

WET MOUNTAIN FIRE PROTECTION DISTRICT

AUDITED FINANCIAL STATEMENTS

WESTCLIFFE, COLORADO

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

September 11, 2019

Board of Directors
Wet Mountain Fire Protection District
Westcliffe, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Wet Mountain Fire Protection District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 of 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 Wet Mountain Fire Protection District as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v, the budgetary comparison information on page 20, the Schedule of Changes in Net Pension Liability on page 21, and the Schedule of District Contributions on page 22, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, the budgetary comparison, and the Pension Trust Fund 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.

Garren Ross & DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Wet Mountain Fire Protection District

December 31, 2018

As management of the Wet Mountain Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,795,895 (net position). Of this amount \$165,800 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$116,513.
- As of the close of the current fiscal year, the District's governmental fund reported ending fund balance of \$173,959, a decrease of \$44,791 in comparison with the prior year. This decrease is caused by expenditures being more than revenues in the general fund.
- At the end of the current fiscal year, unassigned fund balance of the general fund is \$159,890 or 30.25% of total general fund expenditures.
- Total revenues decreased by \$110,326 from the previous year. The decrease is attributed to the District receiving capital lease income in 2017 of \$130,000.

Overview of the Financial Statements

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

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

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

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

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

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

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

Government-wide Financial Statements (Continued)

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

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

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

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

The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 5 - 8 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 - 19 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the District, assets exceeded liabilities by \$1,795,895 at the close of fiscal year 2018. Increases or decreases in net position may serve as a useful indicator as to whether the financial condition of the District is improving or deteriorating over time.

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

Government-Wide Financial Analysis (Continued)

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

The following table reflects the condensed Statement of Net Position at December 31, 2018:

	<u>2018</u>	<u>2017</u>
Assets:		
Current and other assets	\$ 1,292,652	\$ 1,130,517
Capital assets	<u>1,040,636</u>	<u>1,162,931</u>
Total Assets	<u>2,333,288</u>	<u>2,293,448</u>
Deferred Outflow of Resources: Firemen's pension plan	<u>179,682</u>	<u>124,708</u>
Liabilities:		
Current and other liabilities	9,774	57,594
Current maturities of long-term debt	44,003	40,237
Long-term liabilities outstanding	<u>45,760</u>	<u>89,763</u>
Total Liabilities	<u>99,537</u>	<u>187,594</u>
Deferred Inflow of Resources: Firemen's pension plan	104,250	-
Deferred Inflow of Resources: Unavailable revenue – property tax	<u>513,288</u>	<u>318,154</u>
Total Deferred Inflows	<u>617,538</u>	<u>318,154</u>
Net Position:		
Invested in capital assets, net of related debt	950,873	1,032,931
Restricted	679,222	669,820
Unrestricted	<u>165,800</u>	<u>209,657</u>
Total Net Position	<u>\$ 1,795,895</u>	<u>\$ 1,912,408</u>

At the end of the current fiscal year, the Wet Mountain Fire Protection District is able to report a positive balance in all categories of net position. The purchase of capital assets with cash has decreased the net assets invested in capital assets net of related debt.

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains the requirements of setting an emergency reserve. This reserve cannot be accessed except for an unexpected disaster. This reserve amounts to \$13,700 as of December 31, 2018.

The Statement of Activities presents information showing how the Districts' net position changed during the most recent fiscal year. Revenues and expenses in this statement are recorded when earned or when a liability is incurred.

