

DEER MOUNTAIN FIRE PROTECTION DISTRICT

AUDITED FINANCIAL STATEMENTS

TEXAS CREEK, COLORADO

December 31, 2017

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Office of the State Auditor

July 25, 2018

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Independent Auditor's Report

July 11, 2018

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Mountain Fire Protection District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Basis for Qualified Opinions

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

Qualified Opinions

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Mountain Fire Protection District as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages *i* thru *v*, and 16, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements a whole.

Garrett Ross | *DeKardo, Inc.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2017

As management of the Deer Mountain Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

District Operation and Background

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

The District now has three stations in Texas Creek, Cotopaxi, and Indian Springs. The District operates with 25 firefighters, 7 medical first responders, and 8 support drivers, as well as 11 fire and rescue vehicles ranging from Brush Trucks to Attack Tenders and two ambulances.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$756,314 (net position). Of this amount \$319,320 (42%) unrestricted net position, may be used to meet the District's ongoing obligations to citizens and creditors. A significant portion of the District's net position \$409,994 (54%) reflects its investment in capital assets. These assets include land, buildings and equipment. These capital assets are used to provide services to citizens; consequently, they are not available for future spending.
- The District's total net position increased by \$141,522.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$334,343, for the year ending December 31, 2017.
- At the end of the current fiscal year, unassigned fund balance of the general fund is \$306,643.

Overview of the Financial Statements

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

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

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

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2017

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

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

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

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

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

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

Overview of the Financial Statements

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

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

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

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

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2017

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the District, assets exceeded liabilities by \$756,314 at the close of fiscal year 2017. Increases or decreases in net position may serve as a useful indicator as to whether the financial condition of the District is improving or deteriorating over time.

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

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

	<u>2017</u>	<u>2016</u>
Assets:		
Current and other assets	\$ 604,022	\$ 519,033
Capital assets	686,720	714,868
Total Assets	<u>1,290,742</u>	<u>1,233,901</u>
Liabilities:		
Current and other liabilities	71,454	63,211
Long-term liabilities	260,218	361,330
Total Liabilities	<u>331,672</u>	<u>424,541</u>
Deferred inflow – property taxes	<u>202,756</u>	<u>194,568</u>
Net Position:		
Invested in capital assets, net of related debt	409,994	307,999
Restricted for emergencies	27,000	13,600
Unrestricted	319,320	293,193
Total Net Position	<u>\$ 756,314</u>	<u>\$ 614,792</u>

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

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains the requirements of setting an emergency reserve. This reserve cannot be accessed except for an unexpected disaster. This reserve amounts to \$27,000 and \$13,600 as of December 31, 2017 and 2016, respectively.

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2017

Government-wide Financial Analysis (Continued)

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

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 623,766	\$ 211,253
Capital grants and contributions	52,558	9,304
General revenues:		
Property taxes	196,467	193,761
Specific ownership taxes	33,181	28,617
Gain/(Loss) on sale of assets	5,223	24,865
Unrestricted interest earnings	626	904
Insurance Proceeds	4,862	-
Other	1,628	-
Total Revenues	918,311	468,704
Expenses:		
Public safety	725,265	374,773
General government	51,524	37,790
Total Expenses	776,789	412,563
Change in net position	141,522	56,141
Net position – beginning	614,792	558,651
Net position – ending	\$ 756,314	\$ 614,792

Budgetary Highlights

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

For 2017, the Directors appropriated \$859,175 for general fund expenditures.

	2017 General Fund Budget		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues	\$ 278,818	\$ 853,816	\$ 938,192
Expenditures	\$ 346,335	\$ 859,175	\$ 893,645

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets as of December 31, 2017 amounts to \$686,720 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment.

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2017

Deer Mountain Fire Protection District's Capital Assets

Land	\$	22,325
Furniture & Fixtures		32,420
Building and improvements		525,823
Equipment		1,173,388
Accumulated Depreciation		<u>(1,067,236)</u>
	\$	<u>686,720</u>

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

Deer Mountain Fire Protection District's Debt

At the end of 2017, the District had \$276,726 in outstanding debt for the lease purchase of a building.

