

FOUR MILE FIRE PROTECTION DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2016



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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Four Mile Fire Protection District
Boulder, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Four Mile 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 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 each major fund of the Four Mile Fire Protection District, as of December 31, 2016, and the respective changes in financial position, and, thereof 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 required supplementary information on pages 26-27 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.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this missing information.

John Luttrell & Associates, LLC

July 30, 2017

BASIC FINANCIAL STATEMENTS

FOUR MILE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2016

	GOVERNMENTAL <u>ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 472,117
Accounts Receivable	129,701
Receivables	
Property Taxes	168,135
Prepaid Expenses	9,751
Capital Assets, Not Depreciated	14,816
Capital Assets, Depreciated	
Net of Accumulated Depreciation	<u>2,409,028</u>
 TOTAL ASSETS	 <u>3,203,548</u>
LIABILITIES	
Accounts Payable	42,530
Accrued Salaries and Benefits	9,418
Capital Leases	
Due in One Year	42,392
Due in More Than One Year	<u>295,549</u>
 TOTAL LIABILITIES	 <u>389,889</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues - Property Taxes	<u>168,135</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>168,135</u>
NET POSITION	
Net Investment in Capital Assets	2,113,479
Restricted for Emergencies	6,500
Restricted for Grant Purposes	15,174
Unrestricted	<u>510,371</u>
 TOTAL NET POSITION	 <u><u>\$ 2,645,524</u></u>

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

FOUR MILE FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		NET (EXPENSE)
		Charges for Services	Operating Grants and Contributions	REVENUE AND CHANGE IN NET POSITION
PRIMARY GOVERNMENT				Governmental Activities
Governmental Activities				
General Government	\$ 787,120	\$ -	\$ 519,007	\$ (268,113)
Interest on Long-Term Debt	11,712	-	-	(11,712)
Total Governmental Activities	798,832	-	519,007	(279,825)
GENERAL REVENUES				
				172,831
Property Taxes				73,872
Specific Ownership Taxes				104,801
Mitigation				20,690
Donations				21,345
Other				-
Gain on Disposal of Assets				
TOTAL GENERAL REVENUES				393,539
CHANGE IN NET POSITION				113,714
NET POSITION, Beginning				2,531,810
NET POSITION, Ending				\$ 2,645,524

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

FOUR MILE FIRE PROTECTION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	GENERAL FUND	WATER COALITION FUND	TOTALS
ASSETS			
Cash and Investments	\$ 469,369	\$ 2,748	\$ 472,117
Property Taxes Receivable	168,135	-	168,135
Accounts Receivable	24,106	-	24,106
Grant Receivable	48,864	56,731	105,595
Prepaid Expenses	9,751	-	9,751
TOTAL ASSETS	<u>\$ 720,225</u>	<u>\$ 59,479</u>	<u>\$ 779,704</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ 1,304	\$ 41,226	\$ 42,530
Accrued Expenses	6,339	3,079	9,418
TOTAL LIABILITIES	<u>7,643</u>	<u>44,305</u>	<u>51,948</u>
DEFERRED INFLOWS			
Deferred Revenues - Property Taxes	168,135	-	168,135
FUND EQUITY			
Fund Balance			
Nonspendable	9,751	-	9,751
Restricted for Emergencies	6,500	-	6,500
Restricted for Grant Purposes	-	15,174	15,174
Unassigned	528,196	-	528,196
TOTAL FUND EQUITY	<u>544,447</u>	<u>15,174</u>	<u>559,621</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY	<u>\$ 720,225</u>	<u>\$ 59,479</u>	<u>\$ 779,704</u>

Amounts reported for governmental activities in the statement of net position are different because:

Fund Equity, Governmental Funds	559,621
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,423,844
Long-term liabilities and related assets are not due and payable in the current period and are not reported in the funds. This includes capital leases payable.	<u>(337,941)</u>
Net position of governmental activities	<u>\$ 2,645,524</u>

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

FOUR MILE FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	GENERAL FUND	WATER COALITION FUND	TOTALS
REVENUES			
Property Taxes	\$ 172,831	\$ -	\$ 172,831
Specific Ownership Taxes	73,872	-	73,872.00
Mitigation Revenue	104,801	-	104,801.00
Grants	296,297	222,710	519,007.00
Donations	20,690	-	20,690.00
Miscellaneous	21,345	-	21,345.00
	<u>689,836</u>	<u>222,710</u>	<u>912,546</u>
TOTAL REVENUES			
EXPENDITURES			
Salaries and Benefits	218,151	113,906	332,057
Firefighting and Prevention	63,446	-	63,446
General and Administrative	222,924	-	222,924
Project Planning and Implementation	-	92,224	92,224
Miscellaneous	-	1,406	1,406
Debt Service			
Principal	86,149	-	86,149
Interest and Fiscal Charges	11,712	-	11,712
	<u>602,382</u>	<u>207,536</u>	<u>809,918</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	87,454	15,174	102,628
FUND BALANCES, Beginning	456,993	-	456,993
FUND BALANCES, Ending	<u>\$ 544,447</u>	<u>\$ 15,174</u>	<u>\$ 559,621</u>

