

Craig Rural Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016



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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Craig Rural Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Craig Rural Fire Protection District (the "District"), as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions on the Financial Statements

In our opinion, the financial statements previously referred to, present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Craig Rural Fire Protection District, as of December 31, 2016, and the respective changes in financial position thereof, and the respective budgetary comparisons for the governmental funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Craig Rural Fire Protection District taken as a whole. The supplementary information on pages 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Omission of Required Supplementary Information

The Board of Directors has omitted the Management's Discussion and Analysis and the 10-year fiscal historical pension information that governmental accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Marc, James and Associates, PC

Highlands Ranch, Colorado
May 18, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Craig Rural Fire Protection District

STATEMENT OF NET POSITION

December 31, 2016

ASSETS

Cash and cash equivalents	\$ 694,439
Accounts receivable	2,162
Property taxes receivable	973,057
Capital assets, net of accumulated depreciation of \$2,543,656	
Capital assets not being depreciated	
Land	174,463
Capital assets being depreciated	
Buildings and improvements	3,370,368
Land improvements	13,661
Trucks and accessories	1,892,677
Equipment	239,406
HazMat equipment	50,483
	<hr/>
Total capital assets	5,741,058
	<hr/>
Total assets	7,410,716

DEFERRED OUTFLOWS

Pension	202,676
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LIABILITIES

Accounts payable	25,081
Accrued liabilities	10,971
Net pension liability	248,641
	<hr/>
Total liabilities	284,693

DEFERRED INFLOWS OF RESOURCES

Property taxes	973,057
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NET POSITION

Invested in capital assets	5,741,058
Restricted for emergencies	28,000
Unrestricted	586,584
	<hr/>
Total net position	<u>\$6,355,642</u>

The accompanying notes are an integral part of these statements

Craig Rural Fire Protection District

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

Program expenses	
Public safety	
Administration	\$ 212,224
Firefighting/HazMat	328,646
Training	25,449
Fuel	6,536
Equipment repairs	60,571
Stations, buildings and grounds	30,078
Durable equipment	79,277
Pension contribution	85,494
	<hr/>
Total program expenses	828,275
Program revenue	
Response fees	11,481
Grants and donations	17,377
	<hr/>
Total program revenue	28,858
	<hr/>
Net program expenses	799,417
General revenue	
Property taxes	991,250
Specific ownership taxes	76,553
Intergovernmental	13,000
Investment income	1,889
Miscellaneous	9,517
	<hr/>
Total general revenue	1,092,209
	<hr/>
CHANGE IN NET POSITION	292,792
NET POSITION - beginning of the year	6,062,850
	<hr/>
NET POSITION - end of the year	<u>\$ 6,355,642</u>

The accompanying notes are an integral part of these statements

FUND FINANCIAL STATEMENTS

Craig Rural Fire Protection District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016

	General Fund	HazMat Response Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 654,592	\$ 39,847	\$ 694,439
Accounts receivable	2,162	-	2,162
Property taxes receivable	<u>973,057</u>	<u>-</u>	<u>973,057</u>
Total assets	<u>\$ 1,629,811</u>	<u>\$ 39,847</u>	<u>\$ 1,669,658</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 24,341	\$ 740	\$ 25,081
Accrued liabilities	<u>10,971</u>	<u>-</u>	<u>10,971</u>
Total liabilities	<u>35,312</u>	<u>740</u>	<u>36,052</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	973,057	-	973,057
FUND BALANCE			
Restricted	28,000	-	28,000
Committed	592,544	-	592,544
Assigned	-	39,107	39,107
Unassigned	<u>898</u>	<u>-</u>	<u>898</u>
Total fund balance	<u>621,442</u>	<u>39,107</u>	<u>660,549</u>
Total liabilities and fund balance	<u>\$ 1,629,811</u>	<u>\$ 39,847</u>	<u>\$ 1,669,658</u>

RECONCILIATION TO STATEMENT OF NET POSITION

Total fund balance	\$ 660,549
Amounts reported for governmental activities in the Statement of Net Position are different due to:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund, however capital assets are reported net of accumulated depreciation of \$2,543,656 in the Statement of Net Position	5,741,058
The net pension liability reflected in the Statement of Net Position is not due and payable in the current period and therefore is not reported in the general fund,	(248,641)
Deferred outflows associated with the recording of the net pension liability in the Statement of Net Position are not resources in the general fund and are not reported in the general fund,	<u>202,676</u>
Total net position - government-wide financial statements	<u>\$ 6,355,642</u>

