

**FOUR MILE FIRE PROTECTION DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

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## **FINANCIAL SECTION**



## JOHN CUTLER & ASSOCIATES

Board of Directors  
Four Mile Fire Protection District  
Boulder, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Four Mile 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

#### 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 Four Mile Fire Protection District, as of December 31, 2018, and the respective changes in financial position, and, 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 required supplementary information on pages 16-17 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.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019 on our consideration of the Four Mile Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Four Mile Fire Protection District's internal control over financial reporting and compliance.

*John Luthr & Associates, LLC*

July 31, 2019

## **BASIC FINANCIAL STATEMENTS**

FOUR MILE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2018

	Governmental Activities	
	2018	2017
<b>ASSETS</b>		
Cash and Investments	\$ 582,113	\$ 529,239
Accounts Receivable	566,316	1,347,122
Receivables		
Property Taxes	363,383	170,533
Prepaid Items	19,808	23,877
Capital Assets, Not Depreciated	20,816	20,816
Capital Assets, Depreciated		
Net of Accumulated Depreciation	2,084,686	2,243,551
<b>TOTAL ASSETS</b>	<b>3,637,122</b>	<b>4,335,138</b>
<b>LIABILITIES</b>		
Accounts Payable	498,318	1,337,422
Accrued Salaries and Benefits	7,300	16,174
Capital Leases		
Due in One Year	19,097	37,698
Due in More Than One Year	238,754	257,851
<b>TOTAL LIABILITIES</b>	<b>763,469</b>	<b>1,649,145</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Revenues - Property Taxes	363,383	168,135
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>363,383</b>	<b>168,135</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,845,932	1,985,700
Restricted for Emergencies	16,000	12,000
Restricted for Watershed Project	12,164	12,450
Unrestricted	636,174	507,708
<b>TOTAL NET POSITION</b>	<b>\$ 2,510,270</b>	<b>\$ 2,517,858</b>

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

FOUR MILE FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2018	2017
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
General Government	\$ 1,899,597	\$ -	\$ 1,360,802	\$ (538,795)	\$ (505,549)
Interest on Long-Term Debt	9,922	-	-	(9,922)	(11,597)
Total Governmental Activities	1,909,519	-	1,360,802	(548,717)	(517,146)
<b>GENERAL REVENUES</b>					
				377,165	175,363
Property Taxes				70,189	42,643
Specific Ownership Taxes				62,886	128,051
Mitigation				17,327	18,415
Donations				13,562	25,008
Other					
TOTAL GENERAL REVENUES				541,129	389,480
CHANGE IN NET POSITION				(7,588)	(127,666)
NET POSITION, Beginning				2,517,858	2,645,524
NET POSITION, Ending				\$ 2,510,270	\$ 2,517,858

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

FOUR MILE FIRE PROTECTION DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2018

	GENERAL FUND	WATER COALITION FUND	TOTAL GOVERNMENTAL FUNDS	
			2018	2017
<b>ASSETS</b>				
Cash and Investments	\$ 574,207	\$ 7,906	\$ 582,113	\$ 529,239
Property Taxes Receivable	363,383	-	363,383	170,533
Accounts Receivable	59,833	-	59,833	50,706
Grant Receivable	16,466	490,017	506,483	1,296,416
Prepaid Items	19,808	-	19,808	23,877
<b>TOTAL ASSETS</b>	<b>\$ 1,033,697</b>	<b>\$ 497,923</b>	<b>\$ 1,531,620</b>	<b>\$ 2,070,771</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 15,222	\$ 483,096	\$ 498,318	\$ 1,337,422
Accrued Expenses	4,637	2,663	7,300	16,174
<b>TOTAL LIABILITIES</b>	<b>19,859</b>	<b>485,759</b>	<b>505,618</b>	<b>1,353,596</b>
<b>DEFERRED INFLOWS</b>				
Deferred Revenues - Property Taxes	363,383	-	363,383	168,135
<b>FUND BALANCE</b>				
Fund Balance				
Nonspendable	19,808	-	19,808	23,877
Restricted for Emergencies	16,000	-	16,000	12,000
Restricted for Watershed Project	-	12,164	12,164	12,450
Unassigned	614,647	-	614,647	500,713
<b>TOTAL FUND BALANCE</b>	<b>650,455</b>	<b>12,164</b>	<b>662,619</b>	<b>549,040</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<b>\$ 1,033,697</b>	<b>\$ 497,923</b>	<b>\$ 1,531,620</b>	<b>\$ 2,070,771</b>