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

FOUR MILE FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 102,628
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. This is the amount by which depreciation (\$161,879) exceeds capital outlay \$86,816.	(75,063)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the capital lease payments.	<u>86,149</u>
Change in Net Position of Governmental Activities	<u><u>\$ 113,714</u></u>

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

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Four Mile Fire Protection District (the “District”) was formed in 1962 to provide fire, medical response, search and rescue and fire mitigation services to the mountain communities and historic townships in their district. They serve an area consisting of approximately 2200 residents, covering over 13 square miles, including a portion of Boulder and extending west. The District provides emergency services for fires, medical emergencies, rescues, hazardous materials releases, and man-made disasters within the District. The District is governed by a five-member Board of Directors elected by the residents.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the 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.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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 the 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

In the fund financial statements, the District reports the following major governmental funds:

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

The *Water Coalition Fund* accounts for grant revenue related to watershed related disaster recovery work.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value.

Capital Assets

Capital assets, which include property and equipment, 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 and an estimated useful life in excess of one year. 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 assets' lives are not capitalized.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Buildings	15 - 40 years
Machinery and Equipment	5 - 20 years
Vehicles	5 - 15 years

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net positions.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to the liabilities, the statement of financial position and 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 and 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 Taxes

The District certifies its property taxes expressed as a mill levy, on or before December 15. Property taxes attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

Net Position

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

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions

Fund Balance Classification

In the government-wide financial statements, net positions are restricted when constraints placed on the net positions are externally imposed.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. At December 31, 2016, the District reports prepaid expenses as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by the State Constitution for declared emergencies. The District has also restricted unspent grant funds related to the watershed project as restricted.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (motion or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not report any Fund Balance as committed as of December 31, 2016.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Before October 15, the Board of Directors appoints District Management as the District's Budget Officer.
- On or before October 15, District Management, acting as the Budget Officer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- At least one public hearing is conducted to obtain taxpayer comments.
- Prior to December 15, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between one or more line items within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

NOTE 3: CASH DEPOSITS

A summary of deposits as of December 31, 2016 follows:

Cash Deposits \$ 472,117

Deposits

Custodial Credit Risk -Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CASH DEPOSITS (Continued)

At December 31, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2016, the District had deposits with financial institutions with a carrying amount of \$472,117. The bank balances with the financial institutions were \$511,276 these balances, \$250,000 was covered by federal depository insurance and \$261,276 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado local governments. As of December 31, 2016, the District did not hold any investments and is not subject to credit risk.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016, is summarized below:

	Balances <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/16</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ <u>14,816</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>14,816</u>
Capital Assets, depreciated				
Buildings and Improvements	2,189,843	67,039	-	2,256,882
Machinery and Equipment	421,848	-	-	421,848
Vehicles	<u>1,032,120</u>	<u>19,777</u>	<u>-</u>	<u>1,051,897</u>
Total Capital Assets, depreciated	<u>3,643,811</u>	<u>86,816</u>	<u>-</u>	<u>3,730,627</u>
Less Accumulated Depreciation				
Buildings and Improvements	109,461	75,354	-	184,815
Machinery and Equipment	336,393	13,070	-	349,463
Vehicles	<u>713,866</u>	<u>73,455</u>	<u>-</u>	<u>787,321</u>
Total Accumulated Depreciation	<u>1,159,720</u>	<u>161,879</u>	<u>-</u>	<u>1,321,599</u>
Total Capital Assets, depreciated, Net	<u>2,484,091</u>	<u>(75,063)</u>	<u>-</u>	<u>2,409,028</u>
Governmental Activities, Capital Assets, Net	<u>\$ 2,498,907</u>	<u>\$ (75,063)</u>	<u>\$ -</u>	<u>\$ 2,423,844</u>

Depreciation expense was charged to general government program of the District.

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2016.

	Balance <u>12/31/15</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/16</u>	Due In <u>One Year</u>
Capital Lease	<u>\$ 424,090</u>	<u>\$ -</u>	<u>\$ 86,149</u>	<u>\$ 337,941</u>	<u>\$ 42,392</u>

Capital Leases

On August 26, 2011, the District entered into a capital lease agreement to finance the acquisition of an engine. The lease requires monthly payments of principal and interest, accruing at a rate of 3.86% through October 2018.

