

DIVIDE FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2017

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Office of the State Auditor

July 24, 2018

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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OSBORNE, PARSONS & ROSACKER, LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Divide Fire Protection District
Teller County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Divide Fire Protection District (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.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Divide Fire Protection District

Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the District, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

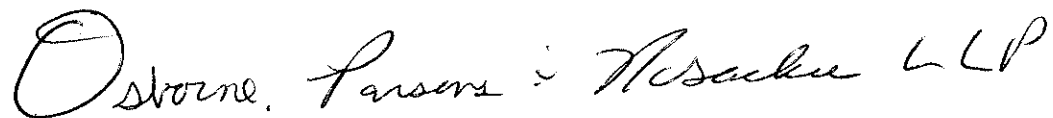
Emphasis of Matter

As discussed in Note 7 to the financial statements, in the year ended December 31, 2017, the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27)*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, the budgetary comparison information on page 29, and the pension schedules on pages 30-31 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.



Colorado Springs, CO 80903

July 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2017**

This discussion and analysis of Divide Fire Protection District's financial performance provides an overall review of the District's financial activities 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 review the information presented here in conjunction with the basic financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

Government-Wide Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$994,698 which represents the ending net position.
- The net position decreased by \$13,064 from the prior year. Approximately 44% of the net position, \$433,332, is available for spending at the District's discretion, as reflected in unrestricted net position.

General Fund Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$330,231, which represents the ending fund balance.
- The ending fund balance decreased by \$46,763 from the prior year. Approximately 95% of the total fund balance, \$313,568, is available for spending at the District's discretion, as reflected in the unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the 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 as a whole, in a manner similar to a private-sector business and includes two statements:

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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2017**

Both government-wide financial statements distinctively report governmental activities of the District that are principally supported by property taxes. Governmental activities of the District include fire, rescue, and emergency services within its boundaries. In addition, the District maintains mutual aid and automatic aid agreements with adjacent fire protection districts. Other activities include fire prevention and fire safety education, fire training, fire inspections, and plan reviews.

Fund Financial Statements - A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has one fund, the General Fund, which is a governmental fund.

Governmental Funds - The District's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

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. Thus, readers may better understand the long-term impact of the District's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Notes to the Financial Statements - The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplemental Information - In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning the District. The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over a period of time, as a useful indicator of the District's financial position. In the case of the District, total assets exceeded liabilities by \$994,698 as of December 31, 2017, as reflected in the total net position. Approximately 63% of the District's fund balance is in capital assets, net of related debt.

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2017**

**Condensed Statement of Net Position
Two-Year Comparison**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Current assets	\$ 619,440	\$ 675,458	\$ (56,018)
Net pension asset	99,530	59,527	40,003
Capital assets, net	609,938	616,028	(6,090)
Total assets	<u>\$ 1,328,908</u>	<u>\$ 1,351,013</u>	<u>\$ (22,105)</u>
Deferred outflows of resources	<u>\$ 55,096</u>	<u>\$ 50,690</u>	<u>\$ 4,406</u>
Liabilities			
Current	\$ 42,407	\$ 20,214	\$ 22,193
Long-term	32,085	93,881	(61,796)
Total liabilities	<u>\$ 74,492</u>	<u>\$ 114,095</u>	<u>\$ (39,603)</u>
Deferred inflows of resources	<u>\$ 314,814</u>	<u>\$ 279,846</u>	<u>\$ 34,968</u>
Net position			
Net investment in capital assets	\$ 546,566	\$ 522,147	\$ 24,419
Restricted	14,800	13,600	1,200
Unrestricted	433,332	472,015	(38,683)
Net position	<u>\$ 994,698</u>	<u>\$ 1,007,762</u>	<u>\$ (13,064)</u>

The Net pension asset increased during the current year for various reasons, but due primarily to the Board adoption of new assumptions set for first use in the 2016 valuation. Since the valuation process is biennial, the new valuation assumptions apply beginning January 1, 2017.

Liabilities increased because the District entered into a purchase contract and made a down payment for a new rescue vehicle. Additionally, net investment in capital assets increased during the year because the District paid off a capital lease.