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

Request for Information

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

Deer Mountain Fire Protection District
Sarah Killough
Treasurer
6181 CR 28
Texas Creek, CO 81223

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
DEER MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2017

<u>Assets</u>		
Current Assets		
Cash and equivalents	\$	261,658
Note receivable - current		3,885
Accounts receivable and other		121,959
Taxes receivable		207,234
Prepaid expenses		768
Capital assets:		
Land		22,325
Building and improvements		525,822
Machinery and equipment		1,173,388
Furniture and fixtures		32,420
Accumulated depreciation		<u>(1,067,235)</u>
Total Current Assets		1,282,224
Noncurrent Assets		
Note receivable - noncurrent		<u>8,518</u>
	Total Assets	<u>1,290,742</u>
<u>Liabilities</u>		
Current Liabilities		
Accounts payable		7,392
Payroll liabilities		2,010
Accrued wages		44,313
Accrued interest		1,231
Capital leases due within one year		<u>16,508</u>
Total Current Liabilities		71,454
Long-Term Liabilities		
Capital leases not due within one year		<u>260,218</u>
	Total Liabilities	<u>331,672</u>
<u>Deferred Inflow of Resources</u>		
Deferred inflow - property taxes		<u>202,756</u>
<u>Net Position</u>		
Invested in capital assets, net of related debt		409,994
Restricted for emergencies		27,000
Unrestricted		<u>319,320</u>
Total Net Position	\$	<u>756,314</u>

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

STATEMENT OF ACTIVITIES
DEER MOUNTAIN FIRE PROTECTION DISTRICT
For the year ended December 31, 2017

	Program Revenue				Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Primary Government Governmental Activities
Primary Government:					
Government activities:					
General government	\$ 51,524	\$ -	\$ -	\$ 16,833	\$ (34,691)
Public safety	<u>725,265</u>	<u>623,766</u>	<u>35,725</u>	<u>659,491</u>	<u>(65,774)</u>
Total	<u>\$ 776,789</u>	<u>\$ 623,766</u>	<u>\$ 35,725</u>	<u>\$ 676,324</u>	<u>\$ (100,465)</u>
 General revenues and taxes					
Taxes:					\$ 196,467
General property taxes					33,181
Specific ownership taxes					626
Interest income					5,223
Gain/(Loss) on sale of assets					4,862
Insurance Proceeds					1,628
Other					<u>241,987</u>
				Total General Revenues and Taxes	<u>141,522</u>
				Change in Net Position	<u>614,792</u>
				Net Position - Beginning	<u>756,314</u>
				Net Position - Ending	<u><u>\$ 756,314</u></u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BALANCE SHEET- GOVERNMENTAL FUNDS
DEER MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2017

		<u>General Fund</u>
	<u>Assets</u>	
Cash and cash equivalents		\$ 261,658
Taxes receivable		207,234
Accounts and other		<u>121,922</u>
	Total Assets	<u>590,814</u>
	<u>Liabilities</u>	
Accounts payable		7,392
Payroll liabilities		2,010
Accrued wages		<u>44,313</u>
	Total Liabilities	<u>53,715</u>
	<u>Deferred Inflow of Resources</u>	
Deferred inflow - property taxes		<u>202,756</u>
	<u>Fund Balances</u>	
Restricted for emergencies		27,000
Assigned for major improvements		700
Unassigned		<u>306,643</u>
	Total Fund Balances	<u>\$ 334,343</u>

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

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2017

Total Fund Balances - Government Funds		\$ 334,343
Amounts reported for governmental activities in the Statement of Net Position were different because:		
Capital assets used in governmental activities were not current financial resources, and therefore, are not reported in the governmental funds.		
Non-depreciable capital assets	\$ 22,325	
Depreciable capital assets, net	<u>664,395</u>	
Total Capital Assets		686,720
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		
Long-term liabilities at year end:		(276,726)
Interest payable on the capital lease is not recorded on the fund statements because it is not a current use of cash, interest is accrued on the government-wide statements since the liability is to be paid in the near term.		
Interest payable at year end		(1,231)
Interest receivable does not provide revenue in the current period, and therefore, it is not recorded in the governmental fund. However, the revenue was earned by the end of the current fiscal year and therefore, is recorded as a current asset in the Statement of Net Position.		
Interest receivable at year end		37
Revenue receivable that does not provide current financial resources is not recorded in the governmental funds.		
		12,403
Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the payments and, therefore, are not reported as expenses in the Statement of Activities.		
Prepaid expenses at year end		<u>768</u>
Net Position of Governmental Activities		<u>\$ 756,314</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

DEER MOUNTAIN FIRE PROTECTION DISTRICT

GOVERNMENTAL FUND

For the Year Ended December 31, 2017

	General Fund
Revenues	
General property tax	\$ 196,467
Specific ownership tax	33,181
Interest income	632
Grant and donation income	52,558
Proceeds from sales of assets	25,098
Charges for services	623,766
Insurance proceeds	4,862
Other	<u>1,628</u>
Total Revenues	<u>938,192</u>
Expenditures	
General government	49,658
Public safety	593,429
Debt service:	
Principal	129,346
Interest	12,137
Capital outlay	<u>109,075</u>
Total Expenditures	<u>893,645</u>
Excess (Deficiency) of Revenues Over Expenditures	44,547
Fund balances - beginning	<u>289,796</u>
Fund balances - ending	<u>\$ 334,343</u>

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

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

DEER MOUNTAIN FIRE PROTECTION DISTRICT

For the Year Ended December 31, 2017

Total Net Change in Fund Balances - Governmental Funds \$ 44,547

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Positions were different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period.

