

cPa DIXON, WALLER & CO., INC.

LA VETA FIRE PROTECTION DISTRICT

LA VETA, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2016



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DIXON, WALLER & CO., INC.

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FINANCIAL SECTION

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Independent Auditor's Report

**Board of Directors
La Veta Fire Protection District
La Veta, Colorado**

We have audited the accompanying financial statements of the governmental activities and each major fund of La Veta 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 financial position of the governmental activities and each major fund of the La Veta Fire Protection District as of December 31, 2016, and the changes in financial position 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 management's discussion and analysis and budgetary comparison information on pages i through v, and 20 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.



June 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**La Veta Fire Protection District
Management Discussion and Analysis
Year Ended December 31, 2016**

Introduction:

The following discussion and analysis of La Veta Fire Protection District's financial performance provides an annual overview of the district's financial activities for the fiscal year ended December 31, 2016. This discussion and analysis should be read with the accompanying financial statements of the La Veta Fire Protection District.

Financial Highlights:

- The assets of the District exceeded its liabilities at December 31, 2016 by \$1,577,422 (net position).
- \$278,742 (unrestricted net position) may be used to meet the District's ongoing obligation to citizens and creditors.
- \$11,300 is held in Tabor Reserve and the remaining \$1,287,380 is invested in capital assets.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and include: government-wide financial statements, fund analysis, and budget highlights.

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 private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows 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 District's net position changed during 2016.

Both of the government-wide financial statements distinguish governmental activities that are functions of the District principally supported by district tax revenue.

Notes to the Financial Statements:

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found later in this report.

Government-wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the La Veta Fire Protection District, assets exceeded liabilities by \$1,577,422 at the close of 2016 as compared to \$1,125,868 at the close of 2015.

Capital assets include land, buildings, vehicles, and equipment. These capital assets are used to provide services to citizens of the District. Current assets are used to meet the District's ongoing obligations to citizens and creditors.

Statement of Activities:

The following table compares changes in the net assets at December 31, 2015 and December 31, 2016:

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Property Taxes	199,847	206,788
Specific Ownership Taxes	22,040	23,116
Other Taxes	813	992
Earnings on Investments	652	754
Other Income	762,749	761,951
Total Revenues	986,101	993,601
Expenditures		
General Administration	82,579	74,407
Fire	249,773	206,632
EMS	111,287	113,822
Capital outlay	90,908	26,627
Total Expenditures	534,547	421,488
Change in Net Position	451,554	572,113

The following table provides a summary of the District's net position at December 31, 2016 compared with net position at December 31, 2015.

	<u>2016</u>	<u>2015</u>
Assets		
Cash and Investments	272,471	258,984
Accounts Receivable – Net	29,155	19,431
Grants Receivable	15,156	425,779
Property Taxes Receivable	211,768	207,184
Inventories	8,533	8,310
Prepaid Assets	5,596	8,864
Capital Assets	3,213,987	2,216,948
Accumulated Depreciation	(1,038,960)	(944,334)
Total Assets	2,717,706	2,201,166
Liabilities		
Accounts Payable	20,597	147,345
Accrued Salaries	12,833	12,157
Accrued Interest Payable	7,439	3,876
Debt Payable – Current	45,723	25,433
Debt Payable – Long Term	841,924	679,303
Total Liabilities	928,516	868,114
Deferred Inflows of Resources		
Unavailable Revenue – Property Taxes	211,768	207,184
Total Deferred Inflow of Resources	211,768	207,184
Net Position		
Net Investment in Capital Assets	1,287,380	567,878
Restricted for Tabor Reserve	11,300	25,700
Unrestricted	278,742	532,290
Total Net Position	1,577,422	1,125,868

The following is the District's Activities by Major Function

	<u>2015</u>		<u>2015</u>	
	Total Cost of Service	Net cost of Service	Total Cost of Service	Net Cost of Service
Public Safety	505,867	256,882	417,612	344,339
Interest	28,680	(28,680)	3,876	(3,876)

Governmental Funds:

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the end of 2016, the District reported a fund balance of \$297,481, of which \$11,300 is reserved. The reservation of fund balance is committed to Tabor Emergency Reserve.

