



DIVIDE FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2021

ERICKSON, BROWN & KLOSTER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Erickson, Brown & Kloster, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Divide Fire Protection District
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Divide Fire Protection District (District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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INDEPENDENT AUDITORS' REPORT – CONTINUED

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual – General Fund (Non-GAAP Basis), the Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios – Volunteer Firefighter Pension Plan, and the Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

INDEPENDENT AUDITORS' REPORT – CONTINUED

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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.

Erickson, Brown and Kloster, LLC

Colorado Springs, Colorado
September 23, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

This discussion and analysis of Divide Fire Protection District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

Government-Wide Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,198,664 which represents the ending net position.
- The net position increased by \$72,534 from the prior year. Approximately 46% of the net position, \$552,607 is available for spending at the District's discretion, as reflected in unrestricted net position.

General Fund Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$418,144, which represents the ending fund balance.
- The ending fund balance decreased by \$101,984 from the prior year. Approximately 95% of the total fund balance, \$398,149 is available for spending at the District's discretion, as reflected in the unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances as a whole, in a manner similar to a private-sector business and includes two statements:

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the District's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over a period of time, as a useful indicator of the District's financial position. In the case of the District, total assets exceeded liabilities by \$1,198,664 as of December 31, 2021, as reflected in the total net position. Approximately 52% of the District's fund balance is in capital assets, net of related debt.

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets			
Current Assets	\$ 808,190	\$ 886,504	\$ (78,314)
Net Pension Asset	185,758	136,643	49,115
Capital Assets, Net	712,643	573,868	138,775
Total Assets	<u>1,706,591</u>	<u>1,669,347</u>	<u>109,576</u>
Deferred Outflow of Resources	<u>40,510</u>	<u>58,775</u>	<u>(18,265)</u>
Liabilities			
Current	28,987	49,370	(20,383)
Long-term	65,919	86,419	(20,500)
Total Liabilities	<u>94,906</u>	<u>135,789</u>	<u>(40,883)</u>
Deferred Inflow of Resources	<u>453,531</u>	<u>393,872</u>	<u>59,659</u>
Net Position			
Net Investment in Capital Assets	626,957	467,182	159,775
Restricted	19,100	16,000	3,100
Unrestricted	552,607	642,948	(90,341)
Total Net Position	<u>\$ 1,198,664</u>	<u>\$ 1,126,130</u>	<u>\$ 72,534</u>

The Net Pension Asset increased during the current year for various reasons, including net investment income gain of approximately \$76,500. A combination of other factors including employer contributions, benefit payments, plan administrative expenses, and the state payment limited the net increase in the plan asset. Overall, the Plan Fiduciary Net Position as a Percentage of Total Pension Liability is approximately 140%, which maintains a healthy liability coverage and falls within the coverage range for the District's Plan determined by the actuarial studies conducted over the last five years.

Liabilities decreased because of principal payments on a capital lease and because of an agreement payable in 2020 that was satisfied in 2021.

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Expenses			
General and Administrative	\$ 179,080	\$ 182,179	\$ (3,099)
Firefighting and Rescue	281,882	318,457	(36,575)
Total Expenses	<u>460,962</u>	<u>500,636</u>	<u>(39,674)</u>
Revenues			
Program Revenues			
Charges for Services	111,482	66,737	44,745
Grants and Contributions	41,608	64,524	(22,916)
General Revenues			
Property Taxes	336,947	331,507	5,440
Specific Ownership Taxes	36,508	30,272	6,236
Miscellaneous	6,741	24,412	(17,671)
Interest and Other	210	3,026	(2,816)
Total Revenues	<u>533,496</u>	<u>520,478</u>	<u>13,018</u>
Change in Net Position	72,534	19,842	52,692
Net Position - Beginning of Year (Restated)	1,126,130	1,106,288	19,842
Net Position - End of Year	<u>\$ 1,198,664</u>	<u>\$ 1,126,130</u>	<u>\$ 72,534</u>

Expenses decreased during the current year primarily because there were more firefighter deployments resulting in an increase in deployment related wages and expenses. Additionally, there was an adjustment to unrecorded depreciation for a vehicle for two audit years, resulting in a reduction in 2021 expenses.

