

***DIVIDE FIRE PROTECTION DISTRICT***

***FINANCIAL STATEMENTS***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***DECEMBER 31, 2018***

**OSBORNE, PARSONS & ROSACKER, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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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, 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.

### **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**

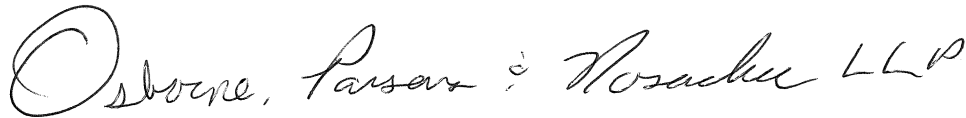
**Opinion**

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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, the budgetary comparison information on page 28, and the pension schedules on pages 29-30 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 23, 2019

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

**DIVIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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 \$1,024,957 which represents the ending net position.
- The net position increased by \$30,259 from the prior year. Approximately 50% of the net position, \$514,377, 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 \$396,071, which represents the ending fund balance.
- The ending fund balance increased by \$65,840 from the prior year. Approximately 96% of the total fund balance, \$381,039, 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.

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

**DIVIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2018**

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 \$1,024,957 as of December 31, 2018, as reflected in the total net position. Approximately 48% 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, 2018**

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

	<u>2018</u>	<u>2019</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 689,243	\$ 619,440	\$ 69,803
Net pension asset	146,279	99,530	46,749
Capital assets, net	527,765	609,938	(82,173)
<b>Total assets</b>	<u>\$ 1,363,287</u>	<u>\$ 1,328,908</u>	<u>\$ 34,379</u>
<b>Deferred outflows of resources</b>	<u>\$ 42,324</u>	<u>\$ 55,096</u>	<u>\$ (12,772)</u>
<b>Liabilities</b>			
Current	\$ 42,980	\$ 42,407	\$ 573
Long-term	798	32,085	(31,287)
<b>Total liabilities</b>	<u>\$ 43,778</u>	<u>\$ 74,492</u>	<u>\$ (30,714)</u>
<b>Deferred inflows of resources</b>	<u>\$ 336,876</u>	<u>\$ 314,814</u>	<u>\$ 22,062</u>
<b>Net position</b>			
Net investment in capital assets	\$ 495,680	\$ 546,566	\$ (50,886)
Restricted	14,900	14,800	100
Unrestricted	514,377	433,332	81,045
<b>Net position</b>	<u>\$ 1,024,957</u>	<u>\$ 994,698</u>	<u>\$ 30,259</u>

The Net pension asset increased during the current year for various reasons, including net investment income of approximately \$69,400. This increase was approximately \$27,000 higher than projected. A combination of other factors including employer contributions, benefit payments, plan administrative expenses, and the state payment limited the net increase in plan asset by approximately \$3,000. Lastly, a combination of factors including service costs, interest on plan liability, and benefit payments increased the plan liability by approximately \$19,700.

Liabilities decreased because the paid off a capital lease on a vehicle. Additionally, there was no additional debt incurred because the District was able to purchase a new rescue vehicle without having to acquire financing.

**DIVIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2018**

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Expenses</b>			
General and administrative	\$ 171,642	\$ 140,240	\$ 31,402
Firefighting and rescue	359,924	320,031	39,893
Total expenses	<u>531,566</u>	<u>460,271</u>	<u>71,295</u>
 <b>Revenues</b>			
Program revenues			
Charges for services	128,133	31,983	96,150
Grants and contributions	96,024	85,870	10,154
General revenues			
Property taxes	279,084	279,612	(528)
Specific ownership taxes	35,060	34,923	137
Miscellaneous	6,189	10,813	(4,624)
Interest and other	6,699	4,006	2,693
Gain on sale of capital assets	10,636	-	10,636
Total revenues	<u>561,825</u>	<u>447,207</u>	<u>114,618</u>
 <b>Change in net position</b>	30,259	(13,064)	43,323
<b>Net position - beginning of year</b>	994,698	1,007,762	(13,064)
<b>Net position - end of year</b>	<u>\$ 1,024,957</u>	<u>\$ 994,698</u>	<u>\$ 30,259</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.

