



***DIVIDE FIRE PROTECTION DISTRICT***

***FINANCIAL STATEMENTS***

***AND***

***REQUIRED SUPPLEMENTAL INFORMATION***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***DECEMBER 31, 2022***

**ERICKSON, BROWN & KLOSTER, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Divide Fire Protection District  
Divide, 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, 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 respective financial position of the governmental activities and each major fund of the 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 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 Supplemental 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**

**PAGE 3**

certain limited procedures to the required supplemental 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 & Kloster, LLC*

Colorado Springs, Colorado

July 26, 2023

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

**DIVIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2022**

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, 2022. 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 \$1,328,842 which represents the ending net position.
- The net position increased by \$130,178 from the prior year. Approximately 41% of the net position, \$542,744, 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 \$370,844, which represents the ending fund balance.
- The ending fund balance decreased by \$47,300 from the prior year. Approximately 92% of the total fund balance, \$342,582, 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, 2022**

**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 \$1,328,842 as of December 31, 2022, as reflected in the total net position. Approximately 57% 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, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	\$ 761,793	\$ 808,190	\$ (46,397)
Net Pension Asset	263,703	185,758	77,945
Capital Assets, Net	1,115,320	712,643	402,677
<b>Total Assets</b>	<u>2,140,816</u>	<u>1,669,347</u>	<u>471,469</u>
<b>Deferred Outflow of Resources</b>	<u>26,133</u>	<u>40,510</u>	<u>(14,377)</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 2,166,949</u>	<u>\$ 1,709,857</u>	<u>\$ 457,092</u>
<b>Liabilities</b>			
Current	88,291	28,987	59,304
Long-term	290,649	65,919	224,730
<b>Total Liabilities</b>	<u>378,940</u>	<u>135,789</u>	<u>243,151</u>
<b>Deferred Inflow of Resources</b>	<u>459,167</u>	<u>453,531</u>	<u>5,636</u>
<b>Net Position</b>			
Net Investment in Capital Assets	758,398	626,957	131,441
Restricted	27,700	19,100	8,600
Unrestricted	542,744	552,607	(9,863)
<b>Total Net Position</b>	<u>1,328,842</u>	<u>1,198,664</u>	<u>130,178</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 2,166,949</u>	<u>\$ 1,787,984</u>	<u>\$ 378,965</u>

The Net Pension Asset increased during the current year for various reasons, including net investment income gain of approximately \$96,750. 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 155%, 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 increased because the District took on an additional capital lease for the purchase of an engine in 2022.

**DIVIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>
<b>Expenses</b>			
General and Administrative	\$ 230,546	\$ 179,080	\$ 51,466
Firefighting and Rescue	222,383	281,882	(59,499)
<b>Total Expenses</b>	<u>452,929</u>	<u>460,962</u>	<u>(8,033)</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	30,063	111,482	(81,419)
Grants and Contributions	100,397	41,608	58,789
General Revenues			
Property Taxes	381,218	336,947	44,271
Specific Ownership Taxes	38,711	36,508	2,203
Miscellaneous	4,726	6,741	(2,015)
Interest and Other	7,992	210	7,782
Gain on Sales of Capital Assets	20,000	-	20,000
<b>Total Revenues</b>	<u>583,107</u>	<u>533,496</u>	<u>49,611</u>
<b>Change in Net Position</b>	130,178	72,534	57,644
<b>Net Position - Beginning of Year</b>	<u>1,198,664</u>	<u>1,126,130</u>	<u>72,534</u>
<b>Net Position - End of Year</b>	<u>\$ 1,328,842</u>	<u>\$ 1,198,664</u>	<u>\$ 130,178</u>

Expenses decreased during the current year primarily because there were fewer firefighter deployments resulting in a decrease in deployment related wages and expenses. This was partially offset by higher election costs and legal expenses.

The incident response reimbursement expenses decreased from 2021 by approximately \$35,000, alternately, Election costs were over \$13,000, including payroll expenses, and legal fees were markedly increased and included services for the mill levy election and the hiring of a paid chief.

Property tax revenue increased by approximately \$51,000. Grant revenues increased by approximately \$44,000, mainly through the receipt of an EMTS grant in 2022. The District had a capital outlay of approximately \$144,000 in 2022, the bulk of which was for an asphalt paving project for the Station 1 parking lot.