The incident response reimbursement expenses increased from 2020 by approximately \$12,660, alternately, medical and fire rescue expenditures decreased by roughly \$21,000 in 2021. There were no election expenses in 2021, reducing administrative expenses. The District also saw approximately \$5,900 less in legal fees than in 2020. Volunteer expenses increased by approximately \$10,500 but was offset by almost \$7,000 in decreased building plan review costs.

The depreciation adjustment was \$72,331, and approximately \$12,700 more was spent on training in 2021.

Property tax revenue increased by approximately \$43,000. The District also put a down payment on an urban interface engine (to be delivered in 2022), and purchased a new utility vehicle, for a total outlay of approximately \$175,500 in 2021. Grant revenues decreased by about \$29,750 because the District received fewer grants, affected by continuing financial impacts from the Covid-19 pandemic.

**DIVIDE FIRE PROTECTION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

GENERAL FUND FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District accounts for all activity in a single general fund. As discussed on page 5, the general fund is the operating fund of the District. The ending fund balance was \$418,144 as reflected on page 11 of the financial statements. Of this amount, \$19,100 was restricted by TABOR.

BUDGETARY HIGHLIGHTS

The District’s 2021 final budget had a total revenue amount of \$500,123. The District ended the year with a total actual revenue amount of \$533,496, representing a favorable variance of \$33,373. The District’s final budget had total expenditures of \$978,017. The District ended the year with actual audited expenditures of \$635,480. Actual expenditures had a positive variance against budgeted expenditures of \$310,537. The majority of this positive variance was in capital reserves and the planned vehicle and apparatus purchases.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2021, was \$712,643. Additional information relating to the District's capital assets activity can be found in Note 3 to the financial statements.

	December 31,	
	2021	2020
Land and Improvements	\$ 6,700	\$ 6,700
Building and Improvements	224,865	237,223
Vehicles and Equipment	481,078	402,277
Total	\$ 712,643	\$ 646,200

ECONOMIC FACTORS (Next Year’s Budget and Rates)

In 2022 the District likely will realize higher net general property tax revenue, as Teller County assessed property valuations have been trending upwards in the area, with real estate values remaining strong in the region. The District anticipates other revenue and operating impacts due to inflation, rising interest rates and continuing supply chain impacts.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Divide Fire Protection District, P.O. Box 941, Divide, CO 80814.

FINANCIAL STATEMENTS

**DIVIDE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 46,776
Cash Held by County Treasurer	2,392
Investments	375,544
Accounts Receivable	1,757
Property Tax Receivable	380,826
Prepaid Expenses	895
Net Pension Asset	185,758
Capital Assets, Net	712,643
Total Assets	\$ 1,706,591
 Deferred Outflows of Resources	
Pension	\$ 40,510
 Liabilities	
Accounts Payable	\$ 2,460
Accrued Liabilities	6,760
Leases Payable	
Due within one year	19,767
Due in more than one year	65,919
Total Liabilities	\$ 94,906
 Deferred Inflows of Resources	
Property Taxes	\$ 380,826
Pension	72,705
Total Deferred Inflows of Resources	\$ 453,531
 Net Position	
Net Investment in Capital Assets	\$ 626,957
Restricted for Emergencies	19,100
Unrestricted	552,607
Total Net Position	\$ 1,198,664

