

DEER MOUNTAIN FIRE PROTECTION DISTRICT

AUDITED FINANCIAL STATEMENTS

COTOPAXI, COLORADO

December 31, 2021

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Garren, Ross & DeNardo, Inc.

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Independent Auditor's Report

August 17, 2022

Board of Directors
Deer Mountain Fire Protection District
Cotopaxi, Colorado

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Deer Mountain Fire Protection District as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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 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 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, including omissions, 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 consider 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 inquire of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Garren, Ross & DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2021

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, 2021. 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 \$1,082,810 (net position). Of this amount \$821,525(76%) 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 \$238,085 (22%) 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 \$109,850.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$845,257, for the year ending December 31, 2021.
- At the end of the current fiscal year, unassigned fund balance of the general fund is \$822,057.

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, 2021

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, 2021

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 \$1,082,810 at the close of fiscal year 2021. 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:

Assets:	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,113,882	\$ 819,009
Capital assets	547,320	759,681
Total Assets	<u>1,661,202</u>	<u>1,578,690</u>
Liabilities:		
Current and other liabilities	54,282	61,638
Long-term liabilities	268,839	309,235
Total Liabilities	<u>323,121</u>	<u>370,873</u>
Deferred inflow – property taxes	<u>255,271</u>	<u>234,857</u>
Net Position:		
Invested in capital assets, net of related debt	238,085	410,995
Restricted for emergencies	23,200	24,300
Unrestricted	821,525	537,665
Total Net Position	<u>\$ 1,082,810</u>	<u>\$ 972,960</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 \$23,200 and \$24,300 as of December 31, 2021 and 2020, respectively.

Management's Discussion and Analysis
Deer Mountain Fire Protection District
December 31, 2021

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>2021</u>	<u>2020</u>
Revenues:		
Program revenues:		
Charges for services	\$ 468,425	\$ 516,625
Grants and contributions	6,716	8,013
General revenues:		
Property taxes	237,551	229,661
Specific ownership taxes	38,235	35,330
Gain/(Loss) on sale of assets	(47,314)	-
Total Revenues	703,613	789,629
Expenses:		
Public safety	538,731	586,353
General government	55,032	60,307
Total Expenses	593,763	646,660
Change in net position	109,850	142,969
Net position – beginning	972,960	829,991
Net position – ending	\$ 1,082,810	\$ 972,960

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 2021, the Directors appropriated \$674,236 general fund expenditures.

2021 General Fund Budget

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>
Revenues	\$ 532,765	\$ 962,130	\$ 790,283
Expenditures	\$ 430,187	\$ 674,236	\$ 506,991

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets as of December 31, 2021 amounts to \$547,320 (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, 2021

Deer Mountain Fire Protection District's Capital Assets

Land	\$	22,325
Furniture & Fixtures		39,110
Building and Improvements		471,828
Equipment		1,670,799
Accumulated Depreciation		(1,656,742)
	\$	<u>547,320</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 Debt

At the end of 2021, the District had \$309,235 in outstanding debt 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 10 years and the 2019 Weis Truck will be paid off in 5 years. Information about the District's long-term liabilities is presented in Note G on page 14 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, 2021

<u>Assets</u>		
Current Assets		
Cash and equivalents	\$	786,581
Accounts receivable and other		68,938
Taxes receivable		258,363
		1,113,882
Total Current Assets		
Noncurrent Assets		
Capital assets - net of accumulated depreciation		547,320
		547,320
Total Noncurrent Assets		
		1,661,202
Total Assets		
<u>Liabilities</u>		
Current Liabilities		
Accounts payable		7,329
Payroll liabilities		2,781
Accrued wages		3,244
Accrued interest		532
Capital leases due within one year		40,396
		54,282
Total Current Liabilities		
Long-Term Liabilities		
Capital leases not due within one year		268,839
		268,839
Total Liabilities		
		323,121
<u>Deferred Inflow of Resources</u>		
Deferred inflow - property taxes		255,271
		255,271
<u>Net Position</u>		
Invested in capital assets, net of related debt		238,085
Restricted for emergencies		23,200
Unrestricted		821,525
		1,082,810
Total Net Position		\$ 1,082,810

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, 2021

	Program Revenue			Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government:				
Government activities:				
General government	\$ 55,032	\$ 6,716	\$ -	\$ (48,316)
Public safety	<u>538,731</u>	<u>-</u>	<u>-</u>	<u>(70,306)</u>
Total	\$ 593,763	\$ 6,716	\$ -	\$ (118,622)
General revenues and taxes				
Taxes:				
General property taxes				\$ 237,551
Specific ownership taxes				38,235
Gain/(Loss) on sale of assets				<u>(47,314)</u>
			Total General Revenues and Taxes	<u>228,472</u>
			Change in Net Position	109,850
			Net Position - Beginning	<u>972,960</u>
			Net Position - Ending	<u>\$ 1,082,810</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, 2021