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

The following table reflects the condensed Statement of Activities for the year ended December 31, 2018:

Government Wide Financial Analysis (Continued)

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 15,244	\$ 2,187
Operating Grants and contributions	37,677	73,225
General revenues:		
Property taxes	367,412	328,720
Specific ownership taxes	54,981	55,095
Unrestricted investment earnings	1,623	1,468
Other	6,814	3,382
Pension plan income	7,802	-
Total Revenues	<u>491,553</u>	<u>464,077</u>
Expenses:		
Public safety	470,386	351,135
General government	133,302	123,126
Debt service-interest	4,378	7,822
Pension plan expenses	-	60,278
Total Expenses	<u>608,066</u>	<u>542,361</u>
Change in net position	(116,513)	(78,284)
Net position – beginning	1,912,408	1,990,692
Net position – ending	<u>\$ 1,795,895</u>	<u>\$ 1,912,408</u>

Budgetary Highlights

There were no amendments to the original budgets during 2018.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of December 31, 2018 amounts to \$1,040,636 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and improvements. The increase in the District's investment in capital assets for the current fiscal year was due to current year additions of equipment and real property for \$18,679 less the decrease due to current year depreciation of equipment and real property for \$140,974.

Wet Mountain Fire Protection District's Capital Assets

Substations	\$ 855,745
Equipment and furniture	2,474,404
Less: Accumulated depreciation	(2,289,513)
	<u>\$ 1,040,636</u>

Additional information on the District's capital assets can be found in the notes section on page 14 and 15 of this report.

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

Long-term debt. At the end of the current fiscal year, the District had capital leases outstanding of \$89,763. The capital leases of the District are not general obligations of the District and are paid solely from the District's revenues as appropriated in the annual budget.

Additional information on the District's long-term debt can be found in note G on page 15 of this report.

Wet Mountain Fire Protection District's Capital Leases

Capital lease payable	\$ 89,763
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Final Comments

The District continues to strive to achieve its mission of providing affordable, efficient, and reliable community safety services.

Request for Information

This financial report is designed to provide a general overview of the Wet Mountain Fire Protection District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Wet Mountain Fire Protection District, Board of Directors, P.O. Box 324, Westcliffe, CO 81252-0324.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Assets		
Cash and equivalents	\$	117,101
Certificates of deposit		64,077
Taxes receivable		513,560
Prepaid expenses		7,455
Inventory		369
Net pension asset - firemen's pension plan		590,090
Capital assets - net of accumulated depreciation		<u>1,040,636</u>
	Total Assets	<u>2,333,288</u>
Deferred Outflows of Resources		
Related to firemen's pension plan		<u>179,682</u>
Liabilities		
Accounts payable		5,527
Accrued interest		1,914
Accrued expenses		2,333
Current maturities - capital lease		<u>44,003</u>
	Total Current Liabilities	53,777
Non-current Liabilities		
Capital lease - non-current		<u>45,760</u>
	Total Liabilities	<u>99,537</u>
Deferred Inflow of Resources		
Related to firemen's pension plan		104,250
Unavailable revenue - property tax		<u>513,288</u>
	Total Deferred Inflow of Resources	<u>617,538</u>
Net Position		
Invested in capital assets, net of related debt		950,873
Restricted for:		
Emergency		13,700
Firemen's pension fund		665,522
Unrestricted		<u>165,800</u>
	Total Net Position	<u>\$ 1,795,895</u>

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

STATEMENT OF ACTIVITIES
WET MOUNTAIN FIRE PROTECTION DISTRICT
For the Year Ended December 31, 2018

Expenses		
Public safety	\$	470,386
General government		133,302
Debt service-interest		<u>4,378</u>
	Total Program Expenses	<u>608,066</u>
Program Revenue:		
Charges for services		15,244
Grants and contributions		<u>37,677</u>
	Total Program Revenues	<u>52,921</u>
	Net Program (Expense) Revenue	<u>(555,145)</u>
General Revenues		
Property taxes		367,412
Specific ownership taxes		54,981
Interest		1,623
Other revenues		6,814
Pension plan income		<u>7,802</u>
	Total General Revenues	<u>438,632</u>
	Change in Net Position	(116,513)
Net position at beginning of year		<u>1,912,408</u>
Net position at end of year	\$	<u>1,795,895</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BALANCE SHEET- GOVERNMENTAL FUNDS
WET MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2018