See Notes to Financial Statements

**DIVIDE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Program Expense
Functions/Programs					
Governmental Activities					
General and Administrative	\$ 179,080	\$ -	\$ -	\$ -	\$ (179,080)
Firefighting and Rescue	281,882	111,482	23,210	18,398	(128,792)
Total Governmental Activities	\$ 460,962	\$ 111,482	\$ 23,210	\$ 18,398	(307,872)
General Revenues					
General Property Tax					336,947
Specific Ownership Tax					36,508
Miscellaneous					6,741
Investment Earnings					210
Total General Revenues					380,406
Change in Net Position					72,534
Net Position - Beginning (Restated)					1,126,130
Net Position - Ending					\$ 1,198,664

See Notes to Financial Statements

**DIVIDE FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
DECEMBER 31, 2021**

ASSETS

Assets

Cash and Cash Equivalents	\$	46,776
Cash Held by County Treasurer		2,392
Investments		375,544
Accounts Receivable		1,757
Property Tax Receivable		380,826
Prepaid Expenses		895
Total Assets	\$	808,190

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$	2,460
Accrued Liabilities		6,760
Total Liabilities		9,220

Deferred Inflow of Resources

Property Tax		380,826
Total Deferred Inflow of Resources		380,826

Fund Balance

Restricted for Emergencies		19,100
Non-spendable		895
Unassigned		398,149
Total Fund Balance		418,144

**Total Liabilities, Deferred Inflow of Resources
and Fund Balance**

\$ 808,190

**DIVIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Total Fund Balance - Governmental Fund	\$	418,144
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>The net pension asset and related deferred items are not available for current period expenditures and are therefore not reported in the funds.</p>		
Net pension asset		185,758
Deferred outflows of resources - pension		40,510
Deferred inflows of resources - pension		(72,705)
<p>Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.</p>		
Capital assets		2,780,819
Accumulated depreciation		(2,068,176)
<p>Leases payable are not due and payable in the current period, and therefore are not reported as liabilities in the funds.</p>		
		(85,686)
Total Net Position - Governmental Activities	\$	1,198,664

**DIVIDE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2021**

Revenues

Property Taxes	\$	336,947
Specific Ownership Tax		36,508
Interest Income		210
Charges for Service		111,482
Grant Revenue		18,398
Volunteer Revenue		23,210
Miscellaneous		6,741
Total Revenues		533,496

Expenditures

Current		
Administration		88,131
Communications		15,373
Firefighting and Rescue		42,577
Payroll		133,561
Pension		12,000
Station, Buildings, and Grounds		13,159
Training		15,978
Utilities		4,735
Vehicles		39,747
Capital Outlay		245,963
Debt Service		
Lease Interest		3,256
Lease Principal		21,000
Total Expenditures		635,480

Net Change in Fund Balance (101,984)

Fund Balance - Beginning 520,128

Fund Balance - Ending \$ 418,144

**DIVIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2021**

Net Change in Fund Balance - Total Governmental Funds \$ (101,984)

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

Changes in the net pension asset and related deferrals do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 14,743

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.

Depreciation expense	(106,188)
Capital expenditures	244,963

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

Lease payment (principal)	21,000
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Change in Net Position - Governmental Activities	\$ 72,534
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NOTES TO FINANCIAL STATEMENTS

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Government-Wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, net assets, revenues, and expenditures-expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

The District reports the following major governmental fund:

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

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

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

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Accounts Receivable - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of December 31, 2021, the district has deemed an allowance for uncollectible accounts unnecessary as all balances are expected to be collected.

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

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities' column of the government-wide financial statements. Capital assets are defined by the District as those assets with a cost of \$2,500 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

Buildings and Improvements	40 Years
Equipment and Vehicles	5-10 Years

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

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

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

Property Taxes and Deferred Inflows of Resources – Property taxes are levied based on assessed valuations determined by the County Assessor, generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The taxes are payable by April or in equal installments, at the taxpayer’s election, in February and June. Delinquent taxpayers are notified in August and generally, sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits taxes collected monthly to the District.

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

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

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

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

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

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

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

Restricted - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions, or enabling legislation.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Committed - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision-making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

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

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

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

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

NOTE 1 – CASH AND CASH EQUIVALENTS

Cash Deposits - The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2021, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA.