**DIVIDE FIRE PROTECTION DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2022**

**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 \$370,844 as reflected on page 11 of the financial statements. Of this amount, \$27,700 was restricted by TABOR.

**BUDGETARY HIGHLIGHTS**

The District’s 2022 final budget had a total revenue amount of \$528,676. The District ended the year with a total actual revenue amount of \$563,107, representing a favorable variance of \$34,431. The District’s final budget had total expenditures of \$917,365. The District ended the year with actual audited expenditures of \$922,643. Actual expenditures had an unfavorable variance against budgeted expenditures of \$5,278. This variance resulted from the \$292,236 lease-purchase of a new engine. The 2022 budget did not reflect either the expenditure or the associated revenue of the loan, although this expenditure and revenue are reflected in the audited amounts. It can be noted that in the audited statement the District’s total revenues still exceed total expenditures by a favorable amount of \$29,153.

**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, 2022, was \$1,115,320. Additional information relating to the District's capital assets activity can be found in Note 3 to the financial statements.

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Land and Improvements	\$ 151,518	\$ 6,700
Building and Improvements	211,967	224,865
Vehicles and Equipment	751,835	481,078
<b>Total</b>	<b>\$ 1,115,320</b>	<b>\$ 712,643</b>

**ECONOMIC FACTORS (Next Year’s Budget and Rates)**

In 2023 the District will realize higher net general property tax revenue, as Teller County assessed property valuations continue to trend upwards in the area, with real estate values remaining strong in the region. The District continues to experience revenue and operating impacts due to inflation, rising interest rates and continuing supply chain impacts. The District will also be hiring a paid chief in 2023, expecting the associated expenses of payroll, pension, insurance and taxes, all of which will be reflected in the 2023 budget.

**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, 2022**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 17,815
Cash Held by County Treasurer	2,442
Investments	309,620
Accounts Receivable	57,153
Property Tax Receivable	374,201
Prepaid Expenses	562
Net Pension Asset	263,703
Capital Assets, Net	1,115,320
<b>Total Assets</b>	<u>2,140,816</u>
 <b>Deferred Outflows of Resources</b>	
Pension	26,133
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 2,166,949</u>
 <b>Liabilities</b>	
Accounts Payable	\$ 10,226
Accrued Liabilities	6,522
Accrued Interest Payable	5,270
Lease Purchases Payable	
Due Within One Year	66,273
Due in More Than One Year	290,649
<b>Total Liabilities</b>	<u>378,940</u>
 <b>Deferred Inflows of Resources</b>	
Property Taxes	374,201
Pension	84,966
<b>Total Deferred Inflows of Resources</b>	<u>459,167</u>
 <b>Net Position</b>	
Net Investment in Capital Assets	758,398
Restricted for Emergencies	27,700
Unrestricted	542,744
<b>Total Net Position</b>	<u>1,328,842</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 2,166,949</u>

See Notes to Financial Statements

**DIVIDE FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Program Expense
<b>Functions/Programs</b>					
<b>Governmental Activities</b>					
General and Administrative	\$ 230,546	\$ -	\$ -	\$ -	\$ (230,546)
Firefighting and Rescue	222,383	30,063	26,746	73,651	(91,923)
<b>Total Governmental Activities</b>	<b>\$ 452,929</b>	<b>\$ 30,063</b>	<b>\$ 26,746</b>	<b>\$ 73,651</b>	<b>(322,469)</b>
 <b>General Revenues</b>					
General Property Tax					381,218
Specific Ownership Tax					38,711
Miscellaneous					4,726
Investment Earnings					7,992
Gain on Sale of Capital Assets					20,000
<b>Total General Revenues</b>					<b>452,647</b>
<b>Change in Net Position</b>					130,178
<b>Net Position - Beginning</b>					1,198,664
<b>Net Position - Ending</b>					\$ 1,328,842

See Notes to Financial Statements

**DIVIDE FIRE PROTECTION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND - GENERAL FUND  
DECEMBER 31, 2022**

**ASSETS**

**Assets**

Cash and Cash Equivalents	\$	17,815
Cash Held by County Treasurer		2,442
Investments		309,620
Accounts Receivable		57,153
Property Tax Receivable		374,201
Prepaid Expenses		562
<b>Total Assets</b>	<b>\$</b>	<b>761,793</b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts Payable	\$	10,226
Accrued Liabilities		6,522
<b>Total Liabilities</b>		<b>16,748</b>

**Deferred Inflow of Resources**

Property Tax		374,201
<b>Total Deferred Inflow of Resources</b>		<b>374,201</b>

**Fund Balance**

Restricted for Emergencies		27,700
Non-spendable		562
Unassigned		342,582
<b>Total Fund Balance</b>		<b>370,844</b>

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

**\$ 761,793**

**DIVIDE FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

**Total Fund Balance - Governmental Fund** \$ 370,844

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

period expenditures and are therefore not reported in the governmental funds.

