -	-
Brush truck 4	62,321	-	(14,175)	48,146	14,657
Brush truck 2	81,155	-	(13,799)	67,356	14,888
2 refurbished trucks	60,000	-	(60,000)	-	-
Building	-	300,000	(8,633)	291,367	15,994
Total Debt	\$ 219,494	\$ 300,000	\$ (112,625)	\$ 406,869	\$ 45,539

The following is a description of each individual lease:

Building Capital Lease Payable

\$300,000 lease purchase of building with Community First National Bank payable over 180 monthly installments of \$2,150 at 3.53% interest ending May 2013. \$ 291,367

Brush Truck 2 Capital Lease Payable

\$105,000 lease purchase of brush truck 2 with Community First National Bank Payable over 84 monthly installments of \$1,432 at 3.93% interest ending April 2021. 67,356

Brush Truck 4 Capital Lease Payable

\$100,000 lease purchase of brush truck 4 with Community First National Bank payable over 96 monthly installments of \$1,337 at 6.47% interest ending Feb. 2020. 48,146
Total \$ 406,869

The following schedule reflects the estimated debt service requirements to maturity of the District's governmental activities:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 45,539	\$ 13,486	\$ 59,025
2018	47,172	11,853	59,025
2019	48,865	10,160	59,025
2020	37,077	8,576	45,653
2021-2031	228,216	42,631	270,847
	<u>\$ 406,869</u>	<u>\$ 86,706</u>	<u>\$ 493,575</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2016

Note H - Fund Balances

Government-wide Net Position

Government-wide net position is divided into three components:

- Invested in capital assets, net of related debt - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position - consists of net position that is restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors, (both federal and state), and by other contributors.
- Unrestricted - all other net position is reported in this category.

Governmental Fund Balances

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definition." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements that following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Directors or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balance in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order; committed, assigned and unassigned.

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**BUDGET TO ACTUAL - GENERAL FUND****DEER MOUNTAIN FIRE PROTECTION DISTRICT**

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 213,036	\$ 213,036	\$ 222,378	\$ 9,342
State fire payments	5,000	67,000	150,152	83,152
Medical income	-	40,000	61,101	21,101
Interest income	-	-	861	861
Donations	-	1,435	6,266	4,831
Grants	-	2,038	3,038	1,000
Gain/(Loss) on Sale of Assets	-	19,652	27,974	8,322
Capital lease proceeds	-	307,900	300,000	(7,900)
Total Revenues	<u>218,036</u>	<u>651,061</u>	<u>771,770</u>	<u>120,709</u>
Expenditures				
Payroll expenses	-	51,000	50,819	181
State fire disbursements	-	67,000	60,052	6,948
Treasurer fees	7,200	7,200	5,813	1,387
Board of directors	7,200	6,500	6,400	100
Medical expenses	11,500	32,550	41,810	(9,260)
Administration	11,100	10,930	9,235	1,695
Fire communications	7,500	15,644	6,280	9,364
Insurance	25,000	24,300	23,491	809
Supplies	12,000	9,300	2,615	6,685
Tools	3,914	17,135	4,861	12,274
Training	5,100	8,630	7,511	1,119
Professional expenses	21,500	19,012	14,646	4,366
Building repairs, mainenance, and utilities	31,800	32,880	28,269	4,611
Vehicle expenses	16,700	24,900	17,883	7,017
Capital outlay	-	328,710	320,011	8,699
Debt service	70,472	114,297	131,429	(17,132)
Total Expenditures	<u>230,986</u>	<u>769,988</u>	<u>731,125</u>	<u>38,863</u>
Other Financing (Uses)				
Transfers out	<u>(16,250)</u>	<u>(13,250)</u>	<u>-</u>	<u>13,250</u>
Revenue Over (Under) Expenditures	<u>(29,200)</u>	<u>(132,177)</u>	<u>40,645</u>	<u>172,822</u>
Fund Balance - Beginning	<u>35,000</u>	<u>149,470</u>	<u>249,151</u>	<u>99,681</u>
Fund Balance - Ending	<u>\$ 5,800</u>	<u>\$ 17,293</u>	<u>\$ 289,796</u>	<u>\$ 272,503</u>

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