These expenses during the current year include incident response reimbursement that was approximately \$84,500 in 2018, with an additional payment of approximately \$5,500 in associated payroll taxes. Audit expenses increased to \$6,329. The District also incurred approximately \$2,900 in election expenses in 2018. The District also saw an additional depreciation expense of approximately \$20,000. This was offset by approximately \$20,000 less spent on vehicle repairs than in 2017.

Charges for services, which include the above referenced incident response reimbursement, increased during the current year because there were more firefighter deployments compared to the prior year, both in the number of personnel who deployed as well as the number of incidents.

Grant revenues increased by about \$10,000 in 2018 because the District received grants of overall greater value to purchase an apparatus as well as firefighting and medical equipment.

**DIVIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2018**

**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 4, the General Fund is the operating fund of the District. The ending fund balance was \$396,071 as reflected on page 10 of the financials. Of this amount, \$14,900 was restricted by TABOR.

**BUDGETARY HIGHLIGHTS**

The District's 2018 final budget had a total revenue amount of \$419,313. The District ended the year with a total actual revenue amount of \$551,189, representing a favorable variance of \$131,876. The District's final budget had total expenditures of \$733,531. The District ended the year with actual audited expenditures of \$497,902. Actual expenditures had a positive variance against budgeted expenditures of \$235,629. 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, 2018, was \$527,765. Additional information relating to the District's capital assets activity can be found in Note 3 to the financial statements.

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
Land and improvements	\$ 6,700	\$ 6,700
Work in process	1,500	105,000
Building and improvements	194,799	208,421
Vehicles and equipment	324,766	289,817
Total	\$ 527,765	\$ 609,938

**ECONOMIC FACTORS (Next year's budget and rates)**

The District's 2020 and 2021 budgets will likely not be affected by the Gallagher amendment, as the change in the Residential Assessment Rate (RAR) has been approved in State legislature and will decrease by only 0.05% to 7.15%. The District may realize higher Net General Property Tax revenue, as Teller County assessed property valuations have been trending upwards in the area.

**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, 2018**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 60,146
Cash held by county treasurer	3,045
Investments	343,632
Accounts receivable	264
Property tax receivable	282,024
Prepaid expenses	132
Net pension asset	146,279
Capital assets, net	527,765
<b>Total assets</b>	<u><u>\$ 1,363,287</u></u>
 <b>Deferred outflows of resources</b>	
Pension	<u><u>\$ 42,324</u></u>
 <b>Liabilities</b>	
Accounts payable	\$ 4,770
Accrued liabilities	6,378
Accrued interest payable	545
Long-term debt	
Due within one year	32,085
<b>Total liabilities</b>	<u><u>\$ 43,778</u></u>
 <b>Deferred inflows of resources</b>	
Property taxes	\$ 282,024
Pension	54,852
<b>Total deferred inflows of resources</b>	<u><u>\$ 336,876</u></u>
 <b>Net position</b>	
Net investment in capital assets	\$ 495,680
Restricted for emergencies	14,900
Unrestricted	514,377
<b>Total net position</b>	<u><u>\$ 1,024,957</u></u>

See notes to financial statements

**DIVIDE FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

	<b>Program Revenues</b>				
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Net Program Expense</b>	
<b>Functions/programs</b>					
<b>Governmental activities</b>					
General and administrative	\$ 171,642	\$ -	\$ -	\$ -	\$ (171,642)
Firefighting and rescue	359,924	128,133	23,762	72,262	(135,767)
<b>Total governmental activities</b>	<b>\$ 531,566</b>	<b>\$ 128,133</b>	<b>\$ 23,762</b>	<b>\$ 72,262</b>	<b>(307,409)</b>
<b>General revenues</b>					
General property tax					279,084
Specific ownership tax					35,060
Miscellaneous					6,189
Investment earnings					6,699
Gain on sale of capital assets					10,636
<b>Total general revenues</b>					<b>337,668</b>
<b>Change in net position</b>					30,259
<b>Net position - beginning</b>					994,698
<b>Net position - ending</b>					<b>\$ 1,024,957</b>