	General Fund
Assets	
Cash	\$ 117,101
Certificates of deposit	64,077
Taxes receivable	513,560
Inventory	369
Total Assets	695,107
 Liabilities	
Accounts payable	5,527
Accrued expenses	2,333
Total Liabilities	7,860
 Deferred Inflow of Resources	
Unavailable revenue - property tax	513,288
 Fund Balances	
Nonspendable	369
Restricted	13,700
Unassigned	159,890
Total Fund Balances	\$ 173,959

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

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
WET MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2018

Total Fund Balances - Total Government Funds	\$ 173,959
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Net pension assets used in governmental activities were not current financial resources, therefore, they were not reported in the Governmental Funds Balance Sheet.	665,522
Capital assets used in governmental activities were not current financial resources, therefore, they were not reported in the Governmental Funds Balance Sheet.	1,040,636
Interest payable on capital lease did not require current financial resources, therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(1,914)
Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the payments method and, therefore, are not reported as expenses in the Statement of Activities.	7,455
Long term debt liabilities for capital leases are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet. Long term debt was adjusted as follows:	
Long-term debt	(89,763)
Net Position of Governmental Activities	\$ <u>1,795,895</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

WET MOUNTAIN FIRE PROTECTION DISTRICT

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	<u>General Fund</u>
Revenues	
Property taxes	\$ 367,412
Specific ownership tax	54,981
Interest	1,623
Grants and contributions	37,677
Charges for services	15,244
Miscellaneous	<u>6,814</u>
	Total Revenues
	<u>483,751</u>
Expenditures	
Current:	
General government	100,384
Public safety	361,882
Capital outlay	18,679
Debt Service:	
Principal retirement	40,237
Interest	<u>7,360</u>
	Total Expenditures
	<u>528,542</u>
	Excess (Deficiency) of Revenues Over Expenditures
	(44,791)
Fund balance - beginning	<u>218,750</u>
Fund balance - ending	<u>\$ 173,959</u>

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

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

WET MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ (44,791)
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position were different because:	
Governmental funds reported capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$140,974) exceeds capital outlay (\$18,679).	(122,295)
Deferred income related to the pension plan are not recognized in the governmental funds because they do not require the use of current financial resources.	7,802
Principal retirements - Retirements of principal outstanding on the District's capital leases result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against long term liabilities.	40,237
Interest payable on outstanding capital leases is not recorded on the fund financial statements because it is not a current use of cash. Interest is accrued on the government-wide financial statements, and the change in the liability is recognized.	2,982
Some expenditures reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.	(7,903)
Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the payments method and, therefore, are not reported as expenses in the statement of activities.	<u>7,455</u>
Change in Net Position - Governmental Activities	<u>\$ (116,513)</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
WET MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2018

Note A - Summary of Significant Accounting Policies

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

Financial Reporting Entity

Wet Mountain Fire Protection District (the District) is organized under the laws of the State of Colorado. It operates under the jurisdiction of a Board of Directors elected by voters of the District and provides fire protection services to the public. The District's initial year of operations was 1982. As required by generally accepted accounting principles, these financial statements present the Wet Mountain Fire Protection District (the primary government) and its component units, if any. No additional separate governmental units, agencies, or nonprofit corporations are included in the financial statements of the District, since none were discovered to fall within the oversight responsibility based upon the application of the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial transactions of the Wet Mountain Fire Protection District are organized on the basis of funds, each of which is considered an accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government Wide Financial Statements

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions include property taxes, grants, and donations. Property taxes are recognized as revenue in the fiscal year for which taxes are levied. Grants and donations are recognized in the fiscal year in which all eligibility requirements are met.

The following fund types and account groups are utilized by the District:

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide financial statements. The District considers all revenues available if they are collected within 60 days after year-end. The District has only one governmental fund, the general fund, which is always a major fund.

