

ELIZABETH FIRE PROTECTION DISTRICT
Elbert County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2016



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Independent Auditor's Report

Board of Directors
Elizabeth Fire Protection District
Elbert County, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Elizabeth Fire Protection District (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 from 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 and the major fund of Elizabeth Fire Protection District, as of December 31, 2016, and the respective changes in financial position and

the respective budgetary comparison for the General Fund 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 on pages III through VIII, the schedule of changes in the net pension liability/(asset) – volunteer pension plan on page 21, and the schedule of District contributions – volunteer pension plan on page 22 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 the District's financial statements as a whole. The other information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 11, 2017

**ELIZABETH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

Our discussion and analysis of Elizabeth Fire Protection District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information, supplementary and other information in addition to the basic financial statements themselves.

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 the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them 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 government'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 related 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 (i.e. uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements detail functions of the District that are principally supported by tax revenues (governmental activities) and charges for services. The governmental activity of the District is public safety - fire.

The government-wide financial statements can be found on pages 1 and 2 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. The District reports 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 inflows 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.

**ELIZABETH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

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 expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 3 through 5 of this report.

The District adopted an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund is located on page 6 of this report.

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 7-20 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information consisting of the schedule of changes in the net pension liability/(asset) – volunteer pension plan which can be found on page 21 and the schedule of District contributions – volunteer pension plan which can be found on page 22 of this report. Other information also accompanies these financial statements consisting of the summary of assessed valuation, mill levy and property taxes collected, which can be found on page 23.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,857,480 at the close of the most recent fiscal year as noted in the table below.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, cisterns, equipment and vehicles) 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.

As noted in the table below, for 2016, the District's total assets decreased by \$120,936, primarily due to depreciation on capital assets exceeding additions to capital assets. Capital asset activity is described below in the Capital Asset and Debt Administration section of the management's discussion and analysis. Additionally, the other District's revenues exceeded expenses for 2016 which is primarily the reason for the increase in current assets of \$42,961. Depreciation expense was \$60,018 less than 2015, which contributed to the net increase in net position. For 2016 the District's property taxes receivable increased by \$33,177, or 1.7% due to an increase in the District's assessed valuation for the property taxes levied for collection in

**ELIZABETH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

2017. This increase was also noted in the District's deferred inflows of resources. The deferred outflows of resources increased by \$35,504 or 55.6% due to an increase in the net difference between the projected and actual earnings on the volunteer pension plan investments.

For 2016, the District's total liabilities decreased by \$213,719, primarily due to the principal payments made on the District's long-term obligations. Long-term liability activity is described below in the Capital Asset and Debt Administration section of the management's discussion and analysis.

NET POSITION

| | December 31, | |
|---------------------------------------|---------------------|--------------|
| | 2016 | 2015 |
| ASSETS | | |
| Current assets | \$ 2,497,894 | \$ 2,454,933 |
| Capital assets | 2,382,243 | 2,546,140 |
| Total assets | 4,880,137 | 5,001,073 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| | 99,373 | 63,869 |
| LIABILITIES | | |
| Current liabilities | 802,745 | 750,788 |
| Long-term liabilities | 313,777 | 579,453 |
| Total liabilities | 1,116,522 | 1,330,241 |
| DEFERRED INFLOWS OF RESOURCES | | |
| | 2,005,508 | 1,972,331 |
| NET POSITION | | |
| Net investment in capital assets | 2,068,466 | 1,966,687 |
| Restricted for emergencies | 82,400 | 72,300 |
| Unrestricted | (293,386) | (276,617) |
| Total net position | \$ 1,857,480 | \$ 1,762,370 |

As noted in the table below, the District's overall financial position, as measured by net position, increased \$95,110 during 2016. Charges for services decreased by \$21,856, or 7%, operating grants and contributions increased by \$61,901 or 466.7%, and capital grants and contributions increased by \$46,615. During 2016, the District received grant revenues which were used for the purchase of fire firefighter bunker gear, computer equipment, dispatching software upgrades, and a compressor and fill station. Property tax revenue increased by \$230,145, or 13.2% due to an increase in the District's assessed valuation for taxes levied for 2016's collection. Specific ownership taxes increased by \$24,494, or 7.9%, due to higher automobile ownership taxes collected by the county and allocated to the District. Public safety expenses increased by \$189,372 or 7.8%. This increase was due primarily to the spending of the grant funding noted above, for which most of the purchases were not capitalized as capital assets in 2016 as they did not meet the District's capitalization threshold.