Budgetary Highlights:

The La Veta Fire Protection District 2016 budget was prepared in accordance with the Colorado State Statutes. The 2016 budget was approved and appropriated by the Board in December 2015.

The following table compares budget to actual in 2016 and 2015:

	<u>Budget 2016</u>	<u>Actual 2016</u>	<u>Budget 2015</u>	<u>Actual 2015</u>
Tax Revenue	232,184	222,700	234,362	230,896
Grants	221,400	655,549	824,400	566,283
Building Revenues	860,000	-	-	-
Other Income	135,300	107,852	74,300	196,422
Proceeds from Debt	525,000	534,042	850,000	704,736
Fund Balance – Beginning	361,211	561,866	288,637	312,711
Expenditures	2,282,011	1,784,528	2,167,939	1,449,182
Fund Balance – End	53,084	297,481	103,760	561,866

Capital Assets:

The District's investment in capital assets for governmental activities as of December 31, 2016 was \$2,175,027 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment and vehicles.

La Veta Fire Protection District's Capital Assets (net of accumulated depreciation):

<u>Governmental Activities</u>	<u>2016</u>	<u>2015</u>
Buildings & Sites	2,226,480	199,629
Equipment & Vehicles	987,507	933,737
Construction in Progress	-	1,083,582
Total Capital Assets	3,213,987	2,216,948
Accumulated Depreciation	(1,038,960)	(944,334)
Total investment in capital assets, net	2,175,027	1,272,614

Changes in Long Term Debt

	<u>Beg Bal</u> <u>1/1/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Bal</u> <u>12/31/16</u>
Fowler State Bank Revolving Line of Credit	704,736	234,042	343,631	595,147
San Isabel Electric Association	-	300,000	7,500	292,500
	<u>704,736</u>	<u>534,042</u>	<u>351,131</u>	<u>887,647</u>

Request for Information:

This financial report along with the annual audit of the La Veta Fire Protection District has been designed to provide citizens of the District, vendors, suppliers and the State of Colorado with an overview of the La Veta Fire Protection District's finances and accountability for the money it receives through tax revenues, grants and other sources. Questions regarding this report should be directed to: La Veta Fire Protection District, PO Box 44, La Veta, CO 81055.

BASIC FINANCIAL STATEMENTS

LA VETA FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and Investments	272,471	272,471
Accounts Receivables-Net	29,155	29,155
Grants Receivable	15,156	15,156
Property Taxes Receivable	211,768	211,768
Inventories	8,533	8,533
Prepaid Assets	5,596	5,596
Capital Assets	3,213,987	3,213,987
Accumulated Depreciation	<u>(1,038,960)</u>	<u>(1,038,960)</u>
<u>Total Assets</u>	<u>2,717,706</u>	<u>2,717,706</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
	-	-
 <u>LIABILITIES</u>		
Accounts Payable	20,597	20,597
Accrued Salaries	12,833	12,833
Accrued Interest Payable	7,439	7,439
Debt Payable – Current	45,723	45,723
Debt Payable – Long Term	<u>841,924</u>	<u>841,924</u>
<u>Total Liabilities</u>	<u>928,516</u>	<u>928,516</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable Revenue – Property Taxes	<u>211,768</u>	<u>211,768</u>
<u>Total Deferred Inflow of Resources</u>	<u>211,768</u>	<u>211,768</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	1,287,380	1,287,380
Restricted for:		
TABOR Reserve	11,300	11,300
Unrestricted	<u>278,742</u>	<u>278,742</u>
<u>Total Net Position</u>	<u>1,577,422</u>	<u>1,577,422</u>