On February 1, 2015, the District entered into a capital lease agreement to finance the Poorman Station. The lease requires monthly payments of principal and interest, accruing at a rate of 3.61% through February 2030.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 5: LONG-TERM DEBT (Continued)

Payments of \$28,928 and \$16,346 were made during 2016 to pay off the 2014 Dodge Ram and Chipper leases respectively.

Future Debt Service Requirements

Annual debt service requirements for the capital leases at December 31, 2016, are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 42,392	\$ 11,597	\$ 53,989
2018	37,698	10,030	47,728
2019	19,097	8,995	28,092
2020	19,798	8,294	28,092
2021	20,525	7,567	28,092
2022-2030	<u>198,431</u>	<u>30,982</u>	<u>229,413</u>
Total Debt Service Requirements	<u>\$ 337,941</u>	<u>\$ 77,465</u>	<u>\$ 415,406</u>

NOTE 6: 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 disasters. The District maintains insurance through a commercial carrier for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

NOTE 7: COMMITMENTS AND CONTINGENCIES

TABOR Amendment - Colorado voters passed the Taxpayer's Bill of Rights (TABOR), which amended the State Constitution to add Article X, Section 20, which imposes several limitations and requirements, including revenue raising, spending abilities, and other specific requirements of state and local government. Upon formation of the District in 2011, the District's voters exempted the District from TABOR's revenue and spending limits, and the annual revenue limits imposed by Section 29-1-301 of the Colorado Revised Statutes.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by TABOR. At December 31, 2016, the emergency reserve of \$6,500 was recorded in the General Fund. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: SUBSEQUENT EVENT

The district is negotiating a water lease agreement with Pine Brook Water District for approximately \$60,000. Pine Brook will provide fully consumable water under its water rights for augmentation use by Four Mile Fire District. The long-term lease of fully consumable water replacement water from Pine Brook is estimated to span over 10 years.

NOTE 9: RELATED PARTIES

The Fire Chief's stepdaughter is the Grant Coordinator for the Watershed Coalition Fund. During the year ended December 31, 2016, the District paid a salary of \$68,400 to the Grant Coordinator.

REQUIRED SUPPLEMENTAL INFORMATION

FOUR MILE FIRE PROTECTION DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Property Taxes	\$ 170,050	\$ 172,831	\$ 2,781
Firefighting Revenue	150,000	73,872	(76,128)
Mitigation Revenue	105,000	104,801	(199)
Grants	385,000	296,297	(88,703)
Donations	50,000	20,690	(29,310)
Miscellaneous	60,000	21,345	(38,655)
 TOTAL REVENUES	 <u>920,050</u>	 <u>689,836</u>	 <u>(230,214)</u>
EXPENDITURES			
Current			
Salaries and Benefits	-	218,151	(218,151)
Operations	507,500	63,446	444,054
Supplies	24,500	12,863	11,637
Training	8,500	-	8,500
Administration	80,000	61,439	18,561
Equipment Maintenance	30,000	22,019	7,981
Emergency Reserves	77,700	-	77,700
Capital Outlay	19,500	123,533	(104,033)
Debt Service	70,015	97,861	(27,846)
Other	-	3,070	(3,070)
 TOTAL EXPENDITURES	 <u>817,715</u>	 <u>602,382</u>	 <u>215,333</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>102,335</u>	 <u>87,454</u>	 <u>(14,881)</u>
 FUND BALANCE, Beginning	 <u>141,529</u>	 <u>456,993</u>	 <u>315,464</u>
 FUND BALANCE, Ending	 <u>\$ 243,864</u>	 <u>\$ 544,447</u>	 <u>\$ 300,583</u>

See the accompanying independent auditors' report.

FOUR MILE FIRE PROTECTION DISTRICT

WATER COALITION FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Grants	\$ 1,830,000	\$ 222,710	\$ (1,607,290)
Donations	10,000	-	(10,000)
TOTAL REVENUES	<u>1,840,000</u>	<u>222,710</u>	<u>(1,617,290)</u>
EXPENDITURES			
Current			
Salaries and Benefits	130,000	113,906	16,094
Project Planning	300,000	50,411	249,589
Project Implementation	1,400,000	41,813	1,358,187
Miscellaneous	10,000	1,406	8,594
TOTAL EXPENDITURES	<u>1,840,000</u>	<u>207,536</u>	<u>1,632,464</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>15,174</u>	<u>15,174</u>
CHANGE IN FUND BALANCE	-	15,174	15,174
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 15,174</u>	<u>\$ 15,174</u>

See the accompanying independent auditors' report.