

ARTESIA FIRE PROTECTION DISTRICT

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2017

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Office of the State Auditor

July 30, 2018

FINANCIAL STATEMENTS - 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Artesia Fire Protection District

We have audited the accompanying financial statements of the governmental activities and the major fund of the Artesia Fire Protection District, as of and for the year ended December 31, 2017, and the related notes to the financial statements. We were engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units.

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.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
General Fund	Disclaimer

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Artesia Fire Protection District did not provide supporting documentation for several disbursements. These disbursements are included in the District's basic financial statements as expenses/expenditures and represent 40 percent and 46 percent of the expenses and expenditures, respectively, of the District's governmental activities and General Fund.

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Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental and major fund of the Artesia Fire Protection District. Accordingly, we do not express an opinion on these financial statements.

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 3-6 and 25-26 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.

CaloCPA Services, PC

Rangely, Colorado
June 29, 2018

MANAGEMENT DISCUSSION & ANALYSIS

The discussion and analysis of the Artesia Fire Protection District's (the "District") financial performance provides readers with an overall review of the financial activities of the District for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities by \$242,629 at December 31, 2017.
- Total District's cash and investments decreased by \$44,029 or 93 percent from 2016.
- The December 31, 2017 General fund balance is \$42,437 less than the previous year. The total fund balance is 2 percent of 2017 General Fund operating expenditures.

USING THIS ANNUAL REPORT

This Annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the District as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at the District's specific financial conditions.

The Statement of Net Position and Statement of Activities provides information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those assets. The Statement of Activities shows a net (expense) revenue and changes to net position related to each department of the District. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

OVERVIEW OF THE DISTRICT'S FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. The Statement of Net Position and Statement of Activities include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the year's revenues and expenses regardless of when the cash was received or paid.

These two statements report the District's net position and the changes in those positions. This change in position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. However, in evaluating the overall position of the District, non-financial information such as changes in the District's tax base and the condition of District capital assets will also need to be evaluated.

In the Statement of Net Position and Statement of Activities, the District's activities are reported as Governmental Activities.

Fund Financial Statements

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.

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

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 17 through 23 of this report.

Budgetary Comparisons. The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund on page 25 through 26.

REPORTING THE DISTRICT AS A WHOLE

Net Position. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

The following table provides a summary of the District's net position for 2017. 2016 was not audited so a comparison is not presented.

	Governmental Activities
	<u>2017</u>
Assets	
Current and other assets	\$ 32,921
Capital assets	<u>241,553</u>
Total assets	<u>274,474</u>
Liabilities	
Current and other liabilities	2,169
Long-term liabilities	<u>-</u>
Total liabilities	<u>2,169</u>
Deferred Inflows	<u>29,676</u>
Net Position	
Invested in capital assets	241,553
Restricted	1,020
Unrestricted	<u>56</u>
Total net position	<u>\$ 242,629</u>

A significant portion of the District's position represents unrestricted net position of \$56 which may be used to meet the ongoing obligations to patrons and creditors.

Another significant portion of the District's net position reflects its investment in capital assets. These assets include land, buildings, and equipment. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$1,020 of the District's net position represents resources that are subject to external restrictions on how they may be used. This is the TABOR emergency reserve.

The following table indicates the changes in net position. 2016 was not audited so a comparison is not presented.

	Governmental Activities 2017
Revenues:	
General revenues:	
General property taxes	\$ 31,110
Specific ownership tax	2,125
Investment earnings	11
Other	754
Total revenues	34,000
Expenses:	
Administration	48,534
Firefighting & prevention	39,636
Total expenses	88,170
Increase (decrease) in net position	\$ (54,170)

Governmental Activities. Governmental activities decreased the District's net position by \$54,170 in 2017. Key elements of this decrease are as follows:

Total expenses were greater than total revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds. Information about the District's governmental funds begins on page 11. These funds are accounted for using the modified accrual basis of accounting.

As of December 31, 2017, the total fund balance of the District's governmental fund was \$1,076. Approximately 5 percent of this consists of unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the District. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes: (1) a state-Constitution mandated emergency reserve (\$1,020). The District had Governmental revenues of \$34,000, expenditures of \$45,547, and other financing uses of \$30,890.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes.

