

**DEER MOUNTAIN FIRE PROTECTION DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**COTOPAXI, COLORADO**

December 31, 2018

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# *Garren, Ross & DeNardo, Inc.*

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## **Independent Auditor's Report**

September 18, 2019

Board of Directors  
Deer Mountain Fire Protection District  
Cotopaxi, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Deer Mountain Fire Protection District as of and for the year ended December 31, 2018, 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 audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Deer Mountain Fire Protection District as of December 31, 2018, 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 on pages i through v and the budgetary comparison information on page 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 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.

*Garrett Ross & DeNardo, Inc.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Management's Discussion and Analysis**  
Deer Mountain Fire Protection District  
December 31, 2018

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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, 2018. 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 \$969,187 (net position). Of this amount \$403,270 (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 \$536,417 (55%) 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 \$281,493.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$418,490, for the year ending December 31, 2018.
- At the end of the current fiscal year, unassigned fund balance of the general fund is \$388,291.

**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, 2018

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**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, 2018

**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 \$969,187 at the close of fiscal year 2018. 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:

Assets:	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 693,600	\$ 604,022
Capital assets	<u>905,059</u>	<u>618,100</u>
Total Assets	<u>1,598,659</u>	<u>1,222,122</u>
Liabilities:		
Current and other liabilities	91,472	71,454
Long-term liabilities	<u>334,414</u>	<u>260,218</u>
Total Liabilities	<u>425,886</u>	<u>331,672</u>
Deferred inflow – property taxes	<u>203,586</u>	<u>202,756</u>
Net Position:		
Invested in capital assets, net of related debt	536,417	341,374
Restricted for emergencies	29,500	27,000
Unrestricted	<u>403,270</u>	<u>319,320</u>
Total Net Position – 2017 Restated	<u>\$ 969,187</u>	<u>\$ 687,694</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 \$29,500 and \$27,000 as of December 31, 2018 and 2017, respectively.

**Management's Discussion and Analysis**  
Deer Mountain Fire Protection District  
December 31, 2018

**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>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 643,813	\$ 623,766
Grants and contributions	215,696	52,558
General revenues:		
Property taxes	203,088	196,467
Specific ownership taxes	33,843	33,181
Gain/(Loss) on sale of assets	25,467	5,223
Unrestricted interest earnings	487	626
Insurance Proceeds	-	4,862
Other	-	1,628
Total Revenues	<u>1,122,394</u>	<u>918,311</u>
Expenses:		
Public safety	788,725	725,265
General government	52,176	51,524
Total Expenses	<u>840,901</u>	<u>776,789</u>
Change in net position	281,493	141,522
Net position – beginning	687,694	546,172
Net position – ending – 2017 restated	<u>\$ 969,187</u>	<u>\$ 687,694</u>

**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 2018, the Directors appropriated \$1,183,389 for general fund expenditures.

**2018 General Fund Budget**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	
Revenues	\$ 268,025	\$ 1,052,065	\$ 1,260,240
Expenditures	\$ 373,274	\$ 1,183,389	\$ 1,175,593

**Capital Asset and Debt Administration**

**Capital Assets.** The District's investment in capital assets as of December 31, 2018 amounts to \$905,059 (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, 2018

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**Deer Mountain Fire Protection District's Capital Assets**

Land	\$	30,967
Land Improvements		1,311
Furniture & Fixtures		32,420
Building and Improvements		525,822
Equipment		1,517,617
Construction in Process		5,565
Accumulated Depreciation		(1,208,643)
	\$	<u>905,059</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 2018, the District had \$368,642 in outstanding debt for the lease purchase of a building and two trucks.

If the District maintains the current payment schedules, then the building lease will be paid off in 13 years, the 2001 Freightliner will be paid off in 7 years, and the 2017 Dodge Ram will be paid off in 5 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  
6181 CR 28  
Cotopaxi, CO 81223

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
December 31, 2018

<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash and equivalents	\$	356,617
Note receivable - current		4,043
Accounts receivable and other		115,838
Taxes receivable		206,157
Prepaid expenses		6,489
		689,144
<b>Total Current Assets</b>		
<b>Noncurrent Assets</b>		
Note receivable - noncurrent		4,456
Capital assets - net of accumulated depreciation		905,059
		909,515
<b>Total Noncurrent Assets</b>		
		1,598,659
<b>Total Assets</b>		
<b><u>Liabilities</u></b>		
<b>Current Liabilities</b>		
Accounts payable		42,899
Payroll liabilities		4,597
Accrued wages		9,015
Accrued interest		733
Capital leases due within one year		34,228
		91,472
<b>Total Current Liabilities</b>		
<b>Long-Term Liabilities</b>		
Capital leases not due within one year		334,414
		425,886
<b>Total Liabilities</b>		
<b>Deferred Inflow of Resources</b>		
Deferred inflow - property taxes		203,586
		203,586
<b><u>Net Position</u></b>		
Invested in capital assets, net of related debt		536,417
Restricted for emergencies		29,500
Unrestricted		403,270
		969,187
<b>Total Net Position</b>		\$ 969,187