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2017**

**Condensed Statement of Activities
Two-Year Comparison**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Expenses			
General and administrative	\$ 140,240	\$ 141,587	\$ (1,347)
Firefighting and rescue	320,031	252,139	67,892
Total expenses	<u>460,271</u>	<u>393,726</u>	<u>66,545</u>
Revenues			
Program revenues			
Charges for services	31,983	15,476	16,507
Grants and contributions	85,870	135,479	(49,609)
General revenues			
Property taxes	279,612	279,617	(5)
Specific ownership taxes	34,923	26,870	8,053
Miscellaneous	10,813	9,072	1,741
Interest and other	4,006	2,308	1,698
Total revenues	<u>447,207</u>	<u>468,822</u>	<u>(21,615)</u>
Change in net position	(13,064)	75,096	(88,160)
Net position - beginning of year	<u>1,007,762</u>	<u>932,666</u>	<u>75,096</u>
Net position - end of year	<u>\$ 994,698</u>	<u>\$ 1,007,762</u>	<u>\$ (13,064)</u>

Expenses increased during the current year primarily because there were more firefighter deployments which resulted in an increase in deployment related wages and expenses.

Expenses also increased during the current year because there were unexpected vehicle repairs of approximately \$27,000. Incident response reimbursement was approximately \$26,500 in 2017. Additionally, audit expenses increased to \$4,400 and approximately \$5,000 was spent on uniforms and equipment. The Volunteer Expenses line item increased approximately \$10,700 in 2017.

Charges for services, which includes incident response reimbursement, increased during the current year because there were more firefighter deployments compared to the prior year.

Grant revenues decreased by almost \$50,000 current year because the District received fewer grants of overall lesser value to purchase firefighting and medical equipment.

Specific ownership taxes increased during the current year because there was an increased new vehicle ownership within the District.

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2017**

GENERAL FUND FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District accounts for all activity in a single general fund. As discussed on page 5, the General Fund is the operating fund of the District. The ending fund balance was \$330,231, as reflected on page 12 of the financials. Of this amount, \$14,800 was restricted by TABOR.

BUDGETARY HIGHLIGHTS

The District's 2017 final budget had a total revenue amount of \$410,744. The District ended the year with a total actual revenue amount of \$447,207, representing a favorable variance of \$36,463. The District's final budget had total expenditures of \$774,798. The District ended the year with actual audited expenditures of \$493,970. Actual expenditures had a positive variance against budgeted expenditures of \$280,828. The majority of this positive variance was in capital outlays.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2017, was \$609,938. Additional information relating to the District's capital assets activity can be found in Note 3 to the financial statements.

	December 31,	
	2017	2016
Land and improvements	\$ 6,700	\$ 6,700
Work in process- vehicle	105,000	-
Building and improvements	208,421	215,891
Vehicles and equipment	289,817	393,437
Total	\$ 609,938	\$ 616,028

ECONOMIC FACTORS (Next year's budget and rates)

The District's 2019 budget will likely be affected by the Gallagher amendment and the anticipated change in the Residential Assessment Rate (RAR). Since the RAR has not been determined and approved in State legislature, the District is not aware of the impact on next year's budget at the time this audit report was prepared, or if assessed property values will affect the District's Property tax revenues.

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 in this report or requests for additional financial information should be addressed to Divide Fire Protection District, P.O. Box 941, Divide, CO 80814.

FINANCIAL STATEMENTS

**DIVIDE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 19,413
Cash held by county treasurer	2,251
Investments	275,060
Accounts receivable	41,687
Property tax receivable	279,166
Prepaid expenses	1,863
Net pension asset	99,530
Capital assets, net	609,938
Total assets	<u><u>\$ 1,328,908</u></u>
 Deferred outflows of resources	
Pension	<u><u>\$ 55,096</u></u>
 Liabilities	
Accounts payable	\$ 6,201
Accrued liabilities	3,842
Accrued interest payable	1,077
Long-term debt	
Due within one year	31,287
Due in more than one year	32,085
Total liabilities	<u><u>\$ 74,492</u></u>
 Deferred inflows of resources	
Property taxes	\$ 279,166
Pension	35,648
Total deferred inflows of resources	<u><u>\$ 314,814</u></u>
 Net position	
Net investment in capital assets	\$ 546,566
Restricted for emergencies	14,800
Unrestricted	433,332
Total net position	<u><u>\$ 994,698</u></u>