2017 General Fund Budget

	Original Budget	Amend- ments	Final Budget	Actual
Beginning Fund Balance	\$ 47,900	\$ -	\$ 47,900	\$ 43,513
Revenue and other financing sources	39,283	-	39,283	34,000
Expenditures and other financing uses	(38,700)	-	(38,700)	(76,437)
Ending Fund Balance	<u>\$ 48,483</u>	<u>\$ -</u>	<u>\$ 48,483</u>	<u>\$ 1,076</u>

Actual expenditures and other financing uses were over budget by \$37,737. The difference includes unsupported disbursements of \$30,890 not being budgeted for.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental activities as of December 31, 2017 totaled \$241,553 (net of accumulated depreciation and related debt). This investment includes all land, buildings, and equipment.

The District uses the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated.

Long-term Debt. During the year ended December 31, 2017, the District paid off its capital lease.

Additional information on the District's debt can be found in Note 5.

ECONOMIC FACTORS AND OTHER MATTERS

Other Matters. The following factors are expected to have a significant effect on the District's financial position and results of operations and were taken into account in developing the 2018 budget:

- No capital projects anticipated.

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 District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, 301 Stegosaurus Freeway, PO Box 39, Dinosaur, CO 81610.

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FINANCIAL STATEMENTS

ARTESIA FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,245
Property taxes receivable	29,676
Capital assets, nondepreciable	62,451
Capital assets, net	<u>179,102</u>
TOTAL ASSETS	<u>274,474</u>
LIABILITIES	
Accounts payable	<u>2,169</u>
TOTAL LIABILITIES	<u>2,169</u>
DEFERRED INFLOWS	
Unearned revenue - property taxes	<u>29,676</u>
TOTAL DEFERRED INFLOWS	<u>29,676</u>
NET POSITION	
Investment in capital assets	241,553
Restricted for TABOR emergencies	1,020
Unrestricted	<u>56</u>
TOTAL NET POSITION	<u>\$ 242,629</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

ARTESIA FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities
Governmental activities				
Administration	\$ 50,039	\$ -	\$ -	\$ (50,039)
Firefighting & prevention	39,636	-	-	(39,636)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 89,675	\$ -	\$ -	(89,675)
General revenues:				
Property taxes				30,078
Specific ownership taxes				2,696
Investment earnings				113
Other income				2,618
Total General revenues				35,505
Change in net position				(54,170)
Net assets - beginning				296,799
Net assets - ending				\$ 242,629

The accompanying "Notes to Financial Statements" are an integral part of this statement.

ARTESIA FIRE PROTECTION DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2017**

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 3,245
Property tax receivable	<u>29,676</u>
TOTAL ASSETS	<u>\$ 32,921</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY	
LIABILITIES	
Accounts payable	<u>\$ 2,169</u>
TOTAL LIABILITIES	<u>2,169</u>
DEFERRED INFLOWS	
Unearned revenue - property taxes	<u>29,676</u>
TOTAL DEFERRED INFLOWS	<u>29,676</u>
FUND EQUITY	
Fund Balance	
Restricted for:	
TABOR emergencies	1,020
Unassigned	<u>56</u>
TOTAL FUND EQUITY	<u>1,076</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY	<u>\$ 32,921</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

ARTESIA FIRE PROTECTION DISTRICT

RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2017

Balance sheet - total fund balances	\$ 1,076
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>241,553</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 242,629</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

ARTESIA FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended December 31, 2017

	<u>General</u>
REVENUES	
Taxes	\$ 32,774
Interest	113
Other	<u>2,618</u>
TOTAL REVENUES	<u>35,505</u>
 EXPENDITURES	
Building	17,398
Equipment Repair	503
Gas & Oil	860
Insurance/Bonds	7,936
Miscellaneous	3,064
Office Supplies	246
Operating	996
Phone	1,142
Professional Services	3,300
Training	3,860
Treasurers Fees	1,505
Utilities	4,842
Debt Service	
Principal	1,400
Interest	<u>-</u>
TOTAL EXPENDITURES	<u>47,052</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,547)</u>
 OTHER FINANCING SOURCES (USES)	
Unsupported Disbursements	<u>(30,890)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,890)</u>
EXCESS OF REVENUES OVER (UNDER) EXPEND- ITURES AND OTHER FINANCING USES	(42,437)
 FUND BALANCE, BEGINNING OF YEAR	<u>43,513</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,076</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

ARTESIA FIRE PROTECTION DISTRICT

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017**

Net change in fund balances - total governmental funds	\$ (42,437)
Amounts reported for governmental activities in the statement of net activities are different because:	
Payment of principal on capital lease is an expenditure in the governmental funds, but the payment reduces the capital lease payable in the statement of net position.	1,400
The capital lease was considered to be paid in full at the end of the year by lessor. This was the remaining balance forgiven.	2,977
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 (\$16,110) exceeded capital outlay (\$0) in the current period.	<u>(16,110)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (54,170)</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

ARTESIA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The District is governed by an elected five-member Board of Directors. No additional separate government units, agencies, or nonprofit corporations are included in the financial statements of the District as component units. Component units are legally separate entities for which the District is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on the District.