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

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

Cash and cash equivalents as of December 31, 2021 consist of the following:

Petty Cash	\$	100
Deposits with Financial Institutions		46,676
Total Cash and Cash Equivalents	\$	46,776

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – CASH AND CASH EQUIVALENTS - Continued

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. None of the District's deposits at December 31, 2021 were exposed to credit risk.

At December 31, 2021, the District's cash deposits had bank balances of \$48,683 and carrying balances of \$46,776.

NOTE 2 – INVESTMENTS

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

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

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

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

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

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

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

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – INVESTMENTS - Continued

As of December 31, 2021, the District had the following investments, recorded at fair value:

Investment	Maturity	
Colorado Liquid Asset Trust (COLOTrust)	Weighted Average Under 60 Days	<u>\$ 375,544</u>

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

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 6,700	\$ -	\$ -	\$ -	\$ 6,700
Capital Assets Being Depreciated					
Buildings	483,967	4,983	-	-	488,950
Vehicles and Equipment	2,045,189	239,980	-	-	2,285,169
Total Capital Assets Being Depreciated	<u>2,529,156</u>	<u>244,963</u>	<u>-</u>	<u>-</u>	<u>2,774,119</u>
Less Accumulated Depreciation					
Building	(246,744)	(17,341)	-	-	(264,085)
Vehicles and Equipment	(1,715,244)	(88,847)	-	-	(1,804,091)
Total Accumulated Depreciation	<u>(1,961,988)</u>	<u>(106,188)</u>	<u>-</u>	<u>-</u>	<u>(2,068,176)</u>
Total Capital Assets Being Depreciated, Net	<u>567,168</u>	<u>138,774</u>	<u>-</u>	<u>-</u>	<u>705,943</u>
Total Capital Assets, Net	<u>\$ 573,868</u>	<u>\$ 138,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 712,643</u>

Depreciation expense of \$106,188 for the year ended December 31, 2021, was charged to the Firefighting and Rescue function, of which \$16,344 was related to capital leases.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 – LEASES PAYABLE

The following is a summary of the changes in the District's capital lease for the year ended December 31, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases:					
Equipment	\$ 106,686	\$ -	\$ (21,000)	\$ 85,686	\$ 19,767

For financial statement presentation, the lease obligation has been capitalized and the vehicle recorded as an asset of the District. The gross amount of asset recorded under capital lease is \$163,436 with accumulated depreciation of \$16,344.

The annual lease purchase payment schedule is as follows for the year ending:

<u>December 31</u>	<u>Interest</u>	<u>Principal</u>	<u>Annual Payment</u>
2022	\$ 3,033	\$ 19,767	\$ 22,800
2023	2,314	21,220	23,534
2024	1,569	21,964	23,533
2025	798	22,735	23,533
Total Minimum Lease Payments	<u>\$ 7,714</u>	<u>\$ 85,686</u>	93,400
Less Amount Representing Interest			(7,714)
Net Present Value of Future Minimum Payments			<u>\$ 85,686</u>

Equipment Leases - On April 17, 2021, the District entered into a \$106,686 lease purchase agreement with a bank with an effective interest rate of 3.510%, for five years, with payments of \$23,533, principal and interest, due each March 1 through March 1, 2025. The proceeds of the lease were used to acquire a new vehicle with apparatus.

Debt authorization - At December 31, 2021, the District had no authorized but unissued indebtedness.

NOTE 5 – NET POSITION

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

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

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 – NET POSITION - Continued

As of December 31, 2021, the District had net investment in capital assets as follows:

Capital Assets, Net	\$ 712,643
Outstanding Leases Payable	<u>(85,686)</u>
Net Investment in Capital Assets	<u><u>\$ 626,957</u></u>

Restricted net position is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2021, the District had restricted net position for emergencies (Note 9) of \$19,100.