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 786,581
Accounts receivable and other	68,938
Taxes receivable	<u>258,363</u>
	Total Assets <u>1,113,882</u>
<u>Liabilities</u>	
Accounts payable	7,329
Payroll liabilities	2,781
Accrued wages	<u>3,244</u>
	Total Liabilities <u>13,354</u>
<u>Deferred Inflow of Resources</u>	
Deferred inflow - property taxes	<u>255,271</u>
<u>Fund Balances</u>	
Restricted for emergencies	23,200
Unassigned	<u>822,057</u>
	Total Fund Balances <u>\$ 845,257</u>

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, 2021

Total Fund Balances - Government Funds	\$ 845,257
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, and therefore, are not reported in the governmental funds.	
Non-depreciable capital assets	\$ 22,325
Depreciable capital assets, net	<u>524,995</u>
Total Capital Assets	547,320
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.	(309,235)
Interest payable on the capital lease is not recorded on the fund statements because it is not a current use of cash, interest is accrued on the government-wide statements since the liability is to be paid in the near term.	<u>(532)</u>
Net Position of Governmental Activities	<u>\$ 1,082,810</u>

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, 2021

	General Fund
Revenues	
General property tax	\$ 237,551
Specific ownership tax	38,235
Grant and donation income	6,716
Proceeds from sales of assets	39,356
Charges for services	464,027
Other	<u>4,398</u>
Total Revenues	<u>790,283</u>
 Expenditures	
General government	44,970
Public safety	410,939
Debt service:	
Principal	38,885
Interest	<u>12,197</u>
Total Expenditures	<u>506,991</u>
Excess (Deficiency) of Revenues Over Expenditures	283,292
 Fund balances - beginning	<u>561,965</u>
 Fund balances - ending	<u>\$ 845,257</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, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ 283,292
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Positions were different because:	
Governmental funds report capital outlay 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 expense exceeds capital outlay in the current period.	
Depreciation expense	(125,691)
Basis of assets that have been sold does not affect governmental funds since they record the revenues as they are received, however the Statement of Activites does recognize basis and the loss needs to be adjusted for this difference.	
	(86,670)
Current year capital lease payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions as reductions against long-term liabilities. Interest payable is not a current use of cash, and therefore, is not recorded in the governmental fund but it is a current liability in the Statement of Net Position.	
Capital lease payments	38,885
Change in interest payable	<u>34</u>
	<u>38,919</u>
Change in Net Position - Governmental Activities	<u>\$ 109,850</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, 2021

Note A - 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 applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the District are described below.

Financial Reporting Entity

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

Government-wide Financial Statements

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

The 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.

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. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2021

Note A - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Grants and similar items are recognized when requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The District only has a general fund, therefore no reconciliations are necessary to combine or eliminate interfund balances. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide financial statements. The District has presented all major funds that meet the applicable criteria. The following funds are major funds:

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.

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.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, liquid investments that are quickly converted to known cash amounts, including restricted cash and cash equivalents with maturities of three months or less so as to minimize the risk of value changes.

Receivables

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

Investments

The District's policy is to state investments in their financial statements at fair value. Unrealized gain or loss resulting from the change in fair market value of investments is recognized in the statement of revenues, expenses and changes in net position. The District does not currently have any investments.

Capital Assets

Capital assets are defined by the District as assets tangible in nature, with an initial individual cost of \$1,000 or more. Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2021

Note A - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have an item that qualifies for reporting in this category.

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

Accounts Payable

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to December 31, 2021.

Deferred Revenue

Deferred revenues are reported in the governmental fund financial statements when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise in both government-wide and fund financial statements when resources are received before they are earned. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

Property Taxes

Fremont County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year and may be paid in two equal installments before the last day of February and the 15th day of June or in full before the last day of April.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2021

Note A - Summary of Significant Accounting Policies (Continued)

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 2021.

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 B - 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

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

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.

In addition to the tax raising, revenue, spending and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies must establish an "emergency reserve". To be used for declared emergencies only, each entity shall reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended December 31, 2021, the District has reserved \$23,200, which represents 3% of fiscal year spending.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2021

Note C - Cash Deposits

Deposits

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

As of December 31, 2021, all of the District deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA. Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes.

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

	<u>Carrying Amounts</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Deposits: Checking Accounts	\$ <u>786,581</u>	\$ <u>786,581</u>	\$ <u>-</u>

Note D - Accounts and Other Receivables

Taxes receivable consist of taxes which are due but will not be collected until 2022. Account receivables consist mainly of fire payments and emergency medical services that were earned in 2021 but will not be collected until 2022. As of December 31, 2021, these receivables are considered both measurable and available.