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

LA VETA FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>		
Cash and Investments	272,471	272,471
Accounts Receivable	29,155	29,155
Grants Receivable	15,156	15,156
Property Taxes Receivable	211,768	211,768
Inventories	8,533	8,533
Prepaid Assets	<u>5,596</u>	<u>5,596</u>
<u>Total Assets</u>	<u>542,679</u>	<u>542,679</u>
<u>LIABILITIES:</u>		
Accounts Payable	20,597	20,597
Accrued Salaries	<u>12,833</u>	<u>12,833</u>
<u>Total Liabilities</u>	<u>33,430</u>	<u>33,430</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Unavailable Revenue – Property Taxes	<u>211,768</u>	<u>211,768</u>
<u>FUND BALANCES:</u>		
Nonspendable:		
Inventories	8,533	8,533
Prepaid Assets	5,596	5,596
Restricted for:		
Emergencies	11,300	11,300
Committed for:		
Capital Outlay	67,867	67,867
Unassigned	<u>204,185</u>	<u>204,185</u>
<u>Total Fund Balances</u>	<u>297,481</u>	<u>297,481</u>
<u>TOTAL LIABILITIES, DEFERRED FLOWS AND FUND BALANCES</u>	<u>542,679</u>	<u>542,679</u>

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

**LA VETA FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2016**

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

<u>Total Fund Balance – Governmental Funds</u>	297,481
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,213,987 and the accumulated depreciation is \$1,038,960.	2,175,027
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(887,647)
Accrued interest on long term debt is not reported in the funds.	<u>(7,439)</u>
<u>Total Net Position – Governmental Activities</u>	<u>1,577,422</u>

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

LA VETA FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>		
Property Taxes	199,847	199,847
Specific Ownership Taxes	22,040	22,040
Other Taxes	813	813
Earnings on Investments	652	652
Donations	28,600	28,600
Charges for Services	78,600	78,600
Grants	<u>655,549</u>	<u>655,549</u>
<u>Total Revenues</u>	<u>986,101</u>	<u>986,101</u>
<u>EXPENDITURES:</u>		
General Administration	82,579	82,579
Fire	249,773	249,773
EMS	111,287	111,287
Capital Outlay	961,078	961,078
Debt Service		
Principal	351,131	351,131
Interest	<u>28,680</u>	<u>28,680</u>
<u>Total Expenditures</u>	<u>1,784,528</u>	<u>1,784,528</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(798,427)</u>	<u>(798,427)</u>
<u>OTHER FINANCING SOURCES (USES):</u>		
Proceeds from Debt	<u>534,042</u>	<u>534,042</u>
<u>Total Other Financing Sources (Uses)</u>	<u>534,042</u>	<u>534,042</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(264,385)</u>	<u>(264,385)</u>
<u>FUND BALANCES – Beginning</u>	<u>561,866</u>	<u>561,866</u>
<u>FUND BALANCES - Ending</u>	<u>297,481</u>	<u>297,481</u>

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

LA VETA FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENT 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 Change in Fund Balances – Total Governmental Funds (264,385)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays more than \$5,000	997,039	
Disposition of Assets	-	
Depreciation Expense	<u>(94,626)</u>	902,413

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:

Loan Proceeds		(534,042)
Principal Payment		351,131
Accrued Interest		<u>(3,563)</u>

Change in Net Position of Governmental Activities 451,554

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

LA VETA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of La Veta Fire Protection District conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

Governmental Accounting Standards board (GASB) Statement No. 14 (as amended by Statement No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organization for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units.

B. 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 the nonfiduciary activities of the primary government. 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 a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *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 governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

LA VETA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. 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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Amounts reported as program revenues included 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.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available to collect within 60 days after year-end.

Property taxes are reported as receivables and unearned revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

LA VETA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds bases upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

• **Major Governmental Funds**

1. **General Fund** – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

LA VETA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-7
Buildings	20-30
Vehicles	5-10

F. Budgets and Budgetary Accounting

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
4. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies, is not used by the La Veta Fire Protection District, Inc..

LA VETA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventories are recorded as expenditures when they are used.

I. Property Taxes

Property taxes represent ad valorem taxes levied by the District, which are payable to the County Treasurer, and are recognized as revenue by the District in the year for which they are levied.

Property taxes are levied in December for collection in the subsequent year.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

J. Use of Estimates

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

K. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

LA VETA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize debt issued as other financing sources.

M. GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the District, either because of a District Policy in the District Policy Manual, or because of motions that passed at District meetings.

Assigned Fund Balance Policy:

The District's Assigned Fund Balance is fund balance reporting occurring by District Administration authority, under the direction of the Chief Business Officer.

LA VETA FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. GASB Statement No. 54 (continued)

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	<u>General</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>		
Inventories	8,533	8,533
Prepaid Assets	5,596	5,596
<u>Restricted:</u>		
Emergencies	11,300	11,300
<u>Committed:</u>		
Capital Outlay	67,867	67,867
<u>Assigned:</u>	-	-
<u>Unassigned</u>	<u>204,185</u>	<u>204,185</u>
<u>Total Fund Balances</u>	<u>297,481</u>	<u>297,481</u>

N. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet 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 then.

In addition to liabilities, the statement of financial position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

NOTE 2 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Land	118,000	-	-	118,000
Capital Assets Being Depreciated:				
Buildings	81,629	2,026,851	-	2,108,480
Equipment & Vehicles	933,737	53,770	-	987,507
Construction In Progress	1,083,582	(1,083,582)	-	-
Total Capital Assets Being Depreciated	2,098,948	997,039	-	3,095,987
Less Accumulated Depreciation for:				
Buildings & Site Improvements	78,944	61,281	-	140,225
Equipment & Vehicles	865,390	33,345	-	898,735
Total Accumulated Depreciation	944,334	94,626	-	1,038,960
<u>Governmental Activities</u>				
Capital Assets, Net	1,272,614	902,413	-	2,175,027

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	94,626
<u>Total Depreciation Expense – Governmental Activities</u>	94,626

NOTE 3 CASH

The District's deposits at year end were covered by Federal depository insurance or secured under the Public Deposit Protection Act of the State of Colorado, whereby the custodial bank pledges collateral for amounts on deposit in excess of the amount guaranteed by the FDIC for governmental entities.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured	272,976	269,076
Uninsured, Collateralized Under the Public Deposit Protection Act of the State of Colorado	-	-
<u>Sub-Total</u>	272,976	269,076
Cash on Hand	-	1,683
Cash with County Treasurer	-	1,712
<u>Total Cash and Deposits</u>	272,976	272,471

Cash of \$11,300 is restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado. (See Note 4)

As presented above, deposits with a bank balance of \$0 and a carrying balance of \$0 as of December 31, 2016 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

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

NOTE 4 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic contributions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voters approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocable pledging present cash reserves for all future payments.

In 2000 the voters of the District approved that the District be able to collect, retain and spend all tax revenue collected from a tax rate of 3.903 mills, and all other revenue received from any sources, commencing January 1, 2001 and continuing thereafter.

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 (and qualifications as an Enterprise) will require judicial interpretation.

NOTE 5 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 all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

NOTE 6 ACCOUNTS RECEIVABLE

Accounts receivable reported as current assets by the District at December 31, 2016 consists of these amounts:

Accounts Receivable	29,155
Less:	
Allowance for Uncollectibles	<u>(7,000)</u>
Accounts Receivable – Net	<u>22,155</u>

NOTE 7 LONG TERM DEBT

The La Veta Fire Protection District entered into a loan agreement with Fowler State Bank on September 8, 2015 for the purpose of constructing a new station. The original amount of the loan was \$1,100,000 and was to be repaid on an annual basis over 25 years at an interest rate of 4.25%. During 2016, the loan was paid down and the balance was refinanced with an interest rate of 3.75%. Below is a schedule of the annual debt requirements to maturity.