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

Fund Balance, Governmental Funds	662,619	549,040
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,105,502	2,264,367
Long-term liabilities and related assets are not due and payable in the current period and are not reported in the funds. This includes capital leases payable.	(257,851)	(295,549)
<b>Net position of governmental activities</b>	<b>\$ 2,510,270</b>	<b>\$ 2,517,858</b>

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

FOUR MILE FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2018

	GENERAL FUND	WATER COALITION FUND	TOTAL GOVERNMENTAL FUNDS	
			2018	2017
REVENUES				
Property Taxes	\$ 377,165	\$ -	\$ 377,165	\$ 175,363
Specific Ownership Taxes	70,189	-	70,189	42,643
Mitigation Revenue	62,886	-	62,886	128,051
Grants	39,644	1,321,158	1,360,802	3,311,175
Donations	17,300	27	17,327	18,415
Miscellaneous	12,838	724	13,562	25,008
TOTAL REVENUES	<u>580,022</u>	<u>1,321,909</u>	<u>1,901,931</u>	<u>3,700,655</u>
EXPENDITURES				
Salaries and Benefits	212,796	99,461	312,257	362,979
Firefighting and Prevention	57,461	-	57,461	95,851
General and Administrative	148,280	-	148,280	186,820
Project Planning and Implementation	-	1,221,038	1,221,038	3,006,606
Miscellaneous	-	1,696	1,696	4,991
Debt Service				
Principal	37,698	-	37,698	42,392
Interest and Fiscal Charges	9,922	-	9,922	11,597
TOTAL EXPENDITURES	<u>466,157</u>	<u>1,322,195</u>	<u>1,788,352</u>	<u>3,711,236</u>
NET CHANGE IN FUND BALANCES	113,865	(286)	113,579	(10,581)
FUND BALANCES, Beginning	<u>536,590</u>	<u>12,450</u>	<u>549,040</u>	<u>559,621</u>
FUND BALANCES, Ending	<u>\$ 650,455</u>	<u>\$ 12,164</u>	<u>\$ 662,619</u>	<u>\$ 549,040</u>

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

FOUR MILE FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018

Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 113,579
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 of depreciation expense for the year.	(158,865)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the capital lease payments.	<u>37,698</u>
Change in Net Position of Governmental Activities	<u><u>\$ (7,588)</u></u>

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

# FOUR MILE FIRE PROTECTION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Four Mile Fire Protection District (the “District”) was formed in 1962 to provide fire, medical response, search and rescue and fire mitigation services to the mountain communities and historic townships in their district. They serve an area consisting of approximately 2200 residents, covering over 13 square miles, including a portion of Boulder and extending west. The District provides emergency services for fires, medical emergencies, rescues, hazardous materials releases, and man-made disasters within the District. The District is governed by a five-member Board of Directors elected by the residents.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

#### **Reporting Entity**

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

#### **Government-Wide and Fund 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are 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.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**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 the 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Water Coalition Fund* accounts for grant revenue related to watershed related disaster recovery work.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Investments**

Investments are recorded at fair value.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 assets' lives are not capitalized.

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

Buildings	15 - 40 years
Machinery and Equipment	5 - 20 years
Vehicles	5 - 15 years

**Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net positions.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Deferred Outflows/Inflows of Resources** (Continued)

In addition to the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Property Taxes**

The District certifies its property taxes expressed as a mill levy, on or before December 15. Property taxes attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

**Net Position**

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions

**Fund Balance Classification**

In the government-wide financial statements, net positions are restricted when constraints placed on the net positions are externally imposed.