**ELIZABETH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

CHANGES IN NET POSITION

| | <u>Years Ended December 31,</u> | |
|---|---------------------------------|---------------------|
| | <u>2016</u> | <u>2015</u> |
| REVENUES | | |
| Program revenues: | | |
| Charges for services | \$ 292,393 | \$ 314,249 |
| Operating grants and contributions | 75,165 | 13,264 |
| Capital grants and contributions | 46,615 | - |
| General revenues: | | |
| Property taxes | 1,980,830 | 1,750,685 |
| Specific ownership taxes | 332,806 | 308,312 |
| Insurance reimbursement | - | 14,024 |
| Investment earnings | 3,651 | 1,084 |
| Other | 16,697 | 10,830 |
| Gain on sale of capital assets | 2,500 | - |
| Total revenues | <u>2,750,657</u> | <u>2,412,448</u> |
| EXPENSES | | |
| Public safety - fire | 2,633,536 | 2,444,164 |
| Interest and fiscal charges | 22,011 | 27,817 |
| Total operating and debt service | <u>2,655,547</u> | <u>2,471,981</u> |
| CHANGE IN NET POSITION | 95,110 | (59,533) |
| NET POSITION - BEGINNING OF YEAR | <u>1,762,370</u> | <u>1,821,903</u> |
| NET POSITION - END OF YEAR | <u>\$ 1,857,480</u> | <u>\$ 1,762,370</u> |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's governmental fund follows.

Governmental fund: The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's General Fund reported an ending fund balance of \$433,483. Of this fund balance, \$149,786 is nonspendable, restricted or assigned. Additional information on these amounts can be found in Note 2 and Note 7 to the financial statements. The remaining fund balance of \$283,697 is unassigned.

**ELIZABETH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Variances. The District did not amend the General Fund budget for 2016.

The budget to actual comparison details can be seen on page 6 of the financial statements. District revenues were under budget by \$67,949, primarily due to the District receiving less ambulance transport revenue than expected. Actual expenditures were under budget by \$73,883, primarily due capital outlay and contingency expenditures being less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets at December 31, 2016 amounted to \$2,382,243 (net of accumulated depreciation/amortization). The analysis of changes in capital assets is as follows:

| | CAPITAL ASSETS (net of depreciation) | | |
|----------------------------|---|---------------------|---------------------|
| | <u>2015</u> | <u>Change</u> | <u>2016</u> |
| Land | \$ 300,200 | \$ - | \$ 300,200 |
| Capital asset in process | 44,089 | (44,089) | - |
| Buildings and improvements | 711,349 | (31,487) | 679,862 |
| Cisterns | 101,216 | (7,574) | 93,642 |
| Equipment | 271,925 | (8,913) | 263,012 |
| Vehicles | 1,117,361 | (71,834) | 1,045,527 |
| Total | <u>\$ 2,546,140</u> | <u>\$ (163,897)</u> | <u>\$ 2,382,243</u> |

During 2016, the District purchased a 2001 Ford Excursion for \$8,000, a 2009 Chevrolet Suburban for \$8,000, and a Scott compressor and fill station for \$46,615. The District donated a 2002 Dodge Durango with an original cost of \$25,716 and a net carrying value of \$0 to another fire department. The District sold the old compressor for \$2,500, which had an original cost of \$35,759 and net carrying value of \$0. Additionally the District wrote off scrapped equipment that had an original cost of \$14,649 and a net carrying value of \$0.

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations. At the end of the current fiscal year, the District had total outstanding long-term obligations of \$354,358 comprised of a capital lease for the acquisition of capital assets and compensated absences. The analysis of changes in capital leases and other long-term obligations is as follows:

**ELIZABETH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

LONG-TERM OBLIGATIONS

| | <u>2015</u> | <u>Change</u> | <u>2016</u> |
|----------------------|-------------------|---------------------|-------------------|
| Capital Leases: | | | |
| Vehicles/stations | \$ 510,830 | \$ (249,978) | \$ 260,852 |
| Vehicles | 68,623 | (15,698) | 52,925 |
| Compensated absences | 40,196 | 385 | 40,581 |
| | <u>\$ 619,649</u> | <u>\$ (265,291)</u> | <u>\$ 354,358</u> |

During 2016 the District did not enter into any new long-term obligations and made the scheduled payments on the existing capital leases.

Additional information on the District's long-term obligations can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For 2017's levied property tax, the District's assessed valuation increased by 1.6% and the mill levy decreased .008 mills, resulting in levied taxes of \$33,177 more than were levied for collection in 2016. Overall revenues are expected to be \$3,291,421 and overall expenditures are expected to be \$3,306,806, resulting in an anticipated decrease of \$15,385 in the District's fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the 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 requests for additional information should be addressed to: Elizabeth Fire Protection District, 155 W. Kiowa Avenue, P.O. Box 441 Elizabeth, Colorado 80107.

BASIC FINANCIAL STATEMENTS

ELIZABETH FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2016

ASSETS

| | |
|---|------------------|
| Cash and investments (Note 3) | \$ 330,666 |
| Due from County Treasurer | 25,511 |
| Accounts receivable (net of allowance for doubtful accounts of \$176,298) | 84,208 |
| Prepaid expenses | 52,001 |
| Property taxes receivable | 2,005,508 |
| Capital assets (Note 4): | |
| Not being depreciated | 300,200 |
| Being depreciated, net of accumulated depreciation | <u>2,082,043</u> |
| Total assets | <u>4,880,137</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|---------------|
| Deferred outflows related to volunteer pension plan (Note 12) | <u>99,373</u> |
| Total deferred outflows of resources | <u>99,373</u> |