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

Note A - Summary of Significant Accounting Policies (Continued)

General Fund

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

Cash and Cash Equivalents

The statement focuses on the change in cash and cash equivalents during the period. Cash equivalents are short-term, liquid investments that are quickly converted to known cash amounts that have maturities of three months or less so as to minimize the risk of value changes.

Inventory

Inventory for the General Fund is valued at cost using the first-in, first-out method of determining inventories on hand. A physical count was made at December 31, 2018, and inventory was adjusted to reflect an accurate balance as determined by the physical count. Expendable supplies are charged directly to expenditures when purchased. Reported inventory in the General Fund is considered nonspendable fund balance reserve, which indicates the assets are unavailable for appropriation even though they are a component of total reported assets.

Investments

The District's policy is to state investments in their financial statements at fair value. Unrealized gain or loss resulting from the change in fair market value of investments is recognized in the statement of revenues, expenses and changes in net assets.

Receivables

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

Interest Receivable

Interest on investments and certain receivables are recorded as revenue in the year the interest is earned and available to pay liabilities of the current period.

Capital Assets

Capital assets are reported at historical cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Property and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

Straight line depreciation is used based on the following estimated useful lives:

Buildings	25 - 50 years
Improvements	10 - 20 years
Fire Department Equipment	12 years
Office and Shop Equipment	5 - 10 years

NOTES TO FINANCIAL STATEMENTS (Continued)

WET MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2018

Note A - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item related to the pension plan. This item is deferred and recognized as an outflow of resources in the period that the amounts become available.

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

Revenues and Expenditures

Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recorded when received. Grants from other governments are recognized when the qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Taxes

Each county is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes are levied on January 1 based on the assessed value of property as listed on the previous June 30. Levied taxes are payable in two equal installments before the last day of February and the 15th day of June or in one full payment before the last day of April.

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District carries commercial insurance for such risks, including workers' compensation and accident insurance. Settled claims resulting from these risks did not exceed commercial coverage during 2018.

Use of Estimates

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

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

Note B - Stewardship, Compliance and Accountability

Budgets and Budgetary Data

Formal budgetary accounting is employed as a management control tool for the District. Budgets are prepared on the modified accrual basis of accounting for all government fund types.

Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution. The Board of the District may amend the adopted budget during the year by passing a new resolution to reflect current needs, changing conditions, or revised estimates. The budgetary amounts presented in the accompanying financial statements/schedules reflect original and most recent amended amounts which were adopted in accordance with the appropriate provisions of state law. Encumbrance accounting is not employed as part of the budgetary process. Encumbrance accounting allows a governmental entity to account for open purchase orders (purchase orders for which the underlying goods or services have not been received before the end of an accounting period) as expenditures against the budget of that accounting period. Differences between the budgetary reporting basis and the generally accepted accounting principles (GAAP) basis used to reflect actual revenues and expenses are described as follows.

1. Depreciation, amortization, and unrealized gains or losses on investments are not recognized on the budgetary basis and are treated as expenses on the GAAP basis.
2. Debt proceeds are treated as revenue and debt repayments and capital expenditures are treated as expenditures on the budgetary basis. Debt proceeds are not treated as revenue and debt repayments and capital expenditures are not treated as expenses on the GAAP basis.

All unencumbered budget appropriations lapse at the end of the year.

Tax, Revenue, Spending, and Debt Limitation

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

On May 5, 1998, District voters passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. Effective in 1998, the referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain, and expend all revenues and other funds collected during 1998 and thereafter.

In addition to the tax raising, revenue, spending, and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies must establish an "emergency reserve", to be used for declared emergencies only. Each entity will reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended December 31, 2018, the District has reserved \$13,700 which represents 3% of fiscal year spending. The District believes it is in compliance with the amendment.