## FOUR MILE FIRE PROTECTION DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. At December 31, 2018, the District reports prepaid expenses as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by the State Constitution for declared emergencies. The District has also reported unspent grant funds related to the watershed project as restricted.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (motion or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not report any Fund Balance as committed as of December 31, 2018.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Before October 15, the Board of Directors appoints District Management as the District's Budget Officer.
- On or before October 15, District Management, acting as the Budget Officer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- At least one public hearing is conducted to obtain taxpayer comments.
- Prior to December 15, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between one or more line items within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

**NOTE 3: CASH DEPOSITS**

A summary of deposits as of December 31, 2018 follows:

Cash Deposits \$ 582,113

**Deposits**

Custodial Credit Risk -Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2018

**NOTE 3: CASH DEPOSITS** (Continued)

At December 31, 2018, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2018, the District had deposits with financial institutions with a carrying amount of \$582,113. The bank balances with the financial institutions were \$969,216, of these balances, \$250,000 was covered by federal depository insurance and \$719,216 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

**Investments**

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado local governments.

As of December 31, 2018, the District did not hold any investments and is not subject to credit risk.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2018

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2018, is summarized below:

	Balances <u>12/31/2017</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/2018</u>
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Land	\$ 14,816	\$ -	\$ -	\$ 14,816
Construction in Progress	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Total Capital Assets, not depreciated	<u>20,816</u>	<u>-</u>	<u>-</u>	<u>20,816</u>
Capital Assets, depreciated				
Buildings and Improvements	2,256,882	-	-	2,256,882
Machinery and Equipment	421,848	-	-	421,848
Vehicles	<u>1,051,897</u>	<u>-</u>	<u>-</u>	<u>1,051,897</u>
Total Capital Assets, depreciated	<u>3,730,627</u>	<u>-</u>	<u>-</u>	<u>3,730,627</u>
Less Accumulated Depreciation				
Buildings and Improvements	261,316	76,380	-	261,316
Machinery and Equipment	362,163	12,700	-	362,163
Vehicles	<u>863,597</u>	<u>69,785</u>	<u>-</u>	<u>863,597</u>
Total Accumulated Depreciation	<u>1,487,076</u>	<u>158,865</u>	<u>-</u>	<u>1,645,941</u>
Total Capital Assets, depreciated, Net	<u>2,243,551</u>	<u>158,865</u>	<u>-</u>	<u>2,084,686</u>
Governmental Activities, Capital Assets, Net	<u>\$ 2,264,367</u>	<u>\$ (158,865)</u>	<u>\$ -</u>	<u>\$ 2,105,502</u>

Depreciation expense was charged to general government program of the District.

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2018.

	Balance <u>12/31/17</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/18</u>	Due In <u>One Year</u>
Capital Lease	<u>\$ 295,549</u>	<u>\$ -</u>	<u>\$ 37,698</u>	<u>\$ 257,851</u>	<u>\$ 19,097</u>

**Capital Leases**

On August 26, 2011, the District entered into a capital lease agreement to finance the acquisition of an engine. The lease requires monthly payments of principal and interest, accruing at a rate of 3.86% through October 2018.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2018

**NOTE 5: LONG-TERM DEBT** (Continued)

**Capital Leases** (Continued)

On February 1, 2015, the District entered into a capital lease agreement to finance the Poorman Station. The lease requires monthly payments of principal and interest, accruing at a rate of 3.61% through February 2030.