<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
				595,147
2017	38,041	22,318	15,723	579,424
2018	38,041	21,728	16,313	563,111
2019	38,041	21,117	16,924	546,187
2020	38,041	20,482	17,559	528,628
2021	38,041	19,823	18,218	510,410
2022	38,041	19,140	18,901	491,509
2023	38,041	18,432	19,609	471,900
2024	38,041	17,696	20,345	451,555
2025	38,041	16,933	21,108	430,447
2026	38,041	16,142	21,899	408,548
2027	38,041	15,321	22,720	385,828
2028	38,041	14,468	23,573	362,255
2029	38,041	13,585	24,456	337,799
2030	38,041	12,667	25,374	312,425
2031	38,041	11,716	26,325	286,100
2032	38,041	10,729	27,312	258,788
2033	38,041	9,704	28,337	230,451
2034	38,041	8,642	29,399	201,052
2035	38,041	7,538	30,503	170,549
2036	38,041	6,396	31,645	138,904
2037	38,041	5,209	32,832	106,072
2038	38,041	3,977	34,064	72,008
2039	38,041	2,700	35,341	36,667
2040	<u>38,041</u>	<u>1,374</u>	<u>36,667</u>	-
	<u>912,984</u>	<u>317,837</u>	<u>595,147</u>	

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

NOTE 7 LONG TERM DEBT (Continued)

San Isabel Electric Association – USDA Loan

On August 25, 2016, the La Veta Fire Protection District entered into a loan agreement with San Isabel Electric Association. The amount of the loan is \$300,000. The loan has an interest rate of 0% and is to be repaid in monthly installments of \$2,500 over 120 months beginning October 2016. Below is a schedule of the annual debt requirements to maturity.

<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
				292,500
2017	30,000	0	30,000	262,500
2018	30,000	0	30,000	232,500
2019	30,000	0	30,000	202,500
2020	30,000	0	30,000	172,500
2021	30,000	0	30,000	142,500
2022	30,000	0	30,000	112,500
2023	30,000	0	30,000	82,500
2024	30,000	0	30,000	52,500
2025	30,000	0	30,000	22,500
2026	<u>22,500</u>	<u>0</u>	<u>22,500</u>	0
	<u>292,500</u>	<u>0</u>	<u>292,500</u>	

NOTE 8 SCHEDULE OF CHANGES IN LONG TERM DEBT

	<u>Beginning Balance 1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 12/31/2016</u>	<u>Current Portion</u>
Fowler State Bank Loan	704,736	234,042	343,631	595,147	15,723
San Isabel Electric Association	<u>-</u>	<u>300,000</u>	<u>7,500</u>	<u>292,500</u>	<u>30,000</u>
	<u>704,736</u>	<u>534,042</u>	<u>351,131</u>	<u>887,647</u>	<u>45,723</u>

REQUIRED SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund accounts for all transactions of the District not accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the District's overall operations.

**LA VETA FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Variance with</u>
	<u>Original & Final</u>	<u>Actual</u>	<u>Final Budget- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Property Taxes	207,184	199,847	(7,337)
Specific Ownership Tax	23,000	22,040	(960)
Other Taxes	2,000	813	(1,187)
Earnings on Investments	800	652	(148)
Donations	6,000	28,600	22,600
Charges for Services	62,000	78,600	16,600
Grants	221,400	655,549	434,149
Building Revenues	860,000	-	(860,000)
Other	66,500	-	(66,500)
<u>Total Revenues</u>	<u>1,448,884</u>	<u>986,101</u>	<u>(462,783)</u>
<u>EXPENDITURES</u>			
General Administration	133,000	82,579	50,421
Fire	236,800	249,773	(12,973)
EMS	145,400	111,287	34,113
Capital Outlay	1,700,311	961,078	739,233
Debt Service			
Principal	-	351,131	(351,131)
Interest	-	28,680	(28,680)
Other	66,500	-	66,500
<u>Total Expenditures</u>	<u>2,282,011</u>	<u>1,784,528</u>	<u>497,483</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>			
	<u>(833,127)</u>	<u>(798,427)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt	525,000	534,042	9,042
<u>Total Other Financing Sources (Uses)</u>	<u>525,000</u>	<u>534,042</u>	<u>9,042</u>
<u>NET CHANGE IN FUND BALANCES</u>			
	<u>(308,127)</u>	<u>(264,385)</u>	
<u>FUND BALANCE, Beginning</u>			
	<u>361,211</u>	<u>561,866</u>	
<u>FUND BALANCE, Ending</u>			
	<u>53,084</u>	<u>297,481</u>	

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