See notes to financial statements

**DIVIDE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Program Expense	
Functions/programs					
Governmental activities					
General and administrative	\$ 140,240	\$ -	\$ -	\$ -	\$ (140,240)
Firefighting and rescue	320,031	31,983	20,975	64,895	(202,178)
Total governmental activities	\$ 460,271	\$ 31,983	\$ 20,975	\$ 64,895	(342,418)
General revenues					
General property tax					279,612
Specific ownership tax					34,923
Miscellaneous					10,813
Investment earnings					4,006
Total general revenues					329,354
Change in net position					(13,064)
Net position - beginning					1,007,762
Net position - ending					\$ 994,698

See notes to financial statements

**DIVIDE FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
DECEMBER 31, 2017**

ASSETS

Assets

Cash and cash equivalents	\$	19,413
Cash held by county treasurer		2,251
Investments		275,060
Accounts receivable		41,687
Property tax receivable		279,166
Prepaid expenses		1,863
Total assets	\$	619,440

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	6,201
Accrued liabilities		3,842
Total liabilities		10,043

Deferred inflow of resources

Property tax		279,166
Total deferred inflow of resources		279,166

Fund balance

Restricted for emergencies		14,800
Non-spendable		1,863
Unassigned		313,568
Total fund balance		330,231

**Total liabilities, deferred inflow of resources
and fund balance**

\$ 619,440

**DIVIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total fund balance - governmental fund	\$	330,231
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>The net pension asset and related deferred items are not available for current period expenditures and are therefore not reported in the funds.</p>		
Net pension asset		99,530
Deferred outflows of resources - pension		55,096
Deferred inflows of resources - pension		(35,648)
<p>Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.</p>		
Capital assets		2,264,539
Accumulated depreciation		(1,654,601)
<p>Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.</p>		
Accrued interest end of year		(1,077)
<p>Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds.</p>		
		(63,372)
Total net position - governmental activities	\$	994,698

See notes to financial statements

**DIVIDE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2017**

Revenues

Property taxes	\$ 279,612
Specific ownership tax	34,923
Interest income	4,006
Charges for service	31,983
Grant revenue	64,895
Volunteer revenue	20,975
Miscellaneous	10,813
Total revenues	447,207

Expenditures

Current

Administration	79,717
Communications	8,918
Firefighting and rescue	39,897
Payroll	87,284
Pension	12,000
Station, buildings, and grounds	9,348
Training	21,342
Utilities	6,832
Vehicles	55,100
Capital outlay, net of capital lease	140,629
Debt service	
Lease interest	2,394
Lease principal	30,509
Total expenditures	493,970

Net change in fund balance (46,763)

Fund balance - beginning 376,994

Fund balance - ending \$ 330,231

See notes to financial statements

**DIVIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2017**

Net change in fund balance - total governmental funds \$ (46,763)

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

Changes in the net pension asset and related deferrals do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 8,761

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 exceeded capital outlays.

Depreciation expense	(146,719)
Capital expenditures	140,629

Governmental funds report lease payments as expenses when paid, including principal payments. However, in the statement of activities the lease is capitalized and only interest is recognized as an expense when paid or accrued.

Lease payment (principal)	30,509
Prior year accrued interest	1,596
Current year interest accrual	(1,077)

Change in net position - governmental activities	\$ (13,064)
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See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Divide Fire Protection District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting policies that are described below. The following is a summary of the significant accounting policies.

Reporting Entity - The District, a political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Teller County, Colorado.

The District follows GASB's accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct and indirect 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 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.

Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, net assets, revenues, and expenditures-expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The District reports the following major governmental fund:

General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources of the general government.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, generally are recorded when a liability is incurred or the long-term obligation is paid.