**Future Debt Service Requirements**

Annual debt service requirements for the capital leases at December 31, 2018, are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 19,097	\$ 8,995	\$ 28,092
2020	19,798	8,294	28,092
2021	20,525	7,567	28,092
2022	21,278	6,814	28,092
2023	22,059	6,033	28,092
2024-2030	<u>155,094</u>	<u>18,136</u>	<u>173,230</u>
Total Debt Service Requirements	<u>\$ 257,851</u>	<u>\$ 55,839</u>	<u>\$ 313,690</u>

**NOTE 6: 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 disasters. The District maintains insurance through a commercial carrier for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

TABOR Amendment - Colorado voters passed the Taxpayer's Bill of Rights (TABOR), which amended the State Constitution to add Article X, Section 20, which imposes several limitations and requirements, including revenue raising, spending abilities, and other specific requirements of state and local government. In 2010 the District's voters authorized a mill levy increase in excess of that which would have been permitted by the TABOR amendment, authorized all revenue from the taxes generate buy that mill levy increase, and the investment income therefrom, to constitute voter-approved revenue changes, and further authorized the District to collect and spend those taxes and that income without regard to any spending or revenue restrictions or other limitations contained within the TABOR Amendment or any other law, and without limiting, in any year, the amount of other revenue that may be collected and spent by the District.

FOUR MILE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: COMMITMENTS AND CONTINGENCIES** (Continued)

In 2017 the District's voters authorized an additional mill levy increase in excess of that which would have been permitted by the TABOR Amendment and the annual limits imposed by statute in language identical to that which was approved in 2010.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by TABOR. At December 31, 2018, the emergency reserve of \$16,000 was recorded in the General Fund. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

**NOTE 8: WATER LEASE AGREEMENT**

In July 24, 2017, the District entered into a water lease agreement with Pine Brook Water District to lease up to 2.5 acre feet of Augmentation Water with an option to purchase up to the same amount. Under this agreement, the District will pay \$6,000 per year for a period of 3 years up to 10 years. All lease payments shall apply to the total price in the event the District exercises the purchase option. The purchase option price for Augmentation Water shall be \$30,000 per acre foot times the amount required for augmentation and fire training purposes and is contingent upon a decree in the Four Mile Augmentation Plan Case (the "Case") currently under review with the State of Colorado District Court in and for Water Division No. 1. The District has three years from the date of the agreement to obtain the decree in the Case and is allowed to request a two-year extension if the Case is before the Water Referee at the time of the extension request. If the decree is not obtained within five years, then the parties shall renegotiate the terms and any monies paid to date shall be applied to the new agreement.

**NOTE 9: RELATED PARTIES**

The Fire Chief's stepdaughter is the Watershed Coordinator for the Watershed Coalition Fund. During the year ended December 31, 2018, the District paid a salary of \$56,491 to the Grant Coordinator.

**REQUIRED SUPPLEMENTAL INFORMATION**

FOUR MILE FIRE PROTECTION DISTRICT

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2018

	2018		VARIANCE Positive (Negative)	2017 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Property Taxes	\$ 365,379	\$ 377,165	\$ 11,786	\$ 175,363
Firefighting Revenue	70,000	70,189	189	42,643
Mitigation Revenue	50,000	62,886	12,886	128,051
Grants	275,000	39,644	(235,356)	168,964
Donations	23,000	17,300	(5,700)	17,953
Miscellaneous	3,000	12,838	9,838	24,672
<b>TOTAL REVENUES</b>	<b>786,379</b>	<b>580,022</b>	<b>(206,357)</b>	<b>557,646</b>
EXPENDITURES				
Current				
Salaries and Benefits	227,000	212,796	14,204	228,843
Operations	-	57,461	(57,461)	95,851
Supplies	26,500	19,686	6,814	8,080
Training	4,000	4,936	(936)	-
Administration	71,000	63,864	7,136	72,776
Equipment Maintenance	27,000	24,191	2,809	34,848
Emergency Reserves	21,100	-	21,100	-
Capital Outlay	267,500	22,962	244,538	65,755
Debt Service	53,988	47,620	6,368	53,989
Other	25,000	12,641	12,359	5,361
<b>TOTAL EXPENDITURES</b>	<b>723,088</b>	<b>466,157</b>	<b>256,931</b>	<b>565,503</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>63,291</b>	<b>113,865</b>	<b>50,574</b>	<b>(7,857)</b>
FUND BALANCE, Beginning	175,791	536,590	360,799 #	544,447
FUND BALANCE, Ending	\$ 239,082	\$ 650,455	\$ 411,373	\$ 536,590

See the accompanying independent auditors' report.