LIABILITIES

| | |
|--|------------------|
| Accounts payable and accrued payroll liabilities | 58,903 |
| Accrued interest payable | 5,996 |
| Net volunteer pension plan liability (Note 12) | 697,265 |
| Noncurrent liabilities (Note 5): | |
| Due within one year: | |
| Compensated absences | 40,581 |
| Capital leases | 277,484 |
| Due in more than one year - capital leases | <u>36,293</u> |
| Total liabilities | <u>1,116,522</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|------------------|
| Deferred property taxes | <u>2,005,508</u> |
| Total deferred inflows of resources | <u>2,005,508</u> |

NET POSITION (Note 8)

| | |
|----------------------------------|----------------------------|
| Net investment in capital assets | 2,068,466 |
| Restricted for emergencies | 82,400 |
| Unrestricted | <u>(293,386)</u> |
| Total net position | <u><u>\$ 1,857,480</u></u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**ELIZABETH FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2016**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|---|---------------------|-------------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Public safety - fire | \$ 2,633,536 | \$ 292,393 | \$ 75,165 | \$ 46,615 | \$ (2,219,363) |
| Interest and fiscal charges | 22,011 | - | - | - | (22,011) |
| | <u>\$ 2,655,547</u> | <u>\$ 292,393</u> | <u>\$ 75,165</u> | <u>\$ 46,615</u> | <u>(2,241,374)</u> |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes - general operations | | | | | 1,697,920 |
| Property taxes - capital improvements | | | | | 282,910 |
| Specific ownership taxes | | | | | 332,806 |
| Investment earnings | | | | | 3,651 |
| Other | | | | | 16,697 |
| Gain on sale of capital assets | | | | | 2,500 |
| Total general revenues | | | | | <u>2,336,484</u> |
| Change in net position | | | | | 95,110 |
| Net position - Beginning of year | | | | | <u>1,762,370</u> |
| Net position - End of year | | | | | <u>\$ 1,857,480</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**ELIZABETH FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2016**

| | General |
|--|---------------------|
| ASSETS | |
| Cash and investments (Note 3) | \$ 330,666 |
| Due from County Treasurer | 25,511 |
| Accounts receivable (net of allowance for doubtful accounts of \$176,298) | 84,208 |
| Prepaid expenditures | 52,001 |
| Property tax receivable | 2,005,508 |
| TOTAL ASSETS | \$ 2,497,894 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts payable and accrued payroll liabilities | \$ 58,903 |
| TOTAL LIABILITIES | 58,903 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred tax revenues | 2,005,508 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,005,508 |
| FUND BALANCE (Note 7) | |
| Nonspendable: | |
| Prepaid expenditures | 52,001 |
| Spendable: | |
| Restricted for emergencies | 82,400 |
| Assigned to subsequent year's expenditures | 15,385 |
| Unassigned | 283,697 |
| TOTAL FUND BALANCE | 433,483 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 2,497,894 |

Amounts to reconcile the governmental fund balance sheet to the statement of net position are as follows:

| | |
|--|------------------|
| Fund balance per above | \$ 433,483 |
| Some assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Fund. | |
| Capital assets | 2,382,243 |
| | 2,382,243 |

Certain amounts related to the District's pension plans reported on the statement of net position are not reported in the fund balance sheet:

| | |
|---|------------------|
| Deferred outflows related to volunteer pension plan | 99,373 |
| Net volunteer pension plan liability | (697,265) |
| | (597,892) |

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund statements.

| | |
|---|---------------------|
| Capital lease obligations | (313,777) |
| Accrued interest on capital leases | (5,996) |
| Compensated absences | (40,581) |
| | (360,354) |
| Net position of governmental activities | \$ 1,857,480 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**ELIZABETH FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2016**

| | General |
|--|----------------|
| REVENUES | |
| Property taxes: | |
| General operations | \$ 1,697,920 |
| Capital improvements | 282,910 |
| Specific ownership taxes | 332,806 |
| Ambulance transports (net of bad debts of \$251,103) | 267,172 |
| Infrastructure fees | 1,000 |
| Permit fees and fines | 13,776 |
| Net investment income | 3,651 |
| Grants | 121,780 |
| Proceeds from sale of capital assets | 2,500 |
| Spring Valley Districts fire protection fees | 10,000 |
| CPR income | 445 |
| Other | 16,697 |
| Total revenues | 2,750,657 |
| EXPENDITURES | |
| Administration | 2,021,074 |
| Information technology | 21,273 |
| EMS | 25,578 |
| Fire prevention | 7,267 |
| Training | 29,964 |
| Firefighting | 55,559 |
| Maintenance | 127,458 |
| Communications | 12,800 |
| County Treasurer's fees | 57,714 |
| Contribution to volunteer pension plan | 44,811 |
| Joint operating facility | 2,587 |
| Debt service: | |
| Principal | 265,676 |
| Interest and other fiscal charges | 26,304 |
| Capital outlay: | |
| Vehicles | 16,000 |
| Equipment | 46,615 |
| Total expenditures | 2,760,680 |
| NET CHANGE IN FUND BALANCE | (10,023) |
| FUND BALANCE - BEGINNING OF YEAR | 443,506 |
| FUND BALANCE - END OF YEAR | \$ 433,483 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**ELIZABETH FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

