

**DEER MOUNTAIN FIRE PROTECTION DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**COTOPAXI, COLORADO**

December 31, 2022

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# *Garren, Ross & DeNardo, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Auditor's Report**

December 13, 2023

Board of Directors  
Deer Mountain Fire Protection District  
Cotopaxi, Colorado

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Deer Mountain Fire Protection District as of and for the year then ended December 31, 2022, 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 financial position of the governmental activities and each major fund of Deer Mountain Fire Protection District as of December 31, 2022, 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 Opinions**

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Deer Mountain Fire Protection 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 opinions.

### **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 Deer Mountain Fire Protection District's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's 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 auditor's report that includes our opinions. 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 Deer Mountain Fire Protection 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 Deer Mountain Fire Protection 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 and budgetary comparison information 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 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.

*Arron Ross* & *DeMarzo, Inc.*

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

## Management's Discussion and Analysis

Deer Mountain Fire Protection District

December 31, 2022

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As management of the Deer Mountain Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2022. This discussion and analysis are designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

### **District Operation and Background**

The Deer Mountain Fire Protection District was formed in November 1985 after the Deer Mountain Volunteer Fire Department saw a need for expansion and tax dollars to run the Fire Department. A special election was held on November 9, 1985. Eighty-two residents voted, 68 for and 14 against. The District received a grant in September 1986 from the Mineral Impact Board for \$30,000 to make station improvements and obtain new vehicles and equipment. In 1989 another grant was used to open a Fire Station in Cotopaxi. The original mill levy was approved at 3.992 mills and later increased by 4 mills to the current effective rate at 7.992 mills.

The District now has three stations in Texas Creek, Cotopaxi, and Indian Springs. The District operates with 25 firefighters, 7 medical first responders, and 8 support drivers, as well as 11 fire and rescue vehicles ranging from Brush Trucks to Attack Tenders and two ambulances.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,327,444 (net position). Of this amount \$939,817 (71%) unrestricted net position, may be used to meet the District's ongoing obligations to citizens and creditors. A significant portion of the District's net position \$359,927 (27%) reflects its investment in capital assets. These assets include land, buildings, and equipment. These capital assets are used to provide services to citizens; consequently, they are not available for future spending.
- The District's total net position increased by \$244,634.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$967,804 for the year ending December 31, 2022.
- At the end of the current fiscal year, unassigned fund balance of the general fund is \$940,104.

### **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 using government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

**Management's Discussion and Analysis**  
Deer Mountain Fire Protection District  
December 31, 2022

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

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

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

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as State Statutes. The District currently only has one governmental fund.

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

**Overview of the Financial Statements**

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

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund.

The District adopts an annual appropriated budget for governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 5 and 7 of this report.

**Management's Discussion and Analysis**  
Deer Mountain Fire Protection District  
December 31, 2022

**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 – 16 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 \$1,327,444 at the close of fiscal year 2022. Increases or decreases in net position may serve as a useful indicator as to whether the financial condition of the District is improving or deteriorating over time.

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

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

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Current and other assets	\$ 1,235,393	\$ 1,113,882
Capital assets	628,766	547,320
<b>Total Assets</b>	<u>1,864,159</u>	<u>1,661,202</u>
<b>Liabilities:</b>		
Current and other liabilities	55,404	54,282
Long-term liabilities	226,874	268,839
<b>Total Liabilities</b>	<u>282,278</u>	<u>323,121</u>
Deferred inflow – property taxes	<u>254,437</u>	<u>255,271</u>
<b>Net Position:</b>		
Invested in capital assets, net of related debt	359,927	238,085
Restricted for emergencies	27,700	23,200
Unrestricted	939,817	821,525
<b>Total Net Position</b>	<u>\$ 1,327,444</u>	<u>\$ 1,082,810</u>

At the end of the current fiscal year, the Deer Mountain Fire Protection District is able to report a positive balance in all categories of net position.

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains the requirements of setting an emergency reserve. This reserve cannot be accessed except for an unexpected disaster. This reserve amounts to \$27,700 and \$23,200 as of December 31, 2022 and 2021, respectively.