NOTE 6 – AGREEMENTS

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

The District entered into an intergovernmental agreement with Northeast Teller County Fire Protection District in January, 2022, for vehicle maintenance services. Northeast Teller County Fire Protection District will provide estimates, in-shop repairs, preventative maintenance, parts ordering, referrals for complex repairs, and inspection of third-party repairs. In exchange for these services, the District will be subject to charges composed of an hourly rate, costs of parts, and costs of outsourcing as detailed in monthly invoices provided by Northeast Teller County Fire Protection District.

NOTE 7 – VOLUNTEER PENSION PLAN

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

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – VOLUNTEER PENSION PLAN - Continued

The VPF provides normal retirement benefits, vested retirement benefits, and funeral benefits. The following benefit provisions were used to determine the District’s pension liability at the measurement date of December 31, 2020:

Normal Retirement Benefit at Age 50 with 20 Years of Service (Monthly):	
Regular	\$ 299.00
Vested Retirement Benefit (Monthly):	
With 10 to 20 Years of Service Amount Per Year of Service Per Minimum Vesting Year	\$ 14.95
Minimum Vesting Years	10
Funeral Benefits (Required Benefit)	
Funeral Benefit Lump Sum. One Time Only	\$ 200.00

As of January 1, 2021, the latest actuarial valuation date, there were 26 active members, 11 retirees and beneficiaries, and 1 inactive, non-retired member.

Funding Policy - The District contributes an amount annually to the plan based on prior contribution plus a cost of living adjustment. The contribution by the State of Colorado (State) toward fire pension funds has been a fixed dollar amount established by the legislature and allocated pro rata to all fire pension funds in the State who apply for State matching funds, based upon the amounts contributed by the employer up to a maximum of one half mill on the assessed valuation or 90% of District contributions, whichever is less. Contributions to the VPF for the year ended December 31, 2021, was \$12,000 from the District.

Net Pension Asset - At December 31, 2021, the VPF reported a net pension asset of \$185,758. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2021.

For the year ended December 31, 2021, the District recognized pension benefit relating to the VPF of \$2,744.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – VOLUNTEER PENSION PLAN - Continued

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Experience	\$ 3,304	\$ 14,673
Assumption Changes	8,923	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	16,283	58,032
District Contributions Subsequent to Measurement Date	12,000	-
Total	\$ 40,510	\$ 72,705

The \$12,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an adjustment against the net pension asset in the year ended December 31, 2021.

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

Fiscal Years Ended December 31,	Amortization
2022	\$ (14,218)
2023	(3,549)
2024	(16,593)
2025	(9,466)
2026	(369)
	\$ (44,195)

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – VOLUNTEER PENSION PLAN - Continued

Actuarial Assumptions – Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2019, determines the contribution amounts for 2020 and 2021. The contribution rates for the fiscal year ending December 31, 2021 were determined using the following methods and assumptions (see next page):

Actuarial Cost Method	Entry age normal
Amortization Methods	Level dollar, open*
Remaining Amortization Period	20 years*
Asset Valuation Method	5-year smoothed fair value
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.00%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality. Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years. Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

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

The total pension liability is based on an actuarial valuation performed as of January 1, 2021, and a measurement date of December 31, 2020. This measurement date is within one year of the plan sponsor's fiscal year end of December 31, 2021, and may be used for December 31, 2021, reporting purposes.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – VOLUNTEER PENSION PLAN - Continued

Long-term Expected Return on Plan Assets - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Nominal Rate of Return</u>
Cash	2.00	2.32 %
Fixed Income - Rates	10.00	4.01 %
Fixed Income - Credit	5.00	5.25 %
Absolute Return	10.00	5.60 %
Long Short	8.00	6.87 %
Global Equity	39.00	8.23 %
Private Markets	26.00	10.63 %
Total	<u>100.00 %</u>	

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (based on the weekly rate closest to but no later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00%.