See notes to financial statements

**DIVIDE FIRE PROTECTION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND - GENERAL FUND  
DECEMBER 31, 2018**

**ASSETS**

**Assets**

Cash and cash equivalents	\$	60,146
Cash held by county treasurer		3,045
Investments		343,632
Accounts receivable		264
Property tax receivable		282,024
Prepaid expenses		132
<b>Total assets</b>	<b>\$</b>	<b>689,243</b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$	4,770
Accrued liabilities		6,378
<b>Total liabilities</b>		<b>11,148</b>

**Deferred inflow of resources**

Property tax		282,024
<b>Total deferred inflow of resources</b>		<b>282,024</b>

**Fund balance**

Restricted for emergencies		14,900
Non-spendable		132
Unassigned		381,039
<b>Total fund balance</b>		<b>396,071</b>

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

**\$ 689,243**

**DIVIDE FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

<b>Total fund balance - governmental fund</b>	\$	396,071
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Amounts reported for governmental activities in the statement of net position are different because:

The net pension asset and related deferred items are not available for current period expenditures and are therefore not reported in the funds.

Net pension asset		146,279
Deferred outflows of resources - pension		42,324
Deferred inflows of resources - pension		(54,852)

Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.

Capital assets		2,214,540
Accumulated depreciation		(1,686,775)

Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.

Accrued interest end of year		(545)
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Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds.

		<u>(32,085)</u>
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<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u><u>1,024,957</u></u></b>
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**DIVIDE FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2018**

**Revenues**

Property taxes	\$ 279,084
Specific ownership tax	35,060
Interest income	6,699
Charges for service	128,133
Grant revenue	72,262
Volunteer revenue	23,762
Miscellaneous	6,189
<b>Total revenues</b>	<u>551,189</u>

**Expenditures**

Current

Administration	86,509
Communications	5,493
Firefighting and rescue	43,727
Payroll	163,968
Pension	12,000
Station, buildings, and grounds	8,796
Training	15,867
Utilities	6,012
Vehicles	36,512
Capital outlay, net of capital lease	86,115
Debt service	
Lease interest	1,616
Lease principal	31,287
<b>Total expenditures</b>	<u>497,902</u>

**Excess of revenues over (under) expenditures**

53,287

**Other financing sources**

Proceeds on sale of capital assets	12,553
<b>Total other financing sources</b>	<u>12,553</u>

**Net change in fund balance**

65,840

**Fund balance - beginning**

330,231

**Fund balance - ending**

\$ 396,071

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, 2018**

**Net change in fund balance - total governmental funds** \$ 65,840

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. 14,775

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	(166,373)
Capital expenditures	86,115
Loss on disposal of asset	(1,917)

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)	31,287
Prior year accrued interest	1,077
Current year interest accrual	(545)

<b>Change in net position - governmental activities</b>	\$ 30,259
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See notes to financial statements

***NOTES TO FINANCIAL STATEMENTS***

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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, 2018**

**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, 2018**

**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.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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 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 recorded 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.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*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.

*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, 2018, 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, 2018 consist of the following:

Petty Cash	\$	100
Deposits with Financial Institutions		60,046
Total Cash and Cash Equivalents		60,146

**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, 2018 were exposed to credit risk.

At December 31, 2018, the District's cash deposits had bank balances of \$61,921 and carrying balances of \$60,046.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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, 2018, the District had the following investments, recorded at fair value:

<b>Investment</b>	<b>Maturity</b>	
Colorado Liquid Asset Trust (Colotrust)	Weighted Average under 60 Days	<u>\$ 343,632</u>

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 – INVESTMENTS - Continued**

**COLOTrust** – 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 statutes 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, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 6,700	\$ -	\$ -	\$ -	\$ 6,700
Work in Process - Vehicle	105,000	1,500	-	(105,000)	1,500
Total Capital Assets Not Being Depreciated, Net	<u>111,700</u>	<u>1,500</u>	<u>-</u>	<u>(105,000)</u>	<u>8,200</u>
Capital Assets Being Depreciated					
Buildings	414,134	-	-	-	414,134
Vehicles and Equipment	1,738,706	84,615	(136,115)	105,000	1,792,206
Total Capital Assets Being Depreciated	<u>2,152,840</u>	<u>84,615</u>	<u>(136,115)</u>	<u>105,000</u>	<u>2,206,340</u>
Less Accumulated Depreciation					
Building	(205,713)	(13,621)	-	-	(219,334)
Vehicles and Equipment	(1,448,888)	(152,752)	134,199	-	(1,467,441)
Total Accumulated Depreciation	<u>(1,654,601)</u>	<u>(166,373)</u>	<u>134,199</u>	<u>-</u>	<u>(1,686,775)</u>
Total Capital Assets Being Depreciated, Net	<u>498,239</u>	<u>(81,758)</u>	<u>(1,916)</u>	<u>105,000</u>	<u>519,565</u>
Total Capital Assets, Net	<u>\$ 609,939</u>	<u>\$ (80,258)</u>	<u>\$ (1,916)</u>	<u>\$ 105,000</u>	<u>\$ 527,765</u>