**Management's Discussion and Analysis**  
Deer Mountain Fire Protection District  
December 31, 2022

**Government-wide Financial Analysis (Continued)**

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. Revenues and expenses in this statement are recorded when earned or when a liability is incurred. The following table reflects the condensed Statement of Activities for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues:		
Charges for services	\$ 356,765	\$ 468,425
Grants and contributions	232,008	6,716
General revenues:		
Property taxes	256,834	237,551
Specific ownership taxes	33,764	38,235
Gain/(Loss) on sale of assets	-	(47,314)
Total Revenues	935,689	703,613
Expenses:		
Public safety	640,747	538,731
General government	50,308	55,032
Total Expenses	691,055	593,763
Change in net position	244,634	109,850
Net position – beginning	1,082,810	972,960
Net position – ending	\$ 1,327,444	\$ 1,082,810

**Budgetary Highlights**

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements.

For 2022, the Directors appropriated \$1,115,128 general fund expenditures.

**2022 General Fund Budget**

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>
Revenues	\$ 512,497	\$ 963,263	\$ 935,639
Expenditures	\$ 489,487	\$ 1,115,128	\$ 813,142

**Capital Asset and Debt Administration**

**Capital Assets.** The District's investment in capital assets as of December 31, 2022 amounts to \$628,766 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment.

**Management's Discussion and Analysis**  
Deer Mountain Fire Protection District  
December 31, 2022

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

Land	\$	22,325
Furniture & Fixtures		39,110
Building and Improvements		471,828
Equipment		1,881,781
Accumulated Depreciation		<u>(1,786,277)</u>
	\$	<u>628,766</u>

Additional information on the District's capital assets can be found in the notes section on page 13 of this report.

**Deer Mountain Fire Protection District's Long-Term Liabilities**

At the end of 2022, the District had \$268,839 in outstanding long-term liabilities for the lease purchase of a building and one truck.

If the District maintains the current payment schedules, then the building lease will be paid off in 9 years and the 2019 Weis Truck will be paid off in 4 years. Information about the District's long-term liabilities is presented in Note 6 on page 15 in the financial statements.

**Request for Information**

This financial report is designed to provide a general overview of the Deer Mountain Fire Protection District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Deer Mountain Fire Protection District  
6181 CR 28  
Cotopaxi, CO 81223

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
December 31, 2022

<b><u>Assets</u></b>	
Cash and equivalents	\$ 951,149
Taxes receivable	257,735
Other receivables	26,509
Capital assets - net of accumulated depreciation	<u>628,766</u>
<b>Total Assets</b>	<b><u>1,864,159</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	7,986
Payroll liabilities	526
Accrued wages	4,640
Accrued interest	287
Long-term liabilities:	
Due within one year	41,965
Due in one year or more	<u>226,874</u>
<b>Total Liabilities</b>	<b><u>282,278</u></b>
<b><u>Deferred Inflow of Resources</u></b>	
Deferred inflow - property taxes	<u>254,437</u>
<b><u>Net Position</u></b>	
Invested in capital assets, net of related debt	359,927
Restricted for emergencies	27,700
Unrestricted	<u>939,817</u>
<b>Total Net Position</b>	<b><u>\$ 1,327,444</u></b>

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

**STATEMENT OF ACTIVITIES**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
For the year ended December 31, 2022

	<b>Program Revenue</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>		<b>Primary Government Governmental Activities</b>
	<b>Expenses</b>	<b>Contributions</b>	<b>Contributions</b>	<b>Total</b>	
<b>Primary Government:</b>					
<b>Government activities:</b>					
General government	\$ 50,308	\$ -	\$ -	\$ 625	\$ (49,683)
Public safety	<u>640,747</u>	<u>69,363</u>	<u>162,020</u>	<u>871,730</u>	<u>(52,599)</u>
<b>Total</b>	<u>\$ 691,055</u>	<u>\$ 69,988</u>	<u>\$ 162,020</u>	<u>\$ 923,063</u>	<u>(102,282)</u>
<b>General revenues and taxes</b>					
Taxes:					
General property taxes					256,834
Specific ownership taxes					33,764
Other income					<u>56,318</u>
					<u>346,916</u>
					<u>244,634</u>
					<u>1,082,810</u>
					<u>\$ 1,327,444</u>

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

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**BALANCE SHEET- GOVERNMENTAL FUNDS**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
December 31, 2022