Net Pension Asset	263,703
Deferred Outflows of Resources - Pension	26,133
Deferred Inflows of Resources - Pension	(84,966)

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

Capital Assets	3,033,205
Accumulated Depreciation	(1,917,885)

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

Accrued Interest at End of Year	(5,270)
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Lease purchases payable are not due and payable in the current period, and therefore are not reported as liabilities in governmental funds.

	(356,922)
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<b>Total Net Position - Governmental Activities</b>	<b>\$ 1,328,842</b>
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**DIVIDE FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2022**

**Revenues**

Property Taxes	\$	381,218
Specific Ownership Tax		38,711
Interest Income		7,992
Charges for Service		30,063
Grant Revenue		73,651
Volunteer Revenue		26,746
Miscellaneous		4,726
<b>Total Revenues</b>		563,107

**Expenditures**

<b>Current</b>		
Administration		130,468
Communications		991
Firefighting and Rescue		42,585
Payroll		110,764
Pension		12,000
Station, Buildings, and Grounds		6,948
Training		16,499
Utilities		8,414
Vehicles		33,202
Capital Outlay		533,728
<b>Debt Service</b>		
Lease Purchase Interest		6,044
Lease Purchase Principal		21,000
<b>Total Expenditures</b>		922,643

**Excess of Revenues Under Expenditures** (359,536)

**Other Financing Sources**

Capital Related Debt		292,236
Proceeds from Sale of Assets		20,000
<b>Total Other Financing Sources</b>		312,236

**Net Change in Fund Balance** (47,300)

**Fund Balance - Beginning** 418,144

**Fund Balance - Ending** \$ 370,844

See Notes to Financial Statements

**DIVIDE FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

**Net Change in Fund Balance - Total Governmental Funds** \$ (47,300)

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. 51,307

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	(131,051)
Capital Expenditures	533,728

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position in the government-wide statements. This amount is the net effect of these differences.

Proceeds from Issuance of Long-term Debt	(292,236)
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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 Purchase Payment (Principal)	21,000
Current Year Interest Accrual	(5,270)

<b>Change in Net Position - Governmental Activities</b>	<b>\$ 130,178</b>
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***NOTES TO FINANCIAL STATEMENTS***

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022**

**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, 2022**

**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 measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment.

**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, 2022**

**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, 2022**

**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.

**Change in Accounting Principles** – In 2022, the District implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease 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. These changes were incorporated in the District's 2022 financial statements and had no effect on the beginning net position of the General Fund as the lease liabilities and right-to-use assets are unchanged by this standard.

**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, 2022, 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.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022 were exposed to credit risk.

At December 31, 2022, the District's cash deposits had bank balances of \$31,334 and carrying balances of \$17,815.

**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, 2022**

**NOTE 2 – INVESTMENTS - Continued**

As of December 31, 2022, the District had the following investments, recorded at fair value:

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (COLOTrust)	Weighted Average Under 60 Days	<u>\$ 309,620</u>

Certain investments are required to be measured at fair value on a recurring basis and categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District’s investments are not categorized within the fair value hierarchy. Instead, the District’s investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at year-end for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1 per share. The investment pool financial statements can be obtained at [www.colotrust.com](http://www.colotrust.com).