Sensitivity Of The Pension Liability/(Asset) To Changes In The Discount Rate - The following presents the VPF net pension liability/(asset), calculated using a Single Discount Rate of 7.00%, as well as what the VPF net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

<u>1% Decrease 6.00%</u>	<u>Current Single Discount Rate Assumption 7.00%</u>	<u>1% Increase 8.00%</u>
\$ (128,577)	\$ (185,758)	\$ (232,995)

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 – TAX, SPENDING, REVENUE AND DEBT LIMITATIONS

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

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

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

NOTE 10 – RELATED PARTIES

One member of the Board of Directors has three family members that serve as volunteer members and a son-in-law who is the acting Fire Chief of the District. There were no conflict of interests in 2021 pursuant to these relationships.

NOTE 11 – RISKS AND UNCERTAINTIES

Coronavirus (COVID-19) Pandemic

In December 2020, an outbreak of a novel strain of Coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2021, the World Health Organization characterized COVID-19 as a pandemic, and multiple jurisdictions in the U.S. have declared a state of emergency. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on our employees, none of which can be reasonably predicted. At this point, the extent to which COVID-19 may impact the District's financial condition or results of operations is uncertain.

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 12 – RESTATEMENT

During 2021, it was discovered that two years of depreciation on an asset was not recorded, resulting in an understatement of accumulated depreciation and an overstatement of net position as of December 31, 2020 in the amount of \$72,331. Therefore, the District restated the following balances as of December 31, 2020:

	Governmental Activities		
	Previously Reported	Adjustment	Restated
Land	\$ 6,700	\$ -	\$ 6,700
Capital Assets Being Depreciated	2,529,157	-	2,529,157
Accumulated Depreciation	(1,889,658)	(72,331)	(1,961,989)
Capital Assets, Net	\$ 646,199	\$ (72,331)	\$ 573,868
Net Position	\$ 1,198,461	\$ (72,331)	\$ 1,126,130

The restatement did not impact the previously reported general fund balance.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on the independent auditors' report, the date on which the financial statements were available to be released.

In January, 2022, the District entered into a new intergovernmental agreement with Northeast Teller County Fire Protection District for vehicle maintenance services (see NOTE 6).

In April, 2022, the District entered into a new lease purchase agreement for a new fire engine.

REQUIRED SUPPLEMENTAL INFORMATION

**DIVIDE FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (NON-GAAP BASIS)
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 337,273	\$ 337,273	\$ 336,947	\$ (326)
Specific Ownership Tax	30,000	30,000	36,508	6,508
Interest Income	4,850	4,850	210	(4,640)
Charges for Service	62,000	62,000	111,482	49,482
Grant Revenue	20,000	20,000	18,398	(1,602)
Volunteer Revenue	20,000	20,000	23,210	3,210
Miscellaneous	26,000	26,000	6,741	(19,259)
Total Revenues	500,123	500,123	533,496	33,373
Expenditures				
Current				
Administration	110,610	110,610	88,131	22,479
Communications	20,000	20,000	15,373	4,627
Firefighting and Rescue	55,496	55,496	42,577	12,919
Payroll	116,588	116,588	133,561	(16,973)
Pension	12,000	12,000	12,000	-
Station, Buildings, and Grounds	9,920	9,920	13,159	(3,239)
Training	29,600	29,600	15,978	13,622
Utilities	8,600	8,600	4,735	3,865
Vehicles	44,300	44,300	39,747	4,553
Incident Expenses	7,000	7,000	-	7,000
Operational Contingency	25,000	25,000	-	25,000
Capital Outlay,	538,903	538,903	245,963	292,940
Debt Service				
Lease Interest	-	-	3,256	(3,256)
Lease Principal	-	-	21,000	(21,000)
Total Expenditures	978,017	978,017	635,480	342,537
Revenues over Expenditures (Non-GAAP Basis)	\$ (477,894)	\$ (477,894)	(101,984)	375,910
Change in Fund Balance			(101,984)	
Beginning Fund Balance			520,128	
Ending Fund Balance			\$ 418,144	