Depreciation expense of \$166,373 for the year ended December 31, 2018, 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, 2018**

**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, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases:					
Equipment	\$ 63,372	\$ -	\$ (31,287)	\$ 32,085	\$ 32,085

There was one capital lease outstanding as of December 31, 2018. 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 \$264,032. Capital lease amortization is included in depreciation expense. Interest expense of \$1,616 for the year ended December 31, 2018, 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, 2018 were as follows:

<u>Year Ending December 31,</u>	
2019	\$ 32,903
Total Minimum Lease Payments	32,903
Less: Amount Representing Interest	(818)
Present Value of Minimum Lease Payments	32,085
Due Within One Year - Principal	32,085
Due in More Than One Year - Principal	\$ -

**Debt authorization** - At December 31, 2018, the District had no authorized but unissued indebtedness.

**NOTE 5 – NET POSITION**

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

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5 – NET POSITION - Continued**

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, 2018, the District had net investment in capital assets as follows:

Capital Assets, Net	\$ 527,765
Current Portion of Outstanding Leases Payable	<u>(32,085)</u>
Net Investment in Capital Assets	<u><u>\$ 495,680</u></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, 2018, the District had restricted net position for emergencies (Note 9) of \$14,900.

**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](http://FPPAco.org).

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 7 – VOLUNTEER 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, 2017:

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 Year	\$ 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 member.

**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, 2018, were \$12,000 from the District and \$10,800 from the State of Colorado.

**Net Pension Asset** - At December 31, 2018, the VPF reported a net pension asset of \$146,279. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2018.

For the year ended December 31, 2018, the District recognized pension benefit relating to the VPF of \$2,775.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 7 – VOLUNTEER PENSION PLAN - Continued**

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 8,892	\$ 27,917
Assumption Changes	4,666	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	16,766	26,935
District Contributions Subsequent to Measurement Date	12,000	-
Total	\$ 42,324	\$ 54,852

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, 2018.

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

<b>Fiscal Years Ended December 31,</b>	<b>Amortization</b>
2019	\$ (1,696)
2020	(2,378)
2021	(9,786)
2022	(10,668)
	\$ (24,528)

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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, 2017 were determined using the following methods and assumptions:

Actuarial cost method	Entry age normal
Amortization 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 Mortality 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 AA.

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

The total pension liability is based on an actuarial valuation performed as of January 1, 2017, and a measurement date of December 31, 2017. This measurement date is within one year of the plan sponsor's fiscal year end of December 31, 2018, and may be used for December 31, 2018, reporting purposes.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 7 – VOLUNTEER FIREFIGHTER PENSION PLAN – Continued**

**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 for each major asset class included in the Fund’s target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash	2.00 %	2.26 %
Fixed Income	15.00	3.00 %
Absolute Return	9.00	6.46 %
Managed Funds	4.00	6.85 %
Long Short	9.00	7.15 %
Global Public Equity	37.00	8.33 %
Private Capital	24.00	9.70 %
<b>Total</b>	<u>100.00 %</u>	

**Single 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 3.31% (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:

<b>Current Single Discount Rate</b>		
<b>1% Decrease</b>	<b>Assumption</b>	<b>1% Increase</b>
<b>6.50%</b>	<b>7.50%</b>	<b>8.50%</b>
\$ (98,771)	\$ (146,279)	\$ (185,727)

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 8 – 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 9 – 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.