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	<b><u>General Fund</u></b>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 951,149
Accounts receivable and other	26,509
Taxes receivable	<u>257,735</u>
<b>Total Assets</b>	<b><u>1,235,393</u></b>
 <b><u>Liabilities</u></b>	
Accounts payable	7,986
Payroll liabilities	526
Accrued wages	<u>4,640</u>
<b>Total Liabilities</b>	<b><u>13,152</u></b>
 <b><u>Deferred Inflow of Resources</u></b>	
Deferred inflow - property taxes	<u>254,437</u>
 <b><u>Fund Balances</u></b>	
Restricted for emergencies	27,700
Unassigned	<u>940,104</u>
<b>Total Fund Balances</b>	<b><u>967,804</u></b>

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

**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**DEER MOUNTAIN FIRE PROTECTION DISTRICT**

December 31, 2022

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<b>Total Fund Balances - Government Funds</b>	\$	967,804
Amounts reported for governmental activities in the Statement of Net Position were different because:		
Capital assets used in governmental activities were not current financial resources, therefore, they were not reported in the Governmental Funds Balance Sheet.		628,766
Long term debt liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.		(268,839)
Interest payable on finance leases did not require current financial resources, therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.		<u>(287)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>1,327,444</u></b>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**DEER MOUNTAIN FIRE PROTECTION DISTRICT**

**GOVERNMENTAL FUND**

For the Year Ended December 31, 2022

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	<b><u>General Fund</u></b>
<b>Revenues</b>	
General property tax	\$ 256,834
Specific ownership tax	33,764
Grant and donation income	232,008
Charges for services	356,765
Other	<u>56,318</u>
<b>Total Revenues</b>	<u>935,689</u>
<b>Expenditures</b>	
General government	41,116
Public safety	509,962
Debt service:	
Principal	40,396
Interest	10,686
Capital outlay	<u>210,982</u>
<b>Total Expenditures</b>	<u>813,142</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	122,547
<b>Fund balances - beginning</b>	<u>845,257</u>
<b>Fund balances - ending</b>	<u>\$ 967,804</u>

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

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

**DEER MOUNTAIN FIRE PROTECTION DISTRICT**

For the Year Ended December 31, 2022

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 122,547
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Positions 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 capital outlay (\$210,982) exceeded depreciation expense (\$129,536).	81,446
Principal retirements - retirements of principal outstanding on the District's long-term liabilities result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against the long-term liabilities.	40,396
Interest payable on outstanding finance 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.	<u>245</u>
<b>Change in Net Position - Governmental Activities</b>	<u>\$ 244,634</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**  
DEER MOUNTAIN FIRE PROTECTION DISTRICT  
December 31, 2022

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**Note 1 - Summary of Significant Accounting Policies**

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

**Form of Organization**

The Deer Mountain Fire Protection District was formed in November 1985 after the Deer Mountain Volunteer Fire Department saw a need for expansion and tax dollars to run the Fire Department. A special election was held on November 9, 1985. 82 residents voted, 68 for and 14 against. The District received a grant in September 1986 from the Mineral Impact Board to make station improvements and obtain new vehicles and equipment. In 1989 another grant was used to open a Fire Station in Cotopaxi. The District is organized under the laws of the State of Colorado. It operates under the jurisdiction of a local Board of Directors, whose members are elected by the voters of the District. The District provides fire protection services as well as emergency medical services to the public.

**Financial Reporting Entity**

As defined by GAAP as established by GASB, these financial statements present the primary government and its component units, if any. No additional separate governmental units, agencies, or nonprofit corporations are included in the financial statements of the District since none were discovered to fall within the oversight responsibility based upon the application of the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

**Government-Wide and Fund Financial Statements**

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from activities of the fiscal year.

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

**Reconciliation of Government-Wide and Fund Financial Statements**

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
DEER MOUNTAIN FIRE PROTECTION DISTRICT  
December 31, 2022

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Property and specific ownership taxes are reported as receivables and deferred inflows when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and lease debt service which is recognized when due.

**General Fund**

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

**Cash and Cash Equivalents**

Cash on hand, cash in the bank and all highly liquid investments with a maturity of three months or less when purchased or subject to withdrawal, are considered to be cash and cash equivalents.