A reconciliation reflecting the differences between the governmental fund net change in fund balance and change in net position reported for governmental activities in the Statement of Activities is as follows:

| | |
|--|-------------------------|
| Net change in fund balance - Total governmental fund | <u>\$ (10,023)</u> |
| <p>Governmental funds report capital outlays 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.</p> | |
| Capital outlay | 62,615 |
| Depreciation | (226,512) |
| | <u>(163,897)</u> |
| <p>Some expenses reported in the governmental fund statements were made subsequent to the measurement date for the net pension asset calculation and will therefore be reported as expenses in 2016.</p> | |
| Deferred outflows of resources: | |
| District volunteer firefighters' pension plan contributions subsequent to the measurement date | <u>44,811</u> |
| <p>Long-term debt (e.g. bonds, capital leases) provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position. This amount is the net effect of differences in the treatment of long-term debt and related items.</p> | |
| Principal payments on capital leases | <u>265,676</u> |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.</p> | |
| Change in accrued interest on capital leases | 4,293 |
| Net volunteer pension income (expense) | (45,365) |
| Change in compensated absences | (385) |
| | <u>(41,457)</u> |
| Change in net position - Governmental activities | <u><u>\$ 95,110</u></u> |

These financial statements should be read only in connection with the accompanying notes to financial statements.

ELIZABETH FIRE PROTECTION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance with Final Budget |
|--|--|-------------------|---|
| REVENUES | | | |
| Property taxes: | | | |
| General operations | \$ 1,689,421 | \$ 1,697,920 | \$ 8,499 |
| Capital improvements | 282,910 | 282,910 | - |
| Specific ownership taxes | 315,000 | 332,806 | 17,806 |
| Ambulance transports, net of bad debts | 325,000 | 267,172 | (57,828) |
| Infrastructure fees | 5,000 | 1,000 | (4,000) |
| Permit fees and fines | 10,000 | 13,776 | 3,776 |
| Net investment income | 1,000 | 3,651 | 2,651 |
| Grants | 130,500 | 121,780 | (8,720) |
| Proceeds from sale of capital assets | 40,000 | 2,500 | (37,500) |
| Spring Valley Districts fire protection fees | 10,000 | 10,000 | - |
| CPR income | 1,000 | 445 | (555) |
| Other | 8,775 | 16,697 | 7,922 |
| TOTAL REVENUES | 2,818,606 | 2,750,657 | (67,949) |
| EXPENDITURES | | | |
| Administration | 2,052,785 | 2,021,074 | 31,711 |
| Information technology | 18,350 | 21,273 | (2,923) |
| EMS | 26,700 | 25,578 | 1,122 |
| Fire prevention | 10,950 | 7,267 | 3,683 |
| Training | 38,848 | 29,964 | 8,884 |
| Firefighting | 33,500 | 55,559 | (22,059) |
| Maintenance | 107,220 | 127,458 | (20,238) |
| Communications | 15,200 | 12,800 | 2,400 |
| County Treasurer's fees | 59,169 | 57,714 | 1,455 |
| Contribution to volunteer pension plan | 44,811 | 44,811 | - |
| Joint operating facility | - | 2,587 | (2,587) |
| Debt service: | | | |
| Principal | 265,676 | 265,676 | - |
| Interest and other fiscal charges | 26,304 | 26,304 | - |
| Capital outlay: | | | |
| Vehicles | - | 16,000 | (16,000) |
| Equipment | 110,000 | 46,615 | 63,385 |
| Joint facility | 15,000 | - | 15,000 |
| Contingency | 10,000 | - | 10,000 |
| Total expenditures | 2,834,513 | 2,760,680 | 73,833 |
| CHANGE IN FUND BALANCE | (15,907) | (10,023) | 5,884 |
| FUND BALANCE - BEGINNING OF YEAR | 457,943 | 443,506 | (14,437) |
| FUND BALANCE - END OF YEAR | \$ 442,036 | \$ 433,483 | \$ (8,553) |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Elizabeth Fire Protection District (District), a quasi-municipal corporation and political subdivision of the State, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Elbert County, Colorado. The District was established to provide fire protection services, including emergency medical services to the Town of Elizabeth and surrounding geographic areas in Elbert County.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, 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.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District except for the fiduciary activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District, with the difference between the assets, and liabilities and deferred inflows of resources, of the District being reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes and emergency medical services fees. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Accounts Receivable

Accounts receivable consist of uncollected ambulance transport revenue and are shown net of an allowance for uncollectible accounts receivable. The allowance for uncollectible accounts receivable is estimated based on historical collections by the District. Actual collections may be different than the amounts estimated.

Capital Assets

Capital assets, which include buildings, improvements, equipment and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

| | |
|-----------|-------------|
| Buildings | 15-50 years |
| Cisterns | 30 years |
| Equipment | 6-20 years |
| Vehicles | 5-25 years |

Depreciation expense is charged to the public safety – fire function in the statement of activities.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for 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 that time. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, *Accounting and*

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 (GASB 68) and GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB 68 (GASB 71).

In addition to liabilities, the statement of net position and fund balance sheets 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/fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Property tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

The District has a policy that allows employees to accumulate unused vacation benefits up to certain maximum hours. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The District's General Fund is used to liquidate compensated absences of the governmental activities.