Capital outlay	\$ 109,075	
Depreciation expense	<u>(121,113)</u>	(12,038)

Current year note receivable payments provide current financial resources to the fund, but in the Statement of Net Position it reduces the receivable balance. Interest receivable is not a current receipt of cash, and therefore, is not recorded in the fund but it is a current asset in the Statement of Net Assets.

Note receivable payments	(3,765)	
Change in interest receivable	<u>(6)</u>	(3,771)

Basis of assets that have been sold does not affect governmental funds since they record the revenues as they are received, however the Statement of Activities does recognize basis and the gain needs to be adjusted for this difference.

(16,110)

Current year capital lease payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against long-term liabilities. Interest payable is not a current use of cash, and therefore, is not recorded in the governmental fund but it is a current liability in the Statement of Net Assets.

Capital lease payments	130,143	
Change in interest payable	<u>(117)</u>	130,026

Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the payments, and therefore, are not reported as expenses in the Statement of Activities.

Change in prepaid expenses		<u>(1,132)</u>
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Change in Net Position - Governmental Activities **\$ 141,522**

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DEER MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2017

Note A - Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

Government-wide Financial Statements

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2017

Note A - Summary of Significant Accounting Policies (Continued)

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

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

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

Governmental Fund Financial Statements

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

General Fund

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

Use of Estimates

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

Cash and Cash Equivalents

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

Receivables

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

Investments

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

Capital Assets

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

NOTES TO FINANCIAL STATEMENTS (Continued)
DEER MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2017

Note A - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Accounts Payable

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to December 31, 2017.

Unearned Revenue

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

Property Taxes

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

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District carries commercial insurance for such risks, including workers' compensation and accident insurance. Settled claims resulting from these risks did not exceed commercial insurance coverage during 2017.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2017

Note B - Stewardship, Compliance, And Accountability

Budgets and Budgetary Data

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

During 2017, expenditures exceeded budgeted amounts, which may be a violation of Colorado Local Government Budget Law.

Tax, Revenue, Spending and Debt Limitations

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

In November 1998, the Deer Mountain Fire Protection District passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain and expend all revenues and other funds collected during 1999 and thereafter.

In addition to the tax raising, revenue, spending and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies must establish an "emergency reserve". To be used for declared emergencies only, each entity shall reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended December 31, 2017, the District has reserved \$27,000, which represents 3% of fiscal year spending.

Note C - Cash Deposits

Deposits

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

As of December 31, 2017, all of the District deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA. Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2017

Note C - Cash Deposits (Continued)

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

	<u>Carrying Amounts</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Deposits: Checking Accounts	\$ 261,658	\$ 261,658	\$

Note D - Accounts and Other Receivables

Tax receivable consist of taxes which are due but will not be collected until January 2018. Account receivables consist mainly of fire payments and emergency medical services that were earned in 2017 but will not be collected until 2018. As of December 31, 2017, these receivables are considered both measurable and available.

The District sold a lot of land and is carrying a note receivable in the amount of \$19,450 with 4.00% interest, due in 60 monthly payments of \$358, beginning February 13, 2016. The balance at December 31, 2017 was \$12,403. This asset is reflected on the government-wide statement of net position as well as the interest accrued in the amount of \$37 at December 31, 2017.

Note E - Property Tax Accrual

Property taxes which have been levied for 2017 which will not be collected until 2018 have been accrued as a receivable at December 31, 2017. An offsetting amount for deferred inflow of resources - unavailable property tax revenue has also been recorded in the general fund.