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

Note B - Stewardship, Compliance and Accountability (Continued)

Grant Funding

The District receives funding from federal, state, and foundation grants which may be subject to regulatory or other oversight by the granting agencies. Such oversight may include an audit or other compliance procedures. Any adjustments made by a granting agency would become a liability to the District. There are no such proceedings presently in progress.

Note C - Cash Deposits and Investments

Cash Deposits

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

As of December 31, 2018, all of the District's deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

At December 31, 2018, the District had cash balances with maturities less than one year stated at cost as follows:

	<u>Carrying Amounts</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Petty Cash	\$ 25	\$ 25	\$ -
Checking	117,076	117,076	-
Certificates of Deposit	64,077	29,034	35,043
	<u>\$ 181,178</u>	<u>\$ 146,135</u>	<u>\$ 35,043</u>

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest:

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

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

Note C - Cash Deposits and Investments (Continued)

Investments (Continued)

Interest rate risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from date of purchase unless a governing body authorized a longer period.

Credit risk - The District does not have an investment policy that would further limit its investment choices beyond the requirements of Colorado statutes.

Note D - Accounts and Other Receivables

Accounts and other receivables consist primarily of taxes which are due but will not be collected until January 2019. As of December 31, 2018 these receivables are considered both measurable and available.

Note E - Property Tax Accrual

Property taxes which have been levied in 2018 and will not be collected until 2019 have been accrued as a receivable at December 31, 2018. An offsetting amount for deferred inflow of resources - unavailable property tax revenue has also been recorded.

Note F - Change in Capital Assets

Activity for general fixed assets which are capitalized by the District is summarized below:

	Balances			Balances
	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31</u>
Substations	\$ 852,870	\$ 2,875	\$ -	\$ 855,745
Equipment	<u>2,458,600</u>	<u>15,804</u>	-	<u>2,474,404</u>
TOTALS	3,311,470	<u>\$ 18,679</u>	<u>\$ -</u>	3,330,149
Less: Depreciation	<u>(2,148,539)</u>			<u>(2,289,513)</u>
Net Capital Assets	<u>\$ 1,162,931</u>			<u>\$ 1,040,636</u>

Depreciation expense for the year ended December 31, 2018 was \$140,974. Accumulated depreciation for the year ended December 31, 2018 was \$2,289,513.

The District has reports all capital assets in the Government-wide Statement of Net Position.

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

Note G - Capital Leases

The following is a summary of the District's capital lease transactions for the year ended December 31, 2018:

	Debt Outstanding January 1	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31	Due Within One Year
Capital lease obligations	\$ 130,000	\$ -	\$ 40,237	\$ 89,763	\$ 47,598

Capital leases outstanding as of December 31, 2018, consisted of the following:

Capital Lease with First State Bank:

2017 Deep South Fire Truck, \$47,598 per year for 3 years, dated January 17, 2017, with an effective interest rate of 3.95%. \$ 89,763

The assets acquired through capital leases total \$290,488 less accumulated depreciation of \$48,415. These assets are used in governmental activities.

Future minimum lease payments for all leases are as follows:

2019	\$ 47,598
2020	47,598
Less: imputed interest	<u>(5,433)</u>
Present Value of Minimum Lease Payments	\$ <u>100,629</u>

The annual requirements to retire all capital leases as of December 31, 2018 are as follows:

	Principal	Interest	Total
2019	\$ 44,003	\$ 3,595	\$ 47,598
2020	45,760	1,838	47,598
Totals	<u>\$ 89,763</u>	<u>\$ 5,433</u>	<u>\$ 95,196</u>

Note H - Net Position

Government-wide Net Position

Government-wide net position is classified in the following categories:

- Invested in Capital Assets, Net of Related Debt - This amount consists of the historical cost of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets
- Restricted Net Position - This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted Net Position - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

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

Note H - Net Position (Continued)

Governmental Fund Balances

The fund financial statements use the following classifications describing the relative strengths of the spending constraints.