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

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

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

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the District.

Investments - Investments for the District are reported at fair value.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Property Tax Receivable - Taxes receivable include current year property taxes, which become payable January 1 of the following year.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column of the government-wide financial statements. Capital assets are defined by the District as those assets with a cost of \$2,500 or greater. 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. Major outlays for capital assets and improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Buildings and improvements	40 years
Equipment and vehicles	5-10 years

Pensions - For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Divide Volunteer Fire District Pension Fund and additions to/deductions from Divide Volunteer Fire District Pension Fund's fiduciary net position have been determined on the same basis as they are reported by the Fire & Police Pension Association of Colorado. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences - The District does not have a policy that allows employees to accumulate unused benefits. Therefore, these financial statements do not include a provision for accumulated compensated absences.

Accrued Liabilities and Long-Term Obligations - In the government-wide financial statements, all payables, accrued liabilities, long-term debt, and other long-term obligations are reported as liabilities in the statement of net position.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Property Taxes and Deferred Inflows of Resources - Property taxes are levied based on assessed valuations determined by the County Assessor, generally as of January 1 of each year. The levy is normally

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Net Position - Net position classification in the Government-Wide financial statements are as follows:

Net investment in capital assets – The portion of net position that consists of capital assets net of accumulated depreciation, reduced by any outstanding debt attributed to the acquisition, construction, or improvement of the capital assets.

Restricted net position – The portion of net position that consists of restrictions created by external creditors, grantors, contributors, laws or regulations of the other governments, enabling legislation and constitutional provisions.

Unrestricted net position - The residual net position not classified in of the two categories above.

Fund Balances - Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balances: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Non-spendable - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory or prepaid items) or is legally or contractually required to be maintained intact.

Restricted - 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 - 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 - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unassigned - The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Use of Estimates - The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires that District management make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosures of contingent assets, liabilities and deferred inflows and outflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 1 – CASH AND CASH EQUIVALENTS

Cash Deposits - The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2017, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA.

PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Cash and cash equivalents as of December 31, 2017 consist of the following:

Petty cash	\$ 100
Deposits with financial institutions	<u>19,313</u>
Total cash and cash equivalents	<u>\$ 19,413</u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. None of the District's deposits at December 31, 2017 were exposed to credit risk.

At December 31, 2017, the District's cash deposits had bank balances of \$21,119 and carrying balances of \$19,313

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 – INVESTMENTS

The District has not adopted a formal investment policy but follows state statutes regarding investments. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the District.

The District primarily limits its investments to money market funds, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Colorado statutes specify investment instruments, meeting defined rating and risk criteria, in which local governments may invest, which include:

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

The local government investment pool, which includes the Colorado Local Government Liquid Asset Trust (Colotrust), is rated AAAM by Standard & Poor's.

As of December 31, 2017, the District had the following investments, recorded at fair value:

Investment	Maturity	
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$ 275,060</u>

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 – INVESTMENTS - Continued

Colostrust – The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statues governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 6,700	\$ -	\$ -	\$ 6,700
Work in process - vehicle	-	105,000	-	105,000
Total capital assets not being depreciated, net	<u>6,700</u>	<u>105,000</u>	<u>-</u>	<u>111,700</u>
Capital assets being depreciated				
Buildings	409,384	4,750	-	414,134
Vehicles and equipment	<u>1,716,305</u>	<u>30,879</u>	<u>(8,479)</u>	<u>1,738,705</u>
Total capital assets being depreciated	<u>2,125,689</u>	<u>35,629</u>	<u>(8,479)</u>	<u>2,152,839</u>
Less accumulated depreciation				
Building	(193,493)	(12,220)	-	(205,713)
Vehicles and equipment	<u>(1,322,868)</u>	<u>(134,499)</u>	<u>8,479</u>	<u>(1,448,888)</u>
Total accumulated depreciation	<u>(1,516,361)</u>	<u>(146,719)</u>	<u>8,479</u>	<u>(1,654,601)</u>
Total capital assets being depreciated, net	<u>609,328</u>	<u>(111,090)</u>	<u>-</u>	<u>498,238</u>
Total capital assets, net	<u>\$ 616,028</u>	<u>\$ (6,090)</u>	<u>\$ -</u>	<u>\$ 609,938</u>