See Notes to Required Supplemental Information

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability							
Service Cost	\$ 14,329	\$ 14,329	\$ 10,642	\$ 10,642	\$ 12,807	\$ 12,807	\$ 6,685
Interest on the Total Pension Liability	31,905	30,616	29,407	28,085	29,153	27,497	9,091
Benefit Changes	-	-	-	-	-	-	217,799
Difference Between Expected and Actual Experience of the Total Pension Liability	(12,344)	-	8,026	-	(43,379)	-	23,872
Changes of Assumptions	-	-	19,749	-	7,250	-	-
Benefits Payments	(27,628)	(25,475)	(23,262)	(19,016)	(19,016)	(17,447)	(12,710)
Net Change in Total Pension Liability	<u>6,262</u>	<u>19,470</u>	<u>44,562</u>	<u>19,711</u>	<u>(13,185)</u>	<u>22,857</u>	<u>244,737</u>
Total Pension Liability - Beginning	<u>462,319</u>	<u>442,849</u>	<u>398,287</u>	<u>378,576</u>	<u>391,761</u>	<u>368,904</u>	<u>124,167</u>
Total Pension Liability - Ending	<u>\$ 468,581</u>	<u>\$ 462,319</u>	<u>\$ 442,849</u>	<u>\$ 398,287</u>	<u>\$ 378,576</u>	<u>\$ 391,761</u>	<u>\$ 368,904</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Net investment Income	76,561	75,420	(189)	69,415	24,022	7,816	27,181
Benefit Payments	(27,628)	(25,475)	(23,262)	(19,016)	(19,016)	(17,447)	(12,710)
Pension Plan Administrative Expense	(5,556)	(9,309)	(8,389)	(6,739)	(988)	(1,864)	(1,014)
State of Colorado Supplemental Discretionary Payment	-	10,800	10,800	10,800	10,800	10,800	10,800
Net Change in Plan Fiduciary Net Position	<u>55,377</u>	<u>63,436</u>	<u>(9,040)</u>	<u>66,460</u>	<u>26,818</u>	<u>11,305</u>	<u>36,257</u>
Plan Fiduciary Net Position - Beginning (Market Value of Assets at Beginning of Year)	<u>598,962</u>	<u>535,526</u>	<u>544,566</u>	<u>478,106</u>	<u>451,288</u>	<u>439,983</u>	<u>403,726</u>
Plan Fiduciary net Position - Ending (Market Value of Assets at End of Year)	<u>\$ 654,339</u>	<u>\$ 598,962</u>	<u>\$ 535,526</u>	<u>\$ 544,566</u>	<u>\$ 478,106</u>	<u>\$ 451,288</u>	<u>\$ 439,983</u>
Net Pension Asset	<u>\$ (185,758)</u>	<u>\$ (136,643)</u>	<u>\$ (92,677)</u>	<u>\$ (146,279)</u>	<u>\$ (99,530)</u>	<u>\$ (59,527)</u>	<u>\$ (71,079)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	139.64%	129.56%	120.93%	136.73%	126.29%	115.19%	119.27%
Covered - Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Asset as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Notes to Required Supplemental Information

**DIVIDE FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEARS ENDED DECEMBER 31,**

	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2020	\$ 10,082	\$ 12,000	\$ (1,918)	N/A	N/A
2019	\$ -	\$ 22,800	\$ (22,800)	N/A	N/A
2018	\$ -	\$ 22,800	\$ (22,800)	N/A	N/A
2017	\$ 5,193	\$ 22,800	\$ (17,607)	N/A	N/A
2016	\$ 5,193	\$ 22,800	\$ (17,607)	N/A	N/A
2015	\$ -	\$ 22,800	\$ (22,800)	N/A	N/A
2014	\$ -	\$ 22,800	\$ (22,800)	N/A	N/A

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

**DIVIDE FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2021**

BUDGETARY INFORMATION

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

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