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

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

Note I - Firemen's Pension Plan

Summary of Significant Accounting Policies

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

NOTES TO FINANCIAL STATEMENTS (Continued)

WET MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2018

Note I - Firemen's Pension Plan (Continued)

General Information about the Pension Plan

Plan Description

The District contributes to a single employer defined benefit pension plan (the plan) administered by the Colorado Fire and Police Pension Association (FPPA). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the District's board of directors under the provisions of applicable State statutes. FPPA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting FPPA directly or on FPPA's website at <http://www.fppaco.org>.

All active members of the District are eligible to participate. Membership in the plan, per the latest actuarial study dated January 1, 2019, is 9 active members, 27 retired members, and 4 terminated vested member.

Benefits Provided

Retirement and death benefits are paid in accordance with the plan provisions. Full retirement is when the retiree has 20 years of qualified service and is at least 50 years of age. Death benefits are a one time lump sum payment. The current maximum monthly benefit is \$400.

Funding Policy

The plan covers only volunteer firefighters. As such, plan members are not required nor allowed to contribute to the plan, and District contributions have no relationship to any payroll the District may have. The District is required to contribute an amount equal to one-half mill levied on total assessed valuation each year. The State is required to contribute 90% of District appropriations up to a maximum of the one-half mill levied on total assessed valuation. The contribution requirements of the District are established by the District under provisions of applicable State statutes. The State's matching contributions are established and may be amended by the State legislature. During the year ended December 31, 2018 the District contributed \$77,599 and the State contributed \$0.

Funded Status and Funding Progress

As of January 1, 2019, the most recent actuarial valuation date, the Plan was 141% funded. The actuarial liability for accrued benefits was \$1,482,303, and the actuarial value of the assets was \$2,086,960, resulting in an excess of \$604,657. Since the plan covers volunteer firefighters only there is no covered payroll.

The schedule of changes in net pension liability / (asset) and related ratios and the schedule of District contributions, presented as RSI following the notes to the financial statements, presents multi-year information for the pension plan. Actuarial studies are compiled on January 1 of odd numbered years.

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

Note I - Firemen's Pension Plan (Continued)

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the District reported an asset of \$590,090 for its proportionate share of the net pension liability / asset. The net pension asset was measured as of December 31, 2017, and the total pension liability / asset used to calculate the net pension liability / asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability / asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the contributions of the District and all participants, actuarially determined. At December 31, 2017, the District's portion was 140.38%.

As a result of its requirement to contribute to FPPA, the District recognized income of \$7,802 for the year ended December 31, 2018. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to FPPA:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 21,988	\$ -
Changes in assumptions	16,221	-
Net difference between projected and actual earnings on pension plan investments	63,874	104,250
District contributions subsequent to the measurement date	<u>77,599</u>	<u>-</u>
Total	<u>\$ 179,682</u>	<u>\$ 104,250</u>

Deferred outflows and inflows will be recognized in pension expense in future years as follows:

Year ending December 31:		
2019	\$	105,657
2020		14,556
2021		(18,717)
2022		(26,064)
Thereafter		-
Total	<u>\$</u>	<u>75,432</u>

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

Note I - Firemen's Pension Plan (Continued)

Actuarial Methods and Assumptions

In the January 1, 2017 actuarial valuation, the actuarial assumptions included:

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 years of age with 20 years of service 50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2000 Mortality Tables 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.

The long-term expected rate of return on the pension plan investments is 7.50%; the municipal bond rate is 3.31% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease <u>6.5%</u>	Current Single Discount Rate Assumption <u>7.5%</u>	1% Increase <u>8.5%</u>
District's proportionate share of the net pension liability	<u>\$ (432,554)</u>	<u>\$ (590,090)</u>	<u>\$ (721,765)</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