The District's policy is to state investments at their fair value and categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

All investment income, including changes in the fair value of investments are reported as investment income in the District's financial statements. Cash and investments are subject to Colorado State statutes as described in Note 3.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
December 31, 2022

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables**

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

**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. The District maintains a capitalization threshold of \$1,000.

Capital assets are depreciated using the straight line method over the following estimated useful lives.

Buildings and improvements	20 - 50 years
Land Improvements	15 - 20 years
Equipment	5 - 15 years
Vehicles	5 - 15 years

Land is not depreciated and assets under construction are not depreciated until they become available for service.

**Property Taxes**

Fremont 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the statement of net position and/or balance sheets will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets by the District that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net assets by the District that is applicable to future reporting periods. Both deferred inflow and deferred outflows are reported in the statement of net position but are not reported as revenue or expenditures until the period(s) to which they relate.

Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

**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)**  
DEER MOUNTAIN FIRE PROTECTION DISTRICT  
December 31, 2022

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Government-wide Net Position**

In the government-wide financial statements net position represents the difference between assets and liabilities. It is divided into three components. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by any outstanding borrowing use for the acquisition or construction of improvements of those assets. Restricted net position is presented to reflect any restrictions imposed on its use by enabling legislation, restrictions imposed by grantors, laws or regulations of other governments. All other amounts are reported as unrestricted net position.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Fund Balances**

The District presents fund balances in clearly defined categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation. The portion of net position restricted for emergency is the TABOR reserve requirement which is 3% of the fiscal year's spending excluding bonded debt service.
- *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.

**Accounting Principles - Leases**

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principal that leases are financings of the right to use an underlying asset. Under this standard, a lease is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District currently has no leases that require application of this standard.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
December 31, 2022

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**Note 2 - Stewardship, Compliance, And Accountability**

**Budgets and Budgetary Data**

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

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

**Tax, Revenue, Spending and Debt Limitations**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the Amendment. However, the District has made certain interpretations of the Amendment's language in order to determine its compliance.

In November 1998, the Deer Mountain Fire Protection District passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain and expend all revenues and other funds collected during 1999 and thereafter.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District carries commercial insurance for such risks, including workers' compensation and accident insurance. Settled claims resulting from these risks did not exceed commercial insurance coverage during 2022.

**Risks and Uncertainties**

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**Note 3 - Cash Deposits**

**Deposits**

Colorado State statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal insurance (FDIC or FSLIC) on deposits held.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
 December 31, 2022

**Note 3 - Cash Deposits (Continued)**

**Deposits (Continued)**

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the total uninsured deposits held by that institution. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool. At December 31, 2022, the District had deposits over \$250,000 in the amount of \$747,687. These deposits are required to be collateralized under State Statutes.

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's policy for custodial risk parallels Colorado statutes.

A summary of cash and deposits held at year end follows:

	<b><u>Carrying Amounts</u></b>	<b><u>Less Than One Year</u></b>	<b><u>Less Than Five Years</u></b>
Deposits: Checking Accounts	\$ <u>951,149</u>	\$ <u>951,149</u>	\$ <u>-</u>

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, banker's acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

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 rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

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

**Note 4 - Property Tax Accrual**

Property taxes which have been levied for 2022 which will not be collected until 2023 have been accrued as a receivable at December 31, 2022. An offsetting liability for deferred inflows of resources - unearned property tax revenue has been recorded on the statement of net position.

**Note 5 - Change in Capital Assets**

The following is a summary of the changes in capital assets:

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
December 31, 2022

**Note 5 - Change in Capital Assets (Continued)**

	<b>Balance at 1-1-22</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 12-31-22</b>
Land	\$ 22,325	\$ -	\$ -	\$ 22,325
Buildings and improvements	471,828	-	-	471,828
Machinery and equipment	1,670,798	210,982	-	1,881,780
Furniture and fixtures	39,110	-	-	39,110
<b>Totals</b>	<b>2,204,061</b>	<b>\$ 210,982</b>	<b>\$ -</b>	<b>2,415,043</b>
Less: accumulated depreciation	(1,656,741)			(1,786,277)
<b>Net Capital Assets</b>	<b>\$ 547,320</b>			<b>\$ 628,766</b>

Depreciation expense by function:

General government	\$ 9,192
Public safety	120,344
	<u>\$ 129,536</u>

**Note 6 - Long-Term Liabilities**

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

	<b>Balance at 1-1-22</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 12-31-22</b>	<b>Due in One Year</b>
Building	\$ 205,589	\$ -	\$ 19,001	\$ 186,588	\$ 19,667
2019 Weis Quick Attack	103,646	-	21,395	82,251	22,298
	<u>\$ 309,235</u>	<u>\$ -</u>	<u>\$ 40,396</u>	<u>\$ 268,839</u>	<u>\$ 41,965</u>

The following is a description of each individual finance lease:

**Building Finance Lease Payable**

\$300,000 lease purchase of building with Community First National Bank payable over 180 monthly installments of \$2,150 at 3.53% interest ending May 2031. \$ 186,588

**2019 Weis Quick Attack Finance Lease Payable**

\$150,500 lease purchase of 2019 Weis Quick Attack Truck with Community First National Bank payable over 84 monthly installments of \$2,107 at 4.72% interest ending July 2026. 82,251

Total \$ 268,839

The following schedule reflects the estimated debt service requirements to maturity of the District's governmental activities:

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DEER MOUNTAIN FIRE PROTECTION DISTRICT**  
 December 31, 2022

**Note 6 - Long-Term Liabilities (Continued)**

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 41,965	\$ 9,625	\$ 51,590
2024	43,596	7,994	51,590
2025	45,292	6,299	51,591
2026	34,303	4,138	38,441
2027	22,979	2,816	25,795
2028-2032	80,704	5,277	85,981
	<u>\$ 268,839</u>	<u>\$ 36,149</u>	<u>\$ 304,988</u>

**Note 7 - Net Position and Fund Balance Classifications**

The specific purposes for each Net Position classification on the Statement of Financial Position are detailed in the table below:

Invested in capital assets net of related debt	\$ 359,927
Restricted for Tabor	27,700
Unrestricted	<u>939,817</u>
<b>Total Net Position</b>	<u>\$ 1,327,444</u>

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below:

	<u>General Fund</u>
Restricted for Tabor	\$ 27,700
Unassigned	<u>940,104</u>
<b>Total Fund Balances</b>	<u>\$ 967,804</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**

**BUDGET TO ACTUAL - GENERAL FUND**

**DEER MOUNTAIN FIRE PROTECTION DISTRICT**

For the Year Ended December 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Budget</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Revenues</b>				
Property taxes	\$ 256,210	\$ 277,957	\$ 290,598	\$ 12,641
State fire payments	221,287	555,857	330,538	(225,319)
Medical income	35,000	33,000	26,227	(6,773)
Donations	-	915	625	(290)
Grants	-	35,506	231,383	195,877
Other income	-	60,028	56,318	(3,710)
<b>Total Revenues</b>	<u>512,497</u>	<u>963,263</u>	<u>935,689</u>	<u>(27,574)</u>
<b>Expenditures</b>				
Payroll expenses	170,000	292,510	228,403	64,107
State fire disbursements	-	13,000	11,914	1,086
National fire expenses	-	46,000	37,221	8,779
Treasurer fees	9,000	9,000	7,691	1,309
Board of directors	7,700	7,700	5,500	2,200
Medical expenses	20,000	100,255	22,268	77,987
Administration	15,000	17,800	9,443	8,357
Fire communications	10,000	120,713	12,804	107,909
Insurance	63,000	63,000	35,967	27,033
Fire fighting supplies	30,000	47,300	118,770	(71,470)
Fire prevention	-	1,500	1,338	162
Training	8,500	1,905	1,905	-
Professional expenses	47,000	49,450	18,481	30,969
Building expenses	25,000	168,385	11,592	156,793
Vehicle expenses	32,000	100,854	27,781	73,073
Capital outlay	1,000	22,000	210,982	(188,982)
Debt service	51,287	53,756	51,082	2,674
<b>Total Expenditures</b>	<u>489,487</u>	<u>1,115,128</u>	<u>813,142</u>	<u>301,986</u>
<b>Revenue Over (Under) Expenditures</b>	23,010	(151,865)	122,547	274,412
<b>Fund Balance - Beginning</b>	<u>429,213</u>	<u>614,529</u>	<u>845,257</u>	<u>230,728</u>
<b>Fund Balance - Ending</b>	<u>\$ 452,223</u>	<u>\$ 462,664</u>	<u>\$ 967,804</u>	<u>\$ 505,140</u>

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