Note E - Property Tax Accrual

Property taxes which have been levied for 2021 which will not be collected until 2022 have been accrued as a receivable at December 31, 2021. An offsetting amount for deferred inflow of resources - unavailable property tax revenue has also been recorded in the general fund.

Note F - Change in Capital Assets

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

	Balance at <u>1-1-21</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12-31-21</u>
Land	\$ 30,967	\$ -	\$ 8,642	\$ 22,325
Land Improvements	1,311	-	1,311	-
Buildings and improvements	525,823	-	53,995	471,828
Machinery and equipment	1,692,064	-	21,266	1,670,798
Furniture and fixtures	39,110	-	-	39,110
Construction in Process	28,212	-	28,212	-
Totals	<u>2,317,487</u>	<u>\$ -</u>	<u>\$ 113,426</u>	<u>2,204,061</u>
Less: accumulated depreciation	<u>(1,392,755)</u>			<u>(1,656,741)</u>
Net Capital Assets	<u>\$ 924,732</u>			<u>\$ 547,320</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2021

Note F - Change in Capital Assets (Continued)

Depreciation expense by function:

General government	\$	10,062
Public safety		<u>115,629</u>
	\$	<u><u>125,691</u></u>

Note G - Long-Term Liabilities

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

	<u>Balance at</u> <u>1-1-21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12-31-21</u>	<u>Due in</u> <u>One Year</u>
Building	\$ 223,946	\$ -	\$ 18,357	\$ 205,589	\$ 19,001
2019 Weis Quick Attack	<u>124,174</u>	<u>-</u>	<u>20,528</u>	<u>103,646</u>	<u>21,395</u>
	<u>\$ 348,120</u>	<u>\$ -</u>	<u>\$ 38,885</u>	<u>\$ 309,235</u>	<u>\$ 40,396</u>

The following is a description of each individual lease:

Building Capital 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. \$ 205,589

2019 Weis Quick Attack 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. 103,646

Total \$ 309,235

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 40,396	\$ 11,195	\$ 51,591
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
2027-2030	95,150	8,031	103,181
2031	8,533	62	8,595
	<u>\$ 309,235</u>	<u>\$ 47,344</u>	<u>\$ 356,579</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

DEER MOUNTAIN FIRE PROTECTION DISTRICT

December 31, 2021

Note H - Fund Balances

Government-wide Net Position

Government-wide net position is divided into three components:

- Invested in capital assets, net of related debt - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position - consists of net position that is restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors, (both federal and state), and by other contributors.
- Unrestricted - all other net position is reported in this category.

Governmental Fund Balances

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definition." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements that 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.

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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 257,770	\$ 257,770	\$ 275,786	\$ 18,016
State fire payments	222,995	592,995	413,818	(179,177)
Medical income	52,000	35,000	44,509	9,509
Traffic & accident control	-	5,700	5,700	-
Donations	-	965	785	(180)
Grants	-	65,700	5,930	(59,770)
Gain/(Loss) on sale of assets	-	-	39,356	39,356
Other income	-	4,000	4,399	399
Total Revenues	<u>532,765</u>	<u>962,130</u>	<u>790,283</u>	<u>(171,847)</u>
Expenditures				
Payroll expenses	169,700	310,325	234,734	75,591
State fire disbursements	-	9,000	6,927	2,073
National fire expenses	-	76,000	65,245	10,755
Treasurer fees	7,200	7,200	7,243	(43)
Board of directors	7,700	6,000	5,102	898
Medical expenses	15,400	29,500	27,376	2,124
Administration	9,200	8,649	10,597	(1,948)
Fire communications	10,000	14,600	10,531	4,069
Insurance	54,000	46,000	37,332	8,668
Fire fighting supplies	13,500	17,675	4,765	12,910
Training	2,000	6,000	475	5,525
Professional expenses	25,000	33,500	22,028	11,472
Building repairs, maintenance, and utilities	21,700	23,000	11,132	11,868
Vehicle expenses	20,000	27,500	12,423	15,077
Capital outlay	23,500	8,000	-	8,000
Debt service	51,287	51,287	51,081	206
Total Expenditures	<u>430,187</u>	<u>674,236</u>	<u>506,991</u>	<u>167,245</u>
Revenue Over (Under) Expenditures	102,578	287,894	283,292	(4,602)
Fund Balance - Beginning	<u>326,635</u>	<u>326,635</u>	<u>561,965</u>	<u>235,330</u>
Fund Balance - Ending	<u>\$ 429,213</u>	<u>\$ 614,529</u>	<u>\$ 845,257</u>	<u>\$ 230,728</u>

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