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 6,700	\$ 144,818	\$ -	\$ 151,518
Capital Assets Being Depreciated				
Buildings	488,950	-	-	488,950
Vehicles and Equipment	2,285,169	388,910	(281,342)	2,392,737
Total Capital Assets Being Depreciated	<u>2,774,119</u>	<u>388,910</u>	<u>(281,342)</u>	<u>2,881,687</u>
Less Accumulated Depreciation				
Building	(264,085)	(12,898)	-	(276,983)
Vehicles and Equipment	(1,804,091)	(118,153)	281,342	(1,640,902)
Total Accumulated Depreciation	<u>(2,068,176)</u>	<u>(131,051)</u>	<u>281,342</u>	<u>(1,917,885)</u>
Total Capital Assets Being Depreciated, Net	<u>705,943</u>	<u>257,859</u>	<u>-</u>	<u>963,802</u>
Total Capital Assets, Net	<u>\$ 712,643</u>	<u>\$ 402,677</u>	<u>\$ -</u>	<u>\$ 1,115,320</u>

Depreciation expense of \$131,051 for the year ended December 31, 2022, was charged to the Firefighting and Rescue function, of which \$42,493 was related to lease purchase agreements.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 – LEASE PURCHASES PAYABLE**

**Vehicle Leases** - On April 17, 2020, 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. On April 22, 2022, the District entered into another lease purchase agreement for \$292,236 with an effective interest rate of 2.890%, for five years, with biannual payments of interest due on March 1 and September 1 and principal payments due each March 1 through March 1, 2028. The total of the annual payments of interest and principal equate to \$53,536. The proceeds of the leases were used to acquire a new vehicle with apparatus and a new fire engine.

The following is a summary of the changes in the District's lease purchase agreements for the year ended December 31, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases:					
Brush 22	\$ 85,686	\$ -	\$ (21,000)	\$ 64,686	\$ 19,987
Engine 24	-	292,236	-	292,236	46,286
Total	<u>\$ 85,686</u>	<u>\$ 292,236</u>	<u>\$ (21,000)</u>	<u>\$ 356,922</u>	<u>\$ 66,273</u>

For financial statement presentation, the lease obligations have been capitalized and the vehicles recorded as assets of the District. The gross amount of assets recorded under lease purchase agreements is \$555,672 with accumulated depreciation of \$71,094.

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>
2023	\$ 10,047	\$ 66,273	\$ 76,320
2024	8,006	68,392	76,398
2025	5,874	70,504	76,378
2026	3,676	49,150	52,826
2027	2,235	50,570	52,805
2028	752	52,033	52,785
Total Minimum Lease Payments	<u>\$ 30,590</u>	<u>\$ 356,922</u>	387,512
Less Amount Representing Interest			(30,590)
Net Present Value of Future Minimum Payments			<u>\$ 356,922</u>

**Debt authorization** - At December 31, 2022, the District had no authorized but unissued indebtedness.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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.

As of December 31, 2022, the District had net investment in capital assets as follows:

Capital Assets, Net	\$ 1,115,320
Outstanding Leases Payable	<u>(356,922)</u>
Net Investment in Capital Assets	<u><u>\$ 758,398</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, 2022, the District had restricted net position for emergencies (Note 9) of \$27,700.

**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 is 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 annual comprehensive financial report that can be obtained at FPPAco.org.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2021:

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, 2022, was \$12,000 from the District.

**Net Pension Asset** - At December 31, 2022, the VPF reported a net pension asset of \$263,703. The net pension asset was measured as of December 31, 2021, 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, 2022, the District recognized pension benefit relating to the VPF of \$39,307.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,730	\$ 7,554
Assumption Changes	4,261	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,142	77,412
District Contributions Subsequent to Measurement Date	12,000	-
<b>Total</b>	<b>\$ 26,133</b>	<b>\$ 84,966</b>

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, 2022.

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

<b>Fiscal Years Ended December 31,</b>	<b>Net Deferred Outflows/(Inflows) of Resources</b>
2023	\$ (13,763)
2024	(26,807)
2025	(19,680)
2026	(10,583)
2027	-
Thereafter	-
	<b>\$ (70,833)</b>

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2021. This measurement date is within one year of the plan sponsor’s fiscal year end of December 31, 2022, and may be used for December 31, 2022, reporting purposes.