Fund Balances – Governmental Funds

The District's governmental fund balance may consist of five classifications based on the relative strength of the spending constraints as follows:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Cash and investments as of December 31, 2016 consist of the following:

| | |
|--------------------------------------|------------|
| Cash on hand | \$ 100 |
| Deposits with financial institutions | 30,249 |
| Investments | 300,317 |
| Total cash and investments | \$ 330,666 |

Cash Deposits

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 regulators. 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 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 aggregate uninsured deposits.

The State Commissioners for banks 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.

At December 31, 2016 the District's cash deposits had a bank balance of \$47,555 and a carrying balance of \$30,249.

Investments

Credit Risk

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirement.

As of December 31, 2016, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--|--------------------------------|-------------------|
| Colorado Local Government Liquid Asset Trust (COLOTRUST) | Weighted average under 60 days | \$ 293,636 |
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted average under 60 days | <u>6,681</u> |
| | | <u>\$ 300,317</u> |

COLOTRUST

At December 31, 2016, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner 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 repurchase agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAM by Standard and Poor's.

CSAFE

At December 31, 2016, the District has invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE invests primarily in U.S. Treasury securities, agencies, repurchase agreements, bank deposits, AAAM rated SEC registered money-market funds and highly-rate commercial paper. COLOTRUST is rated AAAM by Standard and Poor's.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment in COLOTRUST is valued using Level 2 inputs.

The District also has investments are not measured at fair value and are therefore not categorized within the fair value hierarchy. These investments include a 2a7-like external

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

investment pool (CSAFE, which is recorded at amortized cost. The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

| | Balance at December 31, 2015 | Increases | Decreases | Balance at December 31, 2016 |
|---|---|---------------------|--------------------|---|
| Capital assets, not being depreciated: | | | | |
| Land and water rights | \$ 300,200 | \$ - | \$ - | \$ 300,200 |
| Capital asset in process | 44,089 | - | (44,089) | - |
| Total capital assets, not being depreciated | <u>344,289</u> | <u>-</u> | <u>(44,089)</u> | <u>300,200</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,997,787 | - | - | 1,997,787 |
| Cisterns | 235,205 | - | - | 235,205 |
| Equipment | 610,402 | 46,615 | (50,408) | 606,609 |
| Vehicles | 2,391,474 | 60,089 | (25,716) | 2,425,847 |
| Total capital assets, being depreciated | <u>5,234,868</u> | <u>106,704</u> | <u>(76,124)</u> | <u>5,265,448</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,286,438) | (31,487) | - | (1,317,925) |
| Cisterns | (133,989) | (7,574) | - | (141,563) |
| Equipment | (338,477) | (55,528) | 50,408 | (343,597) |
| Vehicles | (1,274,113) | (131,923) | 25,716 | (1,380,320) |
| Total accumulated depreciation | <u>(3,033,017)</u> | <u>(226,512)</u> | <u>76,124</u> | <u>(3,183,405)</u> |
| Total capital assets, being depreciated depreciated, net | <u>2,201,851</u> | <u>(119,808)</u> | <u>-</u> | <u>2,082,043</u> |
| Capital assets, net | <u>\$ 2,546,140</u> | <u>\$ (119,808)</u> | <u>\$ (44,089)</u> | <u>\$ 2,382,243</u> |

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

| | Balance at December 31, 2015 | Additions | Reductions | Balance at December 31, 2016 | Due Within One Year |
|-----------------------------------|---|-------------------|---------------------|---|------------------------------------|
| Capital lease - vehicles/stations | \$ 510,830 | \$ - | \$ (249,978) | \$ 260,852 | \$ 260,852 |
| Capital lease - vehicles | 68,623 | - | (15,698) | 52,925 | 16,632 |
| Compensated absences | 40,196 | 103,142 | (102,757) | 40,581 | 40,581 |
| | <u>\$ 619,649</u> | <u>\$ 103,142</u> | <u>\$ (368,433)</u> | <u>\$ 354,358</u> | <u>\$ 318,065</u> |

The detail of the District's long-term obligations, excluding the accrual for compensated absences, is as follows:

**ELIZABETH FIRE PROTECTION DISTRICT
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Capital Leases

Lease – Vehicle/stations – On December 4, 2009, the District entered into a capital lease with Wells Fargo Brokerage Services, LLC to finance the construction/purchase of fire station improvements and vehicles. The lease proceeds were spent on various capitalizable and non-capitalizable purchases. Additionally the District used grant revenues to fund some of the purchases. The purchases which were capitalized included vehicles for a total of \$1,298,598 and buildings and improvements of \$641,236. At December 31, 2016 the total accumulated depreciation on these capitalized purchases was \$567,046 and \$130,019, respectively. The lease requires annual principal and interest payments of \$272,199 with interest of 4.35%. The final payment is due on July 15, 2017.

Lease – Vehicles – On October 6, 2015 the District entered into a Master Equipment Lease-Purchase Agreement with Ford Motor Credit LLC for the purchase of a 2015 Ford Expedition and a 2016 Ford F-150 for a combined total of \$88,404, including added equipment. As of December 31, 2016 the accumulated depreciation on the vehicles was \$9,213. The lease requires annual principal and interest payments of \$19,781 with interest at 5.95%. The annual lease payments began on October 6, 2015 and continue through October 6, 2019.