The District provides protection of life and property from fire, including fire prevention and fire code enforcement to the Town of Dinosaur, Colorado, and surrounding areas.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately for 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 segment is 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 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.

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 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

ARTESIA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement focus, basis of accounting, and financial statement presentation, continued

Property taxes, licenses, 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 the District receives cash.

The District reports the following major governmental funds:

General Fund

The General Fund is the District's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. The major revenue sources are local property taxes. Expenditures include all costs associated with the daily operations of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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. Budgets and Budgetary Accounting

The District's Board of Directors follow these procedures in establishing the budgetary data reflected in the financial statements:

Prior to October 15, the administrator submits to the District's Board of Directors a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain the taxpayers' comments.

Prior to December 15, the budget is legally enacted through passage of a resolution.

Formal budgetary integration is employed as a management control device during the year.

A budget is adopted for the General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Appropriations lapse at the end of each calendar year.

The District may authorize supplemental appropriations during the year. No supplemental appropriations were made during the year.

Actual expenditures exceeded budget amounts by \$37,737, which may be a violation of Colorado State Statutes.

E. Property Taxes

Property taxes are levied on December 22 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in full by June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of June 16. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, in that the District's experience indicates that all material amounts will be collected and paid to the District.

ARTESIA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, trails, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets have been capitalized on a prospective basis, from 2004. Infrastructure prior to 2004 will not be capitalized. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of four years. 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 asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	7-10
Fire vehicles	10-20
Equipment	5-20

G. Encumbrances

The District does not use encumbrance accounting. Accordingly, no encumbrances have been recorded in the financial statements.

H. Use of Estimates

The presentation 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the Authority's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral included municipal bonds, U.S. government securities, mortgage, and deeds of trust.

State statutes authorized the District to invest in obligation of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

ARTESIA FIRE PROTECTION DISTRICT**NOTES TO FINANCIAL STATEMENTS**
December 31, 2017**NOTE 2 - CASH AND INVESTMENTS, Continued**

The District's investment policy is not more restrictive than State statutes. The District's investments are concentrated in bank CDs.

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value arising from increasing interest rates.

Summary of Cash

Cash and Cash Equivalents	
Cash deposits in bank – General Fund	\$ 1,120
Cash with County	<u>2,125</u>
Total cash and investments	<u>\$ 3,245</u>

NOTE 3 - PROPERTY TAXES**Revenue Recognized in 2017**

Local property taxes levied in 2016 and collected in 2017 are recognized as revenue in these financial statements as shown below:

	Assessed Valuation	Mill Levy	Amount of Taxes		Percent Collected
			Levied	Collected	
General Fund	\$ 3,283,887	9.233	\$ 29,915	\$ 31,110	104.0%

Property Taxes Receivable and Deferred Revenue

Local property taxes levied in 2017 but not collectible until 2018 are shown as property taxes receivable and unearned revenue on the balance sheet in the amount of the assessed taxes less estimated uncollectible amounts.

	Assessed Valuation	Mill Levy	Estimated Percent Collectible	Taxes Receivable	Unearned Revenue
General Fund	\$ 3,214,080	9.233	100.0%	\$ 29,676	\$ 29,676

NOTE 4 - CAPITAL ASSETS**A. Governmental Activities**

A summary of changes in capital assets during and for the year ended December 31, 2017 is as follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets not being depreciated:				
Land	\$ 62,451	\$ -	\$ -	\$ 62,451
Total assets not being depreciated	<u>62,451</u>	<u>-</u>	<u>-</u>	<u>62,451</u>

ARTESIA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 - CAPITAL ASSETS, Continued

A. Governmental Activities, continued

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets being depreciated:				
Buildings	270,958	-	-	270,958
Equipment	199,403	-	-	199,403
Total assets being depreciated	470,361	-	-	470,361
Less accumulated depreciation:				
Buildings	(101,806)	(7,624)	-	(109,430)
Equipment	(173,343)	(8,486)	-	(181,829)
Total accumulated depreciation	(275,149)	(16,110)	-	(291,259)
Total assets being depreciated, net	195,212	(16,110)	-	179,102
Governmental activities capital assets, net	\$ 257,663	\$ (16,110)	\$ -	\$ 241,553