Depreciation expense of \$146,719 for the year ended December 31, 2017, was charged to the Firefighting and Rescue function, of which \$66,134 was related to capital leases.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 – LONG-TERM DEBT

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases:					
Equipment	\$ 93,881	\$ -	\$ (30,509)	\$ 63,372	\$ 31,287

There was one capital lease outstanding as of December 31, 2017. For financial statement presentation, the lease obligation has been capitalized and the vehicle recorded as an asset of the District. The gross amount of asset recorded under capital lease is \$264,032 with accumulated depreciation of \$211,226. Capital lease amortization is included in depreciation expense. Interest expense of \$2,394 for the year ended December 31, 2017 was charged to the Firefighting and Rescue function.

Equipment Leases - On April 15, 2014, the District entered into a \$152,631 lease purchase agreement with a bank with an effective interest rate of 2.55%, for five years, with payments of \$32,903, principal and interest, due each April 15 through April 15, 2019. The proceeds of the lease were used to acquire a new tender apparatus.

Future lease obligations - The equipment leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2017 were as follows:

<u>Year Ending December 31,</u>	
2018	\$ 32,903
2019	32,903
Total minimum lease payments	<u>65,806</u>
Less: amount representing interest	(2,434)
Present value of minimum lease payments	<u>63,372</u>
Due within one year - principal	31,287
Due in more than one year - principal	<u>\$ 32,085</u>

Debt authorization - At December 31, 2017, the District had no authorized but unissued indebtedness.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 – NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of leases, bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

As of December 31, 2017, the District had net investment in capital assets as follows:

Capital assests, net	\$ 609,938
Current portion of outstanding leases payable	(31,287)
Noncurrent portion of outstanding leases payable	<u>(32,085)</u>
Net investment in capital assets	<u>\$ 546,566</u>

Restricted net position is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2017, the District had restricted net position for emergencies (Note 10) of \$14,800.

NOTE 6 – AGREEMENTS

The District entered into an intergovernmental agreement with Rainbow Valley Water District (Rainbow Valley) on October 10, 2003, wherein the parties constructed a shared garage facility to be used by both parties to house their respective equipment. The District contributed \$40,000 towards the construction of the facility. Rainbow Valley shall own the shared garage facilities, and the District will be provided a 99-year lease and 40 percent of the facility in exchange for their contribution. The lease was effective November 1, 2003. The general repair and maintenance of the building is the responsibility of Rainbow Valley.

NOTE 7 – VOLUNTEER PENSION PLAN

Plan Description – The District affiliated with the Fire & Police Pension Association (FPPA) to administer the Divide Fire Protection District Volunteer Pension Fund (VPF). The FPPA administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at FPPAco.org.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 – VOLUNTEER FIREFIGHTER PENSION PLAN - Continued

The VPF provides normal retirement benefits, vested retirement benefits, and funeral benefits. The following benefit provisions were used to determine the District’s pension liability at the measurement date of December 31, 2016:

Normal retirement benefit at age 50 with 20 years of service (monthly):	
Regular	\$ 299
Vested retirement benefit (monthly):	
With 10 to 20 years of service amount per year of service per minimum vesting years	\$ 15
Minimum vesting years	10
Funeral benefits (required benefit)	
Funeral benefit lump sum, one time only	\$ 200

As of January 1, 2017, the latest actuarial valuation date, there were 22 active members, 7 retirees and beneficiaries, and 1 inactive, non-retired members.

Funding Policy - The District contributes an amount annually to the plan based on prior contribution plus a cost of living adjustment. The contribution by the State of Colorado (State) toward fire pension funds has been a fixed dollar amount established by the legislature and allocated pro rata to all fire pension funds in the State who apply for State matching funds, based upon the amounts contributed by the employer up to a maximum of one half mill on the assessed valuation or 90% of District contributions, whichever is less.