Future minimum lease obligations and the net present value of these lease payments as of December 31, 2016 are as follows:

December 31,

| | |
|---|------------|
| 2017 | \$ 291,981 |
| 2018 | 19,781 |
| 2019 | 19,781 |
| | 331,543 |
| Amount representing interest | (17,766) |
| Present Value of minimum lease payments | \$ 313,777 |

NOTE 6 – SHORT-TERM DEBT

On January 21, 2016 the District entered into a Line of Credit with a Wells Fargo Bank, National Association in an amount of up to \$150,000 to meet the reasonable and necessary business expenses of the District until the District begins receiving real property tax revenue levied for 2016 collection. The line of credit bears interest at a variable rate with a maturity date of January 28, 2017. The District did not draw on the Line of Credit in 2016. Subsequent to year end, on February 7, 2017 the District renewed the Line of Credit in an amount up to \$150,000 and a maturity date of February 28, 2018.

NOTE 7 - FUND EQUITY

At December 31, 2016, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$52,001 is comprised of prepaid amounts which are not in spendable form.

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$82,400 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 14).

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$15,385 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

NOTE 8 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the net investment in capital assets was \$2,005,508.

Restricted position include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$82,400 as of December 31, 2016 as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 14).

NOTE 9 – INTERGOVERNMENTAL AGREEMENT

As a condition of the organization of the Spring Valley Metropolitan District Nos. 2, 3 and 4 (Spring Valley Districts), the service plan approved by Elbert County requires the Spring Valley Districts to provide financial assistance to the District's provision of fire and emergency medical services. To meet their service plan obligations, in 2006 the Spring Valley Districts entered into an Intergovernmental Agreement for Fire Protection Fees with the District (IGA). The IGA requires the Spring Valley Districts to impose a fire protection fee on each residential unit constructed within the Spring Valley Districts' service area and to remit the revenue collected from lots specified in the IGA to the District. During 2016, the District received \$10,000 from the Spring Valley Districts pursuant to the IGA.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for risks of loss. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 – STATEWIDE MONEY PURCHASE PENSION PLAN

The District contributes to the Statewide Money Purchase Pension Plan, a defined contribution pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Money Purchase Pension Plan. Death and disability coverage is provided for members through the Statewide Death and Disability Plan, which is also administered by FPPA. All full-time, paid firefighters of the District are members of the Statewide Money Purchase Pension Plan and the Statewide Death and Disability Plan. Colorado Statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Money Purchase Pension Plan and the Statewide Death and Disability Plan. That report may be obtained by calling FPPA at 303-770-3772 in the Denver Metro area and 1-800-332-FPPA (3772) from outside the metro area.

The contribution requirements of plan members and the District are established by FPPA. The contribution rate to the Statewide Money Purchase Pension Plan for plan members is 8.0% of covered salary and for the District is 8.0% of covered salary. The plan members are 100% vested in their contributions to the plan from the first day of membership. The plan members vest in the employer contributions as follows:

| | |
|--------------------------------------|------|
| Upon death or disability retirement | 100% |
| Upon attaining normal retirement age | 100% |
| Otherwise based on years of service: | |
| Less than 1 year | 0% |
| 1 but less than 2 years | 20% |
| 2 but less than 3 years | 40% |
| 3 but less than 4 years | 60% |
| 4 but less than 5 years | 80% |
| 5 or more years | 100% |

The District contributed \$104,323 to the Statewide Money Purchase Pension Plan for the year ending December 31, 2016, equal to the District’s required contributions for each year.

NOTE 12 – VOLUNTEER PENSION PLAN

Volunteer Pension Plan

General Information about the Pension Plan

Plan description. The District, on behalf of its volunteer firefighters, contributes to the Volunteer Pension Plan (VPP), a defined benefit pension plan which is affiliated with the FPPA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the VPP have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Assets of the plan are commingled for investment purposes in the Fire and Police Member’s Benefit Fund, an agent multiple-employer defined benefit pension plan administered by FPPA. The Volunteer Pension Plan Board of Trustees is

**ELIZABETH FIRE PROTECTION DISTRICT
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comprised of the five Directors of the District and two District volunteer firefighters. The Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the plan. FPPA issues a publicly available comprehensive annual financial report that includes the assets of the volunteer plan. That report may be obtained at www.fppaco.org.

Volunteers covered and benefits provided. The retirement benefit provisions and plan requirements were established by the District under Colorado Revised Statutes. The District closed the Volunteer Pension Plan to new members effective December 31, 2004. Volunteer firefighters who complete the minimum annual training required by the District and who at the discretion of the Fire Chief are considered to have maintained “active service”, are eligible to participate in the plan for that year. Volunteers’ rights to a benefit vest after ten years of service. Volunteers, who retire at or after the age of 50 with ten years of credited service, are entitled to a benefit. The maximum monthly benefit is \$750. In addition, the plan provides death and disability benefits, funded by insurance policies. At December 31, 2016, there are 24 retirees and 2 beneficiaries receiving benefits and 1 inactive vested member.