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

Governmental activities:	
Firefighting & prevention	\$ 16,110
Total depreciation expense – governmental activities	\$ 16,110

NOTE 5 – CHANGE IN LONG-TERM DEBT

The following is a summary of the capital lease payable of the District for the year ended December 31, 2017:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Governmental activities					
Capital lease	\$ 4,377	\$ -	\$ 4,377	\$ -	\$ -

Capital Lease Payable

On February 18, 2013, the District entered into a lease purchase agreement with Rangely Rural Fire Protection District for the acquisition of a 1983 Emergency One Pumper/Tanker apparatus with a capitalized cost of \$25,000. Payment is monthly on the 1st day of each month starting March 1, 2013. There is no subsequent payment at the end of the lease term for purchase of the equipment. Payments of \$250 will be made with an imputed interest rate of 8%. The lease payments are made through the General Fund. The capital lease was paid off in 2017.

ARTESIA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 6 - CONTINGENCIES

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. The amendment also requires that reserves be established for declared emergencies, with 3 percent of fiscal year budgeted revenues required.

The District has no authorized but unissued debt subject to the amendment's limitations. Based on fiscal year budgeted revenues for 2017, \$1,020 of the year-end fund balance in the General Fund will be reserved for emergencies.

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

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Claims made against the District and losses incurred by the District are covered by commercial insurance for all major areas. There have been no significant reductions in insurance coverage in the current year and settlement amounts, if any, have not exceeded insurance coverage for any of the three preceding years.

NOTE 8 - COMMITTED FUND BALANCE

Beginning with the fiscal year 2010, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a governments' fund balances more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The board establishes (and modifies or rescinds) fund balance commitments as action items in board meetings. A fund balance commitment is further indicated in the budget document as a designation or commitment on the fund. Assigned fund balance is established by the board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

ARTESIA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE 9 – RELATED PARTY TRANSACTIONS

Troy Zuflet, husband to Board Member Colleen Zufelt, provided construction services to the District. The District made certain purchases for these services of \$17,375 for the year 2017.

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 29, 2018, the date at which the financial statements were available to be issued, and determined that an event has occurred that requires disclosure. The District believes funds were embezzled and is moving forward on an investigation.

REQUIRED SUPPLEMENTARY INFORMATION

ARTESIA FIRE PROTECTION DISTRICT

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended December 31, 2017

	Budget		Actual Amounts
	Original	Final	
REVENUES			
Taxes	\$ 30,300	\$ 30,300	\$ 33,235
Interest	10	10	11
Other	8,973	8,973	754
TOTAL REVENUES	39,283	39,283	34,000
EXPENDITURES			
Building	7,000	7,000	17,398
Equipment Purchase	5,500	5,500	-
Equipment Repair	5,000	5,000	503
Gas & Oil	600	600	860
Insurance/Bonds	8,400	8,400	7,936
Miscellaneous	300	300	3,064
Office Supplies	500	500	246
Operating	1,500	1,500	996
Phone	750	750	1,142
Professional Services	3,500	3,500	3,300
Salaries	900	900	-
Training	1,500	1,500	3,860
Travel	100	100	-
Treasurers Fees	150	150	-
Utilities	3,000	3,000	4,842
Unsupported Disbursements	-	-	30,890
Debt Service			
Principal	-	-	1,400
Interest	-	-	-
TOTAL EXPENDITURES	38,700	38,700	76,437
EXCESS REVENUES OVER (UNDER) EXPENDITURES	583	583	(42,437)
FUND BALANCE, BEGINNING OF YEAR	47,900	47,900	43,513
FUND BALANCE, END OF YEAR	\$ 48,483	\$ 48,483	\$ 1,076

<u>Variance from final budget</u>	
\$	2,935
	1
	<u>(8,219)</u>
	<u>(5,283)</u>
	(10,398)
	5,500
	4,497
	(260)
	464
	(2,764)
	254
	504
	(392)
	200
	900
	(2,360)
	100
	150
	(1,842)
	(30,890)
	(1,400)
	<u>-</u>
	<u>(37,737)</u>
	(43,020)
	<u>4,387</u>
\$	<u><u>(38,633)</u></u>

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