Contributions to the VPF for the year ended December 31, 2017, were \$12,000 from the District and \$10,800 from the State of Colorado.

Net Pension Asset - At December 31, 2017, the VPF reported a net pension asset of \$99,530. The net pension asset was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2017.

For the year ended December 31, 2017, the District recognized pension expense relating to the VPF of \$3,239.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 – VOLUNTEER FIREFIGHTER PENSION PLAN - Continued

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 12,637	\$ 35,648
Changes in assumptions	5,958	-
Net difference between actual and projected earnings on pension plan investments	24,501	-
District contributions subsequent to measurement date	12,000	-
Total	\$ 55,096	\$ 35,648

The \$12,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an adjustment against the net pension asset in the year ended December 31, 2017.

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

Years Ended December 31,	Amortization
2018	\$ 5,041
2019	5,039
2020	4,355
2021	(3,053)
2022	(3,934)
Thereafter	-
	\$ 7,448

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 – VOLUNTEER FIREFIGHTER PENSION PLAN - Continued

Actuarial Assumptions – Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2015, determines the contribution amounts for 2016 and 2017. The contribution rates for the fiscal year ending December 31, 2016 were determined using the following methods and assumptions:

Actuarial cost method	Entry age normal
Amoritzaiton method	Level dollar, open*
Remaining amortization period	20 years*
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2000 Combined Moratlity Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with Scale A.A.

*Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants

The assumptions shown above pertain to the actuarial valuation as of January 1, 2015, and the associated Actuarially Determined Contribution for the year ending December 31, 2016. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for first use in the January 1, 2016 valuations. Due to the biennial valuation process, the new assumptions first applied to the January 1, 2017 Volunteer valuations.

The primary changes, which can be observed in the January 1, 2017, valuation, as compared to the assumptions shown above are as follows:

Inflation	2.50%
Mortality	Pre-retirement: RP-2014 Moratlity Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Poice experience.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 – VOLUNTEER FIREFIGHTER PENSION PLAN - Continued

Mortality (continued)

Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.
Disabled: RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for male and 2% rate for females.

The total pension liability is based on an actuarial valuation performed as of January 1, 2017, and a measurement date of December 31, 2016. This measurement date is within one year of the plan sponsor's fiscal year end of December 31, 2017, and may be used for December 31, 2017, reporting purposes.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	36.00 %	6.75 %
Equity Long/Short	10.00	4.85 %
Illiquid Alternatives	23.00	8.25 %
Fixed Income	15.00	0.50 %
Absolute Return	10.00	4.05 %
Managed Futures	4.00	3.00 %
Cash	2.00	- % *
Total	<u>100.00 %</u>	

*While expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 – VOLUNTEER FIREFIGHTER PENSION PLAN - Continued

Discount Rate - Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) the long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but no later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Sensitivity of the pension liability/(asset) to changes in the discount rate - The following presents the VPF net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the VPF net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
6.50%	7.50%	8.50%
\$ (53,785)	\$ (99,530)	\$ (137,509)

NOTE 8 – RELATED PARTIES

One member of the Board of Directors has a spouse that is a volunteer firefighter for the District. Another Board member has three children who are volunteer firefighters for the District.

NOTE 9 – 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.

NOTE 10 – TAX, SPENDING, REVENUE AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue, and debt limitations, which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures, plus reserve increases, with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 – TAX, SPENDING, REVENUE AND DEBT LIMITATIONS - Continued

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

NOTE 11 – COMMITMENTS

During 2017, the District entered into a purchase agreement for a new vehicle. The vehicle is being built by a third party and the District paid \$105,000 toward the vehicle in 2017. The remainder of the vehicle was built and paid for in 2018, where remaining costs were approximately \$75,000.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 10, 2018, the date on which the financial statements were available to be released.