FOUR MILE FIRE PROTECTION DISTRICT

WATER COALITION FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2018

	2018		VARIANCE Positive (Negative)	2017 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Grants	\$ 2,946,539	\$ 1,321,158	\$ (1,625,381)	\$ 3,142,211
Donations	-	27	27	462
Other	-	724	724	336
TOTAL REVENUES	<u>2,946,539</u>	<u>1,321,909</u>	<u>(1,624,630)</u>	<u>3,143,009</u>
EXPENDITURES				
Current				
Salaries and Benefits	-	99,461	(99,461)	134,136
Project Planning	-	-	-	239,715
Project Implementation	-	1,221,038	(1,221,038)	2,766,891
Miscellaneous	2,946,539	1,696	2,944,843	4,991
TOTAL EXPENDITURES	<u>2,946,539</u>	<u>1,322,195</u>	<u>1,624,344</u>	<u>3,145,733</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(286)</u>	<u>(286)</u>	<u>(2,724)</u>
CHANGE IN FUND BALANCE	-	(286)	(286)	(2,724)
FUND BALANCE, Beginning	<u>-</u>	<u>12,450</u>	<u>12,450</u>	<u>15,174</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 12,164</u>	<u>\$ 12,164</u>	<u>\$ 12,450</u>

See the accompanying independent auditors' report.

## **COMPLIANCE**



## JOHN CUTLER & ASSOCIATES

To the Board of Directors  
Four Mile Fire Protection District  
Boulder, Colorado

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Four Mile 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 Four Mile Fire Protection District's basic financial statements, and have issued our report thereon dated July 31, 2019.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Four Mile Fire Protection District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Four Mile Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Four Mile Fire Protection District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Four Mile Fire Protection District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*John Lutler & Associates, LLC*

July 31, 2019



## JOHN CUTLER & ASSOCIATES

To the Board of Directors  
Four Mile Fire Protection District  
Boulder, Colorado

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

#### **Report on Compliance for Each Major Federal Program**

We have audited the Four Mile Fire Protection District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Four Mile Fire Protection District's major federal programs for the year ended December 31, 2018. The Four Mile Fire Protection District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Four Mile Fire Protection District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Four Mile Fire Protection District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Four Mile Fire Protection District's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, the Four Mile Fire Protection District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

## Report on Internal Control Over Compliance

Management of the Four Mile Fire Protection District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Four Mile Fire Protection District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Four Mile Fire Protection District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose

*John Luttrell & Associates, LLC*

July 31, 2019

FOUR MILE FIRE PROTECTION DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2018

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes      x   no
  
- Significant deficiencies noted? \_\_\_\_\_ yes      x   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      x   no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes      x   no
  
- Significant deficiencies noted? \_\_\_\_\_ yes      x   none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?

\_\_\_\_\_ yes      x   no

Identification of major program:

14.269            CDBG Disaster Recovery Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      x   no

**Findings Related to Financial Statements**

The audit of the financial statements did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

**Findings and Questioned Costs for Federal Awards**

The audit of federal awards did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards.

FOUR MILE FIRE PROTECTION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2018

	<u>Major Program ?</u>	<u>CDFA #</u>	<u>TOTAL EXPENDITURES</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the Colorado Water Conservation Board			
Emergency Watershed Protection Program	No	10.923	\$ 118,885
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through Colorado Department of Local Affairs			
CDBG Disaster Recovery Grant	Yes	14.269	1,194,180
<b>FEDERAL EMERGENCY MANAGEMENT ASSOCIATION</b>			
Passed through the Colorado Division of Homeland Security & Emergency Manangement			
Hazard Mitigation Grant	No	97.039	<u>35,353</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,348,418</u>

**NOTES**

**1. Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the audit requirements of Title 2 U.S. Code of Federal Regulations *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the purpose financial statements.

The District did not use the 10% de minimus cost rate.

There were no subrecipients.

See the accompanying independent auditors' report.