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, 2018

	Program Revenue				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
					Primary Governmental Activities
<b>Primary Government:</b>					
<b>Government activities:</b>					
General government	\$ 61,575	\$ -	\$ 22,495	\$ -	\$ 22,495
Public safety	779,326	643,813	-	193,201	837,014
<b>Total</b>	<b>\$ 840,901</b>	<b>\$ 643,813</b>	<b>\$ 22,495</b>	<b>\$ 193,201</b>	<b>\$ 859,509</b>
<b>General revenues and taxes</b>					
Taxes:					
General property taxes					\$ 203,088
Specific ownership taxes					33,843
Interest income					487
Gain/(Loss) on sale of assets					25,467
					262,885
<b>Total General Revenues and Taxes</b>					<b>281,493</b>
<b>Change in Net Position</b>					<b>687,694</b>
<b>Net Position - Beginning - Restated</b>					<b>969,187</b>
<b>Net Position - Ending</b>					<b>\$ 969,187</b>

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, 2018

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		<b><u>General Fund</u></b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$	356,617
Taxes receivable		206,157
Accounts and other receivables		<u>115,813</u>
	<b>Total Assets</b>	<u>678,587</u>
<b><u>Liabilities</u></b>		
Accounts payable		42,899
Payroll liabilities		4,597
Accrued wages		<u>9,015</u>
	<b>Total Liabilities</b>	<u>56,511</u>
<b><u>Deferred Inflow of Resources</u></b>		
Deferred inflow - property taxes		<u>203,586</u>
<b><u>Fund Balances</u></b>		
Restricted for emergencies		29,500
Assigned for major improvements		699
Unassigned		<u>388,291</u>
	<b>Total Fund Balances</b>	<u>\$ 418,490</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, 2018

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<b>Total Fund Balances - Government Funds</b>		\$ 418,490
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	\$ 30,967	
Construction in process	5,565	
Depreciable capital assets, net	868,527	
<b>Total Capital Assets</b>		905,059
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		
		(368,642)
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.		
		(733)
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.		
		25
Revenue receivable that does not provide current financial resources is not recorded in the governmental funds.		
		8,499
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.		
		6,489
<b>Net Position of Governmental Activities</b>		<b>\$ 969,187</b>

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, 2018

	<b><u>General Fund</u></b>
<b>Revenues</b>	
General property tax	\$ 203,087
Specific ownership tax	33,843
Interest income	499
Grant and donation income	215,696
Proceeds from sales of assets	40,751
Charges for services	643,813
Other	<u>3,905</u>
<b>Total Revenues</b>	<u>1,141,594</u>
<b>Expenditures</b>	
General government	51,093
Public safety	645,757
Debt service:	
Principal	26,230
Interest	12,482
Capital outlay	<u>440,031</u>
<b>Total Expenditures</b>	<u>1,175,593</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(33,999)
<b>Other Financing Sources (Uses)</b>	
Capital lease	<u>118,146</u>
<b>Net Change in Fund Balance</b>	84,147
<b>Fund balances - beginning</b>	<u>334,343</u>
<b>Fund balances - ending</b>	<u>\$ 418,490</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, 2018

**Total Net Change in Fund Balances - Governmental Funds** \$ 84,147

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	\$ 440,031	
Depreciation expense	<u>(137,788)</u>	302,243

Current year note receivable payments provide current financial resources to the governmental 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 governmental fund but it is a current asset in the Statement of Net Position.

Note receivable payments	(3,904)	
Change in interest receivable	<u>(12)</u>	(3,916)

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 Activites does recognize basis and the gain needs to be adjusted for this difference. (15,284)

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

Capital lease payments	26,230	
Change in interest payable	<u>498</u>	26,728

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		5,721
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Capital lease proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. The capital lease is not revenue in the statement of activities, but rather constitutes long-term liabilities in the Statement of Net Position. (118,146)

**Change in Net Position - Governmental Activities** **\$ 281,493**

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, 2018

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**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, 2018

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**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, 2018

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**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
Land Improvements	15 - 20 years
Equipment	5 - 15 years
Vehicles	5 - 15 years

Land is 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, 2018.

**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 2018.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**DEER MOUNTAIN FIRE PROTECTION DISTRICT**

December 31, 2018

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**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.

**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, 2018, the District has reserved \$29,500, 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, 2018, 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, 2018

**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	\$ 356,617	\$ 356,617	\$ -

**Note D - Accounts and Other Receivables**

Taxes receivable consist of taxes which are due but will not be collected until 2019. Account receivables consist mainly of fire payments and emergency medical services that were earned in 2018 but will not be collected until 2019. As of December 31, 2018, 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 \$8,499 with 4.00% interest, due in 60 monthly payments of \$360, beginning February 13, 2016. The balance at December 31, 2018 was \$8,499. This asset is reflected on the government-wide statement of net position as well as the interest accrued in the amount of \$25 at December 31, 2018.