Contributions. The District makes contributions based upon District established benefits and funding requirements based upon an actuarial study. Plan members do not make contributions. The State of Colorado also contributes to the plan in an amount set by statute. The District’s contributions were \$44,811 and the State of Colorado’s contributions were \$18,220 for the year ended December 31, 2016.

Net Pension Liability

Actuarial assumptions. The District’s net pension liability was based on an actuarial valuation performed as of January 1, 2015 and a measurement date of December 31, 2015. The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level dollar - open |
| Remaining amortization period | 20 years |
| Asset valuation method | 5 - year smoothed fair value |
| Investment rate of return | 7.5% per annum (net of operating expenses), compounded annually |
| Projected salary increases | N/A |
| Inflation | 3.0% |
| Cost-of-living adjustments | None |
| Retirement age | 50 years of age with 20 years of service |

Mortality: Pre-retirement mortality was based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality, post retirement mortality was based on the RP-2000 Mortality Table, with Blue Collar Adjustment and the mortality of disabled retirees was based on the RP-2000 Disabled Mortality Table. All tables projected with Scale AA.

Single Discount Rate. Projected benefit payments are discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on

**ELIZABETH FIRE PROTECTION DISTRICT
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pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Changes in the Net Pension Liability

Changes in the District's net pension liability for the year ended December 31, 2016 were as follows:

| | Increase (Decrease) | | |
|---|-----------------------------------|---------------------------------------|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability(Asset) (a) - (b) |
| Balances at 12/31/15 | \$ 1,825,335 | \$ 1,164,128 | \$ 661,207 |
| Changes for the year: | | | |
| Interest on the total pension liability | 130,662 | - | 130,662 |
| Benefit payments | (169,425) | (169,425) | - |
| District contributions | - | 58,548 | (58,548) |
| State of Colorado contributions | - | 18,220 | (18,220) |
| Pension plan net investment income | - | 20,583 | (20,583) |
| Administrative expense | - | (2,747) | 2,747 |
| Net Changes | <u>(38,763)</u> | <u>(74,821)</u> | <u>36,058</u> |
| Balances at 12/31/16 | <u>\$ 1,786,572</u> | <u>\$ 1,089,307</u> | <u>\$ 697,265</u> |

Sensitivity of the District's Net Pension (Asset) Liability to Changes in the Discount Rate. The following presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability 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:

| | 6.50% | 7.50% | 8.50% |
|--|-------------------|-------------------|-------------------|
| Proportionate share of the net pension (asset) liability | <u>\$ 856,582</u> | <u>\$ 697,265</u> | <u>\$ 560,548</u> |

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the District recognized pension expense (income) of \$45,365.

**ELIZABETH FIRE PROTECTION DISTRICT
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DECEMBER 31, 2016**

At December 31, 2016, the District reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources |
|---|---|
| Net difference between projected and actual earnings on pension plan investments | \$ 54,562 |
| Contributions subsequent to the measurement date | 44,811 |
| Total | \$ 99,373 |

The \$44,811 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ending December 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31</u> | |
|--------------------------------|------------------|
| 2017 | \$ 13,973 |
| 2018 | 13,973 |
| 2019 | 13,974 |
| 2020 | 12,642 |
| | \$ 54,562 |

NOTE 13 – DEFERRED COMPENSATION PLAN

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by FPPA. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years.

NOTE 14 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

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. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are

**ELIZABETH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On May 7, 1996, a majority of the District's electors authorized the District to collect, retain, or spend all revenue from all sources in 1996 and subsequent years without regard to any limitation under TABOR or the 5.5% limit of Section 29-1-301.

On May 2, 2000, voters within the District approved a ballot issue imposing an additional ad valorem property tax rate of 2.000 mills, increasing District taxes by \$155,438 annually. This rate increase, which commenced January 1, 2000 resulted in a total District mill levy rate, exclusive of refunds or abatements, of 11.74 mills providing fire protection, rescue, emergency medical and ambulance services, acquisition of capital equipment, construction of facilities, and hiring of additional personnel. The District was authorized to collect, retain, or spend all revenue generated from its 11.74 mill levy imposed.

On November 3, 2009, voters within the District approved the following ballot issue:

Shall Elizabeth Fire Protection District taxes be increased \$272,500 (first full fiscal year dollar increase) annually beginning in levy year 2009 (collected in 2010) and ending after the levy in year 2016 (collected in 2017) by increasing the District's existing tax by 1.970 mills to be used for: necessary upgrades to fire stations 1, 2, & 3; purchase of two structural fire engines; purchase of two wild land fire trucks; purchase of two emergency medical ambulances; purchase of two incident command vehicles; update apparatus & firefighter safety equipment; provided, that for the 8 years this capital improvement tax is in place, the revenue from the 1.970 mills and any earnings on this tax shall constitute a voter-approved revenue change within the meaning of Article X, Section 20 of the Colorado constitution and an exception to the limitations set forth in Section 29-1-301 of the Colorado Revised Statutes, and any other law?