REQUIRED SUPPLEMENTAL INFORMATION

**DIVIDE FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
Revenues				
Property taxes	\$ 279,845	\$ 279,845	\$ 279,612	\$ (233)
Specific ownership tax	23,000	23,000	34,923	11,923
Interest income	1,850	1,850	4,006	2,156
Charges for service	47,000	47,000	31,983	(15,017)
Grant revenue	36,049	36,049	64,895	28,846
Volunteer revenue	17,000	17,000	20,975	3,975
Miscellaneous	6,000	6,000	10,813	4,813
Total revenues	<u>410,744</u>	<u>410,744</u>	<u>447,207</u>	<u>36,463</u>
Expenditures				
Current				
Administration	106,000	106,000	79,717	26,283
Communications	6,500	6,500	8,918	(2,418)
Firefighting and rescue	93,470	93,470	39,897	53,573
Payroll	77,772	77,772	87,284	(9,512)
Pension	12,000	12,000	12,000	-
Station, buildings, and grounds	10,250	10,250	9,348	902
Training	23,300	23,300	21,342	1,958
Utilities	8,500	8,500	6,832	1,668
Vehicles	25,914	25,914	55,100	(29,186)
Capital outlay, net of capital lease	378,441	378,441	140,629	237,812
Debt service				
Lease interest	2,394	2,394	2,394	-
Lease principal	30,257	30,257	30,509	(252)
Total expenditures	<u>774,798</u>	<u>774,798</u>	<u>493,970</u>	<u>280,828</u>
Net change in fund balance	(364,054)	(364,054)	(46,763)	317,291
Fund balance - beginning	376,994	376,994	376,994	-
Fund balance - ending	<u>\$ 12,940</u>	<u>\$ 12,940</u>	<u>\$ 330,231</u>	<u>\$ 317,291</u>

See notes to required supplemental information

**DIVIDE FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY/(ASSET) AND RELATED RATIOS -
VOLUNTEER FIREFIGHTER PENSION PLAN
MEASUREMENT PERIOD ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 12,807	\$ 12,807	\$ 6,685
Interest on the total pension liability	29,153	27,497	9,091
Benefits changes	-	-	217,799
Difference between expected and actual experience	(43,379)	-	23,872
Assumptions changes	7,250	-	-
Benefits payments	(19,016)	(17,447)	(12,710)
Net change in total pension liability	<u>(13,185)</u>	<u>22,857</u>	<u>244,737</u>
Total pension liability - beginning	<u>391,761</u>	<u>368,904</u>	<u>124,167</u>
Total pension liability - ending	<u><u>\$ 378,576</u></u>	<u><u>\$ 391,761</u></u>	<u><u>\$ 368,904</u></u>
Plan fiduciary net position			
Employer contributions	\$ 12,000	\$ 12,000	\$ 12,000
Pension plan net investment income	24,022	7,816	27,181
Benefit payments	(19,016)	(17,447)	(12,710)
Pension plan administrative expense	(988)	(1,864)	(1,014)
State of Colorado supplemental discretionary payment	10,800	10,800	10,800
Net change in plan fiduciary net position	<u>26,818</u>	<u>11,305</u>	<u>36,257</u>
Plan fiduciary net position - beginning (Market value of assets at beginning of year)	<u>451,288</u>	<u>439,983</u>	<u>403,726</u>
Plan fiduciary net position - ending (Market value of assets at end of year)	<u><u>\$ 478,106</u></u>	<u><u>\$ 451,288</u></u>	<u><u>\$ 439,983</u></u>
Net pension asset	<u><u>\$ (99,530)</u></u>	<u><u>\$ (59,527)</u></u>	<u><u>\$ (71,079)</u></u>
Plan fiduciary net position as a percentage of total pension liability	126.29%	115.19%	119.27%
Covered employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A

Information is only available beginning with the measurement period ending December 31, 2014.

**DIVIDE FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS**

Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 5,193	\$ 22,800	\$ (17,607)	N/A	N/A
2015	\$ -	\$ 22,800	\$ (22,800)	N/A	N/A
2014	\$ -	\$ 22,800	\$ (22,800)	N/A	N/A

*Includes both District and State of Colorado Supplemental Discretionary Payment.

See notes to required supplemental information

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2017**

BUDGETARY INFORMATION

Divide Fire Protection District (District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

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