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 10 – RELATED PARTIES**

One member of the Board of Directors has a spouse that is a volunteer firefighter for the District. Another Board member has a daughter and son in law who are volunteer firefighters for the District.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 23, 2019, 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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 279,166	\$ 279,166	\$ 279,084	\$ (82)
Specific ownership tax	30,000	30,000	35,060	5,060
Interest income	1,850	1,850	6,699	4,849
Charges for service	47,000	47,000	128,133	81,133
Grant revenue	36,297	36,297	72,262	35,965
Volunteer revenue	19,000	19,000	23,762	4,762
Miscellaneous	6,000	6,000	6,189	189
<b>Total revenues</b>	<u>419,313</u>	<u>419,313</u>	<u>551,189</u>	<u>131,876</u>
<b>Expenditures</b>				
Current				
Administration	102,743	102,743	86,509	16,234
Communications	6,300	6,300	5,493	807
Firefighting and rescue	71,139	71,139	43,727	27,412
Payroll	89,004	89,004	163,968	(74,964)
Pension	12,000	12,000	12,000	-
Station, buildings, and grounds	8,150	8,150	8,796	(646)
Training	22,800	22,800	15,867	6,933
Utilities	8,500	8,500	6,012	2,488
Vehicles	38,444	38,444	36,512	1,932
Capital outlay, net of capital lease	341,800	341,800	86,115	255,685
Debt service				
Lease interest	2,394	2,394	1,616	778
Lease principal	30,257	30,257	31,287	(1,030)
<b>Total expenditures</b>	<u>733,531</u>	<u>733,531</u>	<u>497,902</u>	<u>235,629</u>
<b>Net change in fund balance</b>	(314,218)	(314,218)	65,840	380,058
<b>Fund balance - beginning</b>	330,231	330,231	330,231	-
<b>Fund balance - ending</b>	<u>\$ 16,013</u>	<u>\$ 16,013</u>	<u>\$ 396,071</u>	<u>\$ 380,058</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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>				
Service cost	\$ 10,642	\$ 12,807	\$ 12,807	\$ 6,685
Interest on the total pension liability	28,085	29,153	27,497	9,091
Benefit changes	-	-	-	217,799
Difference between expected and actual experience of the total pension liability	-	(43,379)	-	23,872
Changes of assumptions	-	7,250	-	-
Benefits payments	(19,016)	(19,016)	(17,447)	(12,710)
<b>Net change in total pension liability</b>	<u>19,711</u>	<u>(13,185)</u>	<u>22,857</u>	<u>244,737</u>
<b>Total pension liability - beginning</b>	<u>378,576</u>	<u>391,761</u>	<u>368,904</u>	<u>124,167</u>
<b>Total pension liability - ending</b>	<u>\$ 398,287</u>	<u>\$ 378,576</u>	<u>\$ 391,761</u>	<u>\$ 368,904</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Net investment income	69,415	24,022	7,816	27,181
Benefit payments	(19,016)	(19,016)	(17,447)	(12,710)
Pension plan administrative expense	(6,739)	(988)	(1,864)	(1,014)
State of Colorado supplemental discretionary payment	10,800	10,800	10,800	10,800
<b>Net change in plan fiduciary net position</b>	<u>66,460</u>	<u>26,818</u>	<u>11,305</u>	<u>36,257</u>
<b>Plan fiduciary net position - beginning</b> (Market value of assets at beginning of year)	<u>478,106</u>	<u>451,288</u>	<u>439,983</u>	<u>403,726</u>
<b>Plan fiduciary net position - ending</b> (Market value of assets at end of year)	<u>\$ 544,566</u>	<u>\$ 478,106</u>	<u>\$ 451,288</u>	<u>\$ 439,983</u>
<b>Net pension asset</b>	<u>\$ (146,279)</u>	<u>\$ (99,530)</u>	<u>\$ (59,527)</u>	<u>\$ (71,079)</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	136.73%	126.29%	115.19%	119.27%
<b>Covered - employee payroll</b>	N/A	N/A	N/A	N/A
<b>Net pension asset as a percentage of covered employee payroll</b>	N/A	N/A	N/A	N/A

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

See notes to required supplemental information

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

<b>Year Ending December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution*</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2017	\$ 5,193	\$ 22,800	\$ (17,607)	N/A	N/A
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, 2018**

**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.