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 nominal rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2021 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	4.00 %
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 %
<b>Total</b>	<u>100.00 %</u>	

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.84% (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>
\$ (204,352)	\$ (263,703)	\$ (312,717)

**DIVIDE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 2022 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, 2022**

**NOTE 12 – 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 May 2023, the District hired a full-time fire chief.

***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, 2022**

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 380,826	\$ 380,826	\$ 381,218	\$ 392
Specific Ownership Tax	40,000	40,000	38,711	(1,289)
Interest Income	1,350	1,350	7,992	6,642
Charges for Service	62,000	62,000	30,063	(31,937)
Grant Revenue	20,000	20,000	73,651	53,651
Volunteer Revenue	20,000	20,000	26,746	6,746
Miscellaneous	4,500	4,500	4,726	226
<b>Total Revenues</b>	<u>528,676</u>	<u>528,676</u>	<u>563,107</u>	<u>34,431</u>
<b>Expenditures</b>				
Current				
Administration	127,227	127,227	130,468	(3,241)
Communications	20,000	20,000	991	19,009
Firefighting and Rescue	66,910	66,910	42,585	24,325
Payroll	131,345	131,345	110,764	20,581
Pension	12,000	12,000	12,000	-
Station, Buildings, and Grounds	10,150	10,150	6,948	3,202
Training	27,300	27,300	16,499	10,801
Utilities	8,600	8,600	8,414	186
Vehicles	39,300	39,300	33,202	6,098
Incident Expenses	7,000	7,000	-	7,000
Operational Contingency	30,000	30,000	-	30,000
Capital Outlay	414,000	414,000	533,728	(119,728)
Debt Service				
Lease Purchase Interest	3,266	3,266	6,044	(2,778)
Lease Purchase Principal	20,267	20,267	21,000	(733)
<b>Total Expenditures</b>	<u>917,365</u>	<u>917,365</u>	<u>922,643</u>	<u>(5,278)</u>
<b>Revenues over Expenditures (Non-GAAP Basis)</b>	<u>\$ (388,689)</u>	<u>\$ (388,689)</u>	(359,536)	<u>\$ 29,153</u>
<b>GAAP Adjustments</b>				
Proceeds from Sale of Assets			20,000	
Capital Related Debt			292,236	
<b>Change in Fund Balance</b>			(47,300)	
<b>Beginning Fund Balance</b>			<u>418,144</u>	
<b>Ending Fund Balance</b>			<u>\$ 370,844</u>	

See Notes to Required Supplemental Information

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

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service Cost	\$ 13,414	\$ 14,329	\$ 14,329	\$ 10,642	\$ 10,642	\$ 12,807	\$ 12,807	\$ 6,685
Interest on the Total Pension Liability	32,225	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	(30,139)	(27,628)	(25,475)	(23,262)	(19,016)	(19,016)	(17,447)	(12,710)
<b>Net Change in Total Pension Liability</b>	15,500	6,262	19,470	44,562	19,711	(13,185)	22,857	244,737
<b>Total Pension Liability - Beginning</b>	468,581	462,319	442,849	398,287	378,576	391,761	368,904	124,167
<b>Total Pension Liability - Ending</b>	<u>\$ 484,081</u>	<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>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Net investment Income	96,760	76,561	75,420	(189)	69,415	24,022	7,816	27,181
Benefit Payments	(30,139)	(27,628)	(25,475)	(23,262)	(19,016)	(19,016)	(17,447)	(12,710)
Pension Plan Administrative Expense	(6,776)	(5,556)	(9,309)	(8,389)	(6,739)	(988)	(1,864)	(1,014)
State of Colorado Supplemental Discretionary Payment	21,600	-	10,800	10,800	10,800	10,800	10,800	10,800
<b>Net Change in Plan Fiduciary Net Position</b>	93,445	55,377	63,436	(9,040)	66,460	26,818	11,305	36,257
<b>Plan Fiduciary Net Position - Beginning</b>	654,339	598,962	535,526	544,566	478,106	451,288	439,983	403,726
<b>Plan Fiduciary Net Position - Ending</b>	<u>\$ 747,784</u>	<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>
<b>Net Pension Asset</b>	<u>\$ (263,703)</u>	<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>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	154.47%	139.64%	129.56%	120.93%	136.73%	126.29%	115.19%	119.27%
<b>Covered - Employee Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Pension Asset as a Percentage of Covered Employee Payroll</b>	N/A	N/A	N/A	N/A	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,**

	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution*</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2021	\$ 10,082	\$ 33,600	\$ (23,518)	N/A	N/A
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, 2022**

**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.

**Expenditures in Excess of Appropriations** – During the year ended December 31, 2022, the General Fund had excess expenditures over appropriations of \$5,278.