**Note E - Property Tax Accrual**

Property taxes which have been levied for 2018 which will not be collected until 2019 have been accrued as a receivable at December 31, 2018. 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 1-1-18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12-31-18</u>
Land	\$ 22,325	\$ 8,642	\$ -	\$ 30,967
Land Improvements	-	1,311	-	1,311
Buildings and improvements	525,823	-	-	525,823
Machinery and equipment	1,173,388	424,513	80,285	1,517,616
Furniture and fixtures	32,420	-	-	32,420
Construction in Process	-	5,565	-	5,565
<b>Totals</b>	<u>1,753,956</u>	<u>\$ 440,031</u>	<u>\$ 80,285</u>	<u>2,113,702</u>
Less: accumulated depreciation	<u>(1,135,856)</u>			<u>(1,208,643)</u>
<b>Net Capital Assets</b>	<u>\$ 618,100</u>			<u>\$ 905,059</u>

Depreciation expense by function:

General government	\$ 10,482
Public safety	127,306
	<u>\$ 137,788</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
December 31, 2018

**Note G - Long-Term Liabilities**

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

	<u>Balance at</u> <u>1-1-2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12-31-2018</u>	<u>Due in</u> <u>One Year</u>
Building	\$ 276,726	\$ -	\$ 17,909	\$ 258,817	\$ 17,135
2001 Freightliner	-	83,000	5,715	77,285	10,613
2017 Dodge Ram	-	35,146	2,606	32,540	6,480
	<u>\$ 276,726</u>	<u>\$ 118,146</u>	<u>\$ 26,230</u>	<u>\$ 368,642</u>	<u>\$ 34,228</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. \$ 258,817

2001 Freightliner Capital Lease Payable

\$83,000 lease purchase of 2001 Freightliner with Community First National Bank payable over 84 monthly installments of \$1,146 at 4.29% interest ending July 2025. 77,285

2017 Dodge Ram Capital Lease Payable

\$35,146 lease purchase of 2017 Dodge Ram with Community First National Bank payable over 60 monthly installments of \$663 at 4.99% interest ending July 2023. 32,540

Total \$ 368,642

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>
2019	\$ 34,228	\$ 13,274	\$ 47,502
2020	35,625	11,878	47,502
2021	37,080	10,423	47,502
2022	38,595	8,907	47,502
2023	36,831	7,356	44,187
2024-2028	128,537	20,489	149,027
2029-2031	57,746	2,439	60,186
	<u>\$ 368,642</u>	<u>\$ 74,766</u>	<u>\$ 443,408</u>

**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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
 December 31, 2018

**Note H - Fund Balances (Continued)**

**Government-wide Net Position**

- 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.

**Note I - Restatement of Net Position**

In the government-wide financial statements the beginning balance of net capital assets was reduced through a prior period adjustment as follows:

Net position at December 31, 2017 (as originally stated)	\$	756,314
Correction of accumulated depreciation		<u>(68,620)</u>
<b>Net Position at December 31, 2017 (restated)</b>	<b>\$</b>	<b><u>687,694</u></b>

**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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Property taxes	\$ 227,725	\$ 234,000	\$ 236,930	\$ 2,930
State fire payments	-	543,617	580,797	37,180
Medical income	24,300	57,000	63,016	6,016
Interest income	-	-	499	499
Donations	2,000	14,125	30,495	16,370
Grants	14,000	156,602	185,201	28,599
Gain/(Loss) on sale of assets	-	40,750	40,751	1
Capital income	-	4,296	3,905	(391)
Capital lease proceeds	-	-	118,146	118,146
Other income	-	1,675	-	(1,675)
<b>Total Revenues</b>	<u>268,025</u>	<u>1,052,065</u>	<u>1,259,740</u>	<u>207,675</u>
<b>Expenditures</b>				
Payroll expenses	100,000	559,610	427,634	131,976
State fire disbursements	-	53,059	46,442	6,617
National fire expenses	-	800	784	16
Treasurer fees	7,200	6,500	6,093	407
Board of directors	7,200	6,905	7,705	(800)
Medical expenses	29,276	24,400	23,763	637
Administration	10,225	10,100	9,131	969
Fire communications	16,600	11,730	10,549	1,181
Insurance	22,000	41,187	39,465	1,722
Fire fighting supplies	11,000	23,650	15,438	8,212
Training	10,900	8,050	8,027	23
Rescue	3,923	3,000	-	3,000
Professional expenses	43,350	23,670	28,165	(4,495)
Building repairs, maintenance, and utilities	21,500	29,455	32,704	(3,249)
Vehicle expenses	21,400	36,900	36,482	418
Equipment repairs	-	-	1,469	(1,469)
Capital outlay	41,000	283,954	440,031	(156,077)
Grant expenditures	1,700	-	3,000	(3,000)
Debt service	26,000	60,419	38,711	21,708
<b>Total Expenditures</b>	<u>373,274</u>	<u>1,183,389</u>	<u>1,175,593</u>	<u>7,796</u>
<b>Revenue Over (Under) Expenditures</b>	(105,249)	(131,324)	84,147	215,471
<b>Fund Balance - Beginning</b>	<u>130,000</u>	<u>180,000</u>	<u>334,343</u>	<u>154,343</u>
<b>Fund Balance - Ending</b>	<u>\$ 24,751</u>	<u>\$ 48,676</u>	<u>\$ 418,490</u>	<u>\$ 369,814</u>

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