On November 8, 2016, voters within the District approved the following ballot issue:

Without raising additional taxes, shall the existing Elizabeth Fire Protection District 1/97 mill property taxes designated for capital projects be extended indefinitely from its current expiration of December 31, 2017, and to be used only for capital improvements, all revenue and earnings from this tax constituting a permanent voter-approved revenue change within the meaning of Article X, Section 20 of the Colorado Constitution and an exception to the limitations set forth in Section 29-1-301 of the Colorado Revised Statutes and any other law.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**ELIZABETH FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)
VOLUNTEER PENSION PLAN
LAST TWO FISCAL YEARS**

| Measurement period ending December 31, | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| Total Pension Liability | | |
| Service cost | \$ - | \$ 1,456 |
| Interest on the total pension liability | 130,662 | 137,548 |
| Difference between expected and actual experience | - | (64,229) |
| Benefit payments | <u>(169,425)</u> | <u>(162,473)</u> |
| Net Change in Total Pension Liability | (38,763) | (87,698) |
| Total Pension Liability - Beginning | 1,825,335 | 1,913,033 |
| Total Pension Liability - Ending (a) | <u>\$ 1,786,572</u> | <u>\$ 1,825,335</u> |
| Plan Fiduciary Net Position | | |
| District contributions | \$ 58,548 | \$ 58,548 |
| State of Colorado contributions | 18,220 | 18,220 |
| Pension plan net investment income | 20,583 | 78,152 |
| Benefit payments | (169,425) | (162,473) |
| Administrative expense | <u>(2,747)</u> | <u>(2,164)</u> |
| Net Change in Plan Fiduciary Net Position | (74,821) | (9,717) |
| Plan Fiduciary Net Position - Beginning | 1,164,128 | 1,173,845 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 1,089,307</u> | <u>\$ 1,164,128</u> |
| Net Pension Liability/(Asset) - Ending (a)-(b) | <u>\$ 697,265</u> | <u>\$ 661,207</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 60.97% | 63.78% |
| Covered Employee Payroll | N/A | N/A |
| Contributions as a Percentage of Covered Employee Payroll | N/A | N/A |

NOTE: Information for the prior eight years was not available to report.

**ELIZABETH FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
VOLUNTEER PENSION PLAN
LAST THREE FISCAL YEARS**

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 63,031 | \$ 76,768 | \$ 76,768 |
| Contributions in relation to the actuarially required contribution: | | | |
| District contribution | (44,811) | (58,548) | (58,548) |
| State of Colorado contribution | (18,220) | (18,220) | (18,220) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | N/A | N/A | N/A |
| Contributions as a percentage of covered employee payroll | N/A | N/A | N/A |

Notes to Schedule

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level dollar - open |
| Remaining amortization period | 20 years |
| Asset valuation method | 5 - year smoothed fair value |
| Investment rate of return | 7.5% per annum (net of operating expenses), compounded annually |
| Projected salary increases | N/A |
| Inflation | 3.0% |
| Cost-of-living adjustments | None |
| Retirement age | 50 years of age with 20 years of service |
| Mortality | |

Pre-retirement mortality was based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. Post retirement mortality was based on the RP-2000 Mortality Table, with Blue Collar Adjustment. The mortality of disabled retirees was based on the RP-2000 Disabled Mortality Table. All tables projected with Scale AA.

NOTE: Information for the prior seven years was not available to report.

OTHER INFORMATION

**ELIZABETH FIRE PROTECTION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2016**

| <u>Year Ended December 31,</u> | <u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u> | <u>Mills Levied General</u> | <u>Property Taxes</u> | | <u>Percentage Collected to Levied</u> |
|--|---|---------------------------------|-----------------------|------------------|---|
| | | | <u>Levied</u> | <u>Collected</u> | |
| 2007 | \$ 126,405,935 | 11.778 * | \$ 1,488,809 | \$ 1,486,772 | 99.9% |
| 2008 | \$ 138,427,565 | 11.871 * | \$ 1,643,274 | \$ 1,636,622 | 99.6% |
| 2009 | \$ 140,945,510 | 11.828 * | \$ 1,667,103 | \$ 1,657,594 | 99.4% |
| 2010 | \$ 135,877,326 | 13.769 * | \$ 1,870,895 | \$ 1,876,578 | 100.3% |
| 2011 | \$ 139,596,664 | 13.791 * | \$ 1,925,177 | \$ 1,925,271 | 100.0% |
| 2012 | \$ 129,293,842 | 13.758 * | \$ 1,778,825 | \$ 1,772,124 | 99.6% |
| 2013 | \$ 129,285,770 | 13.767 * | \$ 1,779,877 | \$ 1,771,976 | 99.6% |
| 2014 | \$ 127,129,393 | 13.805 * | \$ 1,755,021 | \$ 1,754,367 | 100.0% |
| 2015 | \$ 127,522,779 | 13.752 * | \$ 1,753,693 | \$ 1,750,685 | 99.8% |
| 2016 | \$ 143,609,333 | 13.734 * | \$ 1,972,331 | \$ 1,980,830 | 100.4% |
| Estimated for year ending December 31, 2017 | \$ 145,940,068 | 13.742 * | \$ 2,005,508 | | |

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

* Includes tax refunds and abatement mill levy