The accompanying notes are an integral part of these statements

Craig Rural Fire Protection District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	General Fund	HazMat Reponse Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenue			
Property taxes	\$ 991,250	\$ -	\$ 991,250
Specific ownership taxes	76,553	-	76,553
Intergovernmental	-	13,000	13,000
Response fees	8,468	3,013	11,481
Interest income	1,889	-	1,889
Grants and donations	17,377	-	17,377
Miscellaneous	9,517	-	9,517
	<u> </u>	<u> </u>	<u> </u>
Total revenue	1,105,054	16,013	1,121,067
Expenditures			
Public safety			
Administration	198,584	4,213	202,797
Firefighting/HazMat	102,310	2,658	104,968
Training	24,404	1,046	25,450
Fuel	6,536	-	6,536
Equipment repairs	60,571	-	60,571
Durable equipment	79,220	57	79,277
Stations, buildings and grounds	30,078	-	30,078
Pension contribution	100,000	-	100,000
Capital outlay			
Buildings	1,433,878	-	1,433,878
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	2,035,581	7,974	2,043,555
CHANGE IN FUND BALANCE	<u>(930,527)</u>	<u>8,039</u>	<u>(922,488)</u>
FUND BALANCE - beginning of the year	<u>1,551,969</u>	<u>31,068</u>	<u>1,583,037</u>
FUND BALANCE - end of the year	<u>\$ 621,442</u>	<u>\$ 39,107</u>	<u>\$ 660,549</u>

The accompanying notes are an integral part of these statements

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

Change in fund balance - governmental funds	\$ (922,488)
Amounts reported for governmental activities in the Statement of Activities are different due to:	
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 as depreciation expense. This was the amount of capital assets recorded in the current year.	1,433,878
The difference between the pension expense as reflected in the Statement of Activities and the pension contribution as reflected in the general fund,	14,504
Depreciation expense on capital assets is reported in the Statement of Activities. However, it does not use current financial resources, as such depreciation expense is not reported as an expenditure in the governmental funds.	<u>(233,102)</u>
Change in net position - government-wide financial statements	<u>\$ 292,792</u>

The accompanying notes are an integral part of these statements

Craig Rural Fire Protection District
EXPENDABLE TRUST FUND
STATEMENT OF PLAN NET POSITION -
VOLUNTEERS' PENSION TRUST FUND

December 31, 2016

ASSETS	
Cash and cash equivalents	\$ 88,377
Investments, at fair value	<u>3,443,514</u>
Total assets	<u>\$ 3,531,891</u>
PLAN NET POSITION	
Restricted for pension benefits	<u>\$ 3,531,891</u>

The accompanying notes are an integral part of these statements

Craig Rural Fire Protection District

EXPENDABLE TRUST FUND

STATEMENT OF CHANGE IN PLAN NET POSITION -
VOLUNTEERS' PENSION TRUST FUND

For the Year Ended December 31, 2016

Additions	
District contribution	\$ 100,000
State of Colorado contribution	60,000
Net investment income	<u>209,290</u>
Total additions	369,290
Deductions	
Administrative expenses	5,700
Pension benefits payments	<u>239,700</u>
Total deductions	<u>245,400</u>
CHANGE IN PLAN NET POSITION	123,890
PLAN NET POSITION - beginning of the year	<u>3,408,001</u>
PLAN NET POSITION - end of the year	<u><u>\$ 3,531,891</u></u>

The accompanying notes are an integral part of these statements

Craig Rural Fire Protection District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	Original Budget	Amended and Final Budget	Actual	Variance
Revenue				
Property taxes	\$ 982,647	\$ 982,647	\$ 991,250	\$ 8,603
Specific ownership taxes	44,500	44,500	76,553	32,053
Response fees	-	-	8,468	8,468
Grants and donations	3,000	3,000	17,377	14,377
Interest income	1,515	1,515	1,889	374
Miscellaneous	800	800	9,517	8,717
Total revenue	1,032,462	1,032,462	1,105,054	72,592
Expenditures				
Operating				
Administration	227,539	227,539	198,584	(28,955)
Firefighting	95,180	95,180	102,310	7,130
Training	32,600	32,600	24,404	(8,196)
Fuel	9,575	9,575	6,536	(3,039)
Equipment repairs	48,150	48,150	60,571	12,421
Durable equipment	22,000	22,000	79,220	57,220
Stations, buildings and grounds	24,140	24,140	30,078	5,938
Pension contribution	100,000	100,000	100,000	-
Capital				
Equipment	63,600	63,600	-	(63,600)
Buildings	3,000	1,436,878	1,433,878	(3,000)
Total expenditures	625,784	2,059,662	2,035,581	(24,081)
CHANGE IN FUND BALANCE	\$ 406,678	\$ (1,027,200)	(930,527)	\$ 96,673
FUND BALANCE - beginning of the year			1,551,969	
FUND BALANCE - end of the year			<u>\$ 621,442</u>	

The accompanying notes are an integral part of these statements

Craig Rural Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE
IN FUND BALANCE
BUDGET AND ACTUAL - HAZMAT RESPONSE FUND

For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
Revenue			
Intergovernmental	\$ 13,000	\$ 13,000	\$ -
Response fees	<u>2,000</u>	<u>3,013</u>	<u>1,013</u>
Total revenue	15,000	16,013	1,013
Expenditures			
Operating			
Administration	4,750	4,213	(537)
HazMat response	3,000	2,658	(342)
Equipment repairs	500	-	(500)
Durable equipment	2,000	57	(1,943)
Training	3,000	1,046	(1,954)
Capital outlay - equipment	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Total expenditures	<u>28,250</u>	<u>7,974</u>	<u>(20,276)</u>
CHANGE IN FUND BALANCE	<u>\$ (13,250)</u>	<u>8,039</u>	<u>\$ 21,289</u>
FUND BALANCE - beginning of the year		<u>31,068</u>	
FUND BALANCE - end of the year		<u>\$ 39,107</u>	

The accompanying notes are an integral part of these statements

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Craig Rural Fire Protection District (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was established in 1921 under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act. The District’s service area includes western Routt County, eastern Moffat County and the City of Craig, Colorado. The District provides firefighting and HazMat services to the residents and visitors of the District. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Measurement Focus and Financial Reporting Framework

Government-wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on the *governmental-type activities* of the District, which rely to a significant extent on property taxes, charges for services and grants for support. The Statement of Activities demonstrates the degree to which expenses of the *governmental-type activities* are supported by property taxes, charges for services and grants.

Governmental Financial Statements

The governmental funds financial statements are prepared using the current financial 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 if the revenues are collectible within the current period or soon thereafter to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Governmental Funds

For 2016, the District had two major Governmental Funds.

- The *General Fund*, is the general operating fund of the District which accounts for all of the financial resources of the District not accounted and reported in another fund,
- The *Special Revenue Fund* is used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District accounts for the HazMat Response activities as a special revenue fund.

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Reporting Framework*

Fiduciary Funds

Fiduciary funds account for the assets held by the District in a Trustee capacity or as an agent on behalf of others. The District has one Fiduciary Fund, the Volunteer Firefighters' Pension Trust Fund.

Expendable Trust Fund – These funds are accounted for using the flow of economic resources measurement focus and use the accrual basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

4. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and deferred inflow of resources. The District estimates that the fair value of these financial instruments as of December 31, 2016 do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

5. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

6. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Routt County and Moffat County bill and collect the property taxes on behalf of the District and remit the collections, less the Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes.

As of December 31, the District has recorded the levied property taxes and the related deferred inflow of resources.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

7. *Restricted Net Position*

The restriction of net position represents amounts that may not be appropriated or are legally segregated for a specific purpose.

8. *Capital Assets*

The District's capital assets which consist of land, buildings and improvements, trucks and other equipment, are reported in the government-wide financial statements. The District's capital assets are recorded at cost, if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District has a capitalization policy of \$10,000. The District's Board of Directors has the option to capitalize certain items less than \$10,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets. Depreciation is provided under the straight-line method, with estimated service lives of ten to seventy-five years.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

9. *Investments*

The investments of the Expendable Trust Fund ("Pension Plan") are reported at market value, determined by quoted market prices.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund, Special Revenue Fund, and Fiduciary Fund. An annual appropriated budget is adopted for the Funds. All annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

Prior to October 15, the District's Treasurer submits a proposed operating budget for the subsequent fiscal year to the District's Board of Directors. The Board of Directors may change the proposed budget prior to the publication of the notice of budget. Within ten days of the submission, a notice of the proposed budget is published. The operating budget includes proposed expenditures and the means of financing the expenditures.

Public hearings are held at the regular District Board of Director's meetings to obtain taxpayer input on the proposed operating budget.

On or before December 15, the operating budget is legally adopted through passage of a budget resolution. Upon adoption, the District's Treasurer is authorized to transfer the budgeted amounts within the function and objects of the Fund(s). The District's Board of Directors must approve revisions that change the total expenditures of the Fund(s). Appropriations are controlled and the budget can be only amended in accordance with the State of Colorado Revised Statutes that allows the District to amend the budget and adopt a supplemental appropriation, if funds for a specific purpose, other than ad valorem taxes, become available.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B – BUDGET INFORMATION – *continued*

In June and December 2016, the District approved the amending of the 2016 General Fund budget. The amendments increased the total appropriation by \$1,433,878 related to the construction of a storage facility in 2016. The State of Colorado Statutes requires a balanced budget. For 2016, the District's amended budgeted expenditures exceeded budgeted revenues in the General Fund by \$1,027,200. The District's amended budget deficit was funded by the use of prior year surplus intended for capital expenditures.

In addition, in the District Special Revenue Fund, the budgeted expenditures exceeded budgeted revenues by \$13,250. The District's Board of Directors anticipated the use of prior year surpluses to fund the budgeted excess expenditures.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions 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 uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2016, the District maintained deposits that were either insured by the FDIC or held in eligible depositories. The District also holds funds at an investment company in money market accounts and certificates of deposit. These funds are held in the District's name and are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 per customer.

In addition, State of Colorado Statute specifies investments that meet defined rating and risk criteria in which local governments may invest including; obligations of the United States and certain United States government agency securities; certain international agency securities; general obligation and revenue bonds of the United States, state and local government entities; banker's acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts.

Throughout the year and at December 31, 2016, the District's cash on deposit and securities held with its investment company exceeded the \$500,000 per customer SIPC insurance limit. The District has not experienced any losses and believes it is not exposed to any significant credit risk on its cash on deposit and securities held.

Under Colorado statutes, the Pension Plan (Expendable Trust Fund) Trustees have complete discretionary authority to invest and reinvest funds, subject to certain limitations. The District has adopted a formal investment policy.

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE C – CASH AND INVESTMENTS - *continued*

As of December 31, 2016, the Pension Plan investments consisted of the following:

Investment Type	Cost	Fair Value
Asset and mortgage backed securities	\$ 92,029	\$ 95,197
Municipal bonds	722,524	781,489
Exchange traded funds	106,948	95,556
Mutual funds	2,506,700	2,471,272
	<u>\$ 3,428,201</u>	<u>\$ 3,443,514</u>

The District Pension Fund investments are represented by specific identifiable securities that are held in trust by the District's investment advisory company in the District's name.

As of December 31, 2016 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		<1	1-5	6 -10	>10
Asset and mortgage backed securities	\$ 95,197	\$ -	\$ -	\$ -	\$ 95,197
Municipal bonds	781,489	-	219,237	183,223	379,030
Exchange traded funds	95,556	-	-	-	95,556
Mutual funds	2,471,272	-	-	-	2,471,272
	<u>\$ 3,443,514</u>	<u>\$ -</u>	<u>\$ 219,237</u>	<u>\$ 183,223</u>	<u>\$ 3,041,054</u>

The exchange traded and mutual funds held by the District's Pension Fund do not have a final maturity date and as such, have been included in the over 10 year category. The District at its option, may sell any investments prior to the final maturity date.

In accordance with Colorado Statutes, the District may invest in a variety of mortgage-backed securities, corporate bonds, United States and State government agency securities, and mutual funds. In addition, the District maintains a certain amount of funds in money markets. The investments in corporate bonds, United States government agency securities and state and local bonds are rated as to their credit risk by Standard & Poor's and by Moody Investor Service. As of December 31, 2016, those ratings were as follows:

	Standard & Poor's	Moody Investor Services
Municipal bonds	AA- to AA+	Aa1 to Aa3

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE C – CASH AND INVESTMENTS - *continued*

As of December 31, 2016, the following investment exceeded 5% of the District's Pension Plan fiduciary net position:

Investment	Cost	Fair Value
American Balanced Fund	\$ 366,741	\$ 361,148
MFS Conservative Allocation Fund	401,756	420,152
MFS Moderate Allocation Fund	487,069	466,189