Note F - Change in Capital Assets

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

	<u>Balance at 1-1-17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12-31-17</u>
Land	\$ 22,325	\$ 10,000	\$ 10,000	\$ 22,325
Buildings and improvements	471,828	53,995	-	525,823
Machinery and equipment	1,136,833	45,080	8,525	1,173,388
Furniture and fixtures	32,420	-	-	32,420
Totals	<u>1,663,406</u>	<u>\$ 109,075</u>	<u>\$ 18,525</u>	1,753,956
Less: accumulated depreciation	<u>(948,538)</u>			<u>(1,067,236)</u>
Net Capital Assets	<u>\$ 714,868</u>			<u>\$ 686,720</u>

Depreciation expense by function:

General government	\$ 1,866
Public safety	119,247
	<u>\$ 121,113</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2017

Note F - Change in Capital Assets (Continued)

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

Note G - Long-Term Liabilities

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

Community First National Bank	Balance at 1-1-2017	Additions	Reductions	Balance at 12-31-2017	Due in One Year
Brush truck 4	\$ 48,146	\$ -	\$ (48,146)	\$ -	\$ -
Brush truck 2	67,356	-	(67,356)	-	-
Building	291,367	-	(14,641)	276,726	16,508
Total Debt	<u>\$ 406,869</u>	<u>\$ -</u>	<u>\$ (130,143)</u>	<u>\$ 276,726</u>	<u>\$ 16,508</u>

The following is a description of each individual lease:

Building Capital Lease Payable

\$300,000 lease purchase of building with Community First National Bank payable over 180 monthly installments of \$2,150 at 3.53% interest ending May 2031. \$ 276,726

Brush Truck 2 Capital Lease Payable

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

Brush Truck 4 Capital Lease Payable

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

Total \$ 276,726

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 16,508	\$ 9,287	\$ 25,795
2019	17,086	8,709	25,795
2020	17,685	8,110	25,795
2021	18,305	7,490	25,795
2022	18,946	6,849	25,795
2023-2027	105,172	23,804	128,976
2028-2031	83,024	5,110	88,134
	<u>\$ 276,726</u>	<u>\$ 69,359</u>	<u>\$ 346,085</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2017

Note H - Fund Balances

Government-wide Net Position

Government-wide net position is divided into three components:

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

Governmental Fund Balances

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

BUDGET TO ACTUAL - GENERAL FUND

DEER MOUNTAIN FIRE PROTECTION DISTRICT

For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 214,520	\$ 218,961	\$ 229,648	\$ 10,687
State fire payments	-	520,500	558,081	37,581
Medical income	60,000	63,500	65,685	2,185
Interest income	-	-	632	632
Donations	-	6,100	38,118	32,018
Grants	-	14,440	14,440	-
Gain/(Loss) on Sale of Assets	4,298	25,000	21,333	(3,667)
Insurance proceeds	-	5,315	4,862	(453)
Capital income	-	-	3,765	3,765
Other income	-	-	1,628	1,628
Total Revenues	<u>278,818</u>	<u>853,816</u>	<u>938,192</u>	<u>84,376</u>
Expenditures				
Payroll expenses	96,610	375,000	397,014	(22,014)
State fire disbursements	-	45,300	38,455	6,845
National fire expenses	-	30,500	30,461	39
Treasurer fees	7,200	5,500	5,894	(394)
Board of directors	7,200	6,300	6,400	(100)
Medical expenses	20,000	27,600	25,066	2,534
Administration	9,900	13,375	13,154	221
Fire communications	7,000	12,200	11,965	235
Fire prevention	-	1,000	327	673
Insurance	31,000	31,000	23,975	7,025
Supplies	10,000	17,500	1,605	15,895
Tools	-	-	10,374	(10,374)
Training	5,100	4,100	4,823	(723)
Rescue	-	1,500	1,422	78
Professional expenses	19,350	21,500	24,210	(2,710)
Building repairs, maintenance, and utilities	28,250	21,500	19,745	1,755
Vehicle expenses	15,700	25,900	25,555	345
Equipment repairs	-	-	2,642	(2,642)
Capital outlay	30,000	83,600	109,075	(25,475)
Grant expenditures	-	1,700	-	1,700
Debt service	59,025	134,100	141,483	(7,383)
Total Expenditures	<u>346,335</u>	<u>859,175</u>	<u>893,645</u>	<u>(34,470)</u>
Other Financing (Uses)				
Transfers	-	30,606	-	(30,606)
Revenue Over (Under) Expenditures	<u>(67,517)</u>	<u>25,247</u>	<u>44,547</u>	<u>19,300</u>
Fund Balance - Beginning	<u>68,200</u>	<u>120,500</u>	<u>289,796</u>	<u>169,296</u>
Fund Balance - Ending	<u>\$ 683</u>	<u>\$ 145,747</u>	<u>\$ 334,343</u>	<u>\$ 188,596</u>

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