BUDGET TO ACTUAL - GENERAL FUND

WET MOUNTAIN FIRE PROTECTION DISTRICT

For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
General property taxes	\$ 318,354	\$ 318,354	\$ 367,412	\$ 49,058
Specific ownership taxes	47,000	47,000	54,981	7,981
Interest income	1,215	1,215	1,623	408
Charges for services	4,300	4,300	15,244	10,944
Donations and other grants	335,000	335,000	37,677	(297,323)
Gain on Sale of Asset	4,500	4,500	-	(4,500)
Other revenues	5,500	5,500	6,814	1,314
Total Revenues	<u>715,869</u>	<u>715,869</u>	<u>483,751</u>	<u>(232,118)</u>
Expenditures				
General government	256,280	256,280	100,384	155,896
Public safety	187,450	187,450	361,882	(174,432)
Capital outlay	366,500	366,500	18,679	347,821
Debt service				
Principal retirement	40,237	40,237	40,237	-
Interest	7,360	7,360	7,360	-
Total Expenditures	<u>857,827</u>	<u>857,827</u>	<u>528,542</u>	<u>329,285</u>
Excess (Deficiency) of Revenues Over Expenditures	(141,958)	(141,958)	(44,791)	97,167
Fund Balance - Beginning	<u>51,284</u>	<u>51,284</u>	<u>218,750</u>	<u>67,893</u>
Fund Balance - Ending	<u>\$ (90,674)</u>	<u>\$ (90,674)</u>	<u>\$ 173,959</u>	<u>\$ 165,060</u>

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY / (ASSET) AND RELATED RATIOS

WET MOUNTAIN FIRE PROTECTION DISTRICT

For the year ended December 31, 2018

<u>Measurement Period Ending December 31,</u>	<u>2018</u>
Total Pension Liability	
Service cost	\$ 8,778
Interest on the total pension liability	105,730
Benefit payments	<u>(114,984)</u>
Net change in total pension liability	(476)
Total pension liability - beginning	<u>1,461,880</u>
Total pension liability - ending	<u>\$ 1,461,404</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 48,970
Net investment income	266,156
Benefit payments	(114,984)
Pension plan administrative expense	(8,994)
State of Colorado supplemental discretionary payment	<u>24,110</u>
Net change in plan fiduciary net position	215,258
Plan fiduciary net position - beginning market value	<u>1,836,236</u>
Plan fiduciary net position - ending market value	<u>\$ 2,051,494</u>
Net Pension Liability / (Asset)	<u>\$ (590,090)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	140.38%
Covered-employee Payroll	N/A
Net Pension Liability / (Asset) as a Percentage of Covered Employee Payroll	N/A

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

SCHEDULE OF DISTRICT CONTRIBUTIONS
FIREMEN'S PENSION PLAN
WET MOUNTAIN FIRE PROTECTION DISTRICT
December 31, 2018

<u>Fiscal Year</u> <u>Ending</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Actual</u> <u>Contribution</u> <u>as a % of</u> <u>Covered</u> <u>Payroll</u>
2006	\$ -	\$ 92,930	\$ (92,930)	N/A	N/A
2007	\$ -	\$ 67,257	\$ (67,257)	N/A	N/A
2008	\$ -	\$ 62,407	\$ (62,407)	N/A	N/A
2009	\$ -	\$ 36,877	\$ (36,877)	N/A	N/A
2010	\$ -	\$ 36,786	\$ (36,786)	N/A	N/A
2011	\$ -	\$ 70,072	\$ (70,072)	N/A	N/A
2012	\$ -	\$ 117,418	\$ (117,418)	N/A	N/A
2013	\$ -	\$ 101,259	\$ (101,259)	N/A	N/A
2014	\$ -	\$ 101,628	\$ (101,628)	N/A	N/A
2015	\$ -	\$ 101,912	\$ (101,912)	N/A	N/A
2016	\$ -	\$ 102,552	\$ (102,552)	N/A	N/A
2017	\$ -	\$ 73,080	\$ (73,080)	N/A	N/A
2018	\$ -	\$ 77,599	\$ (77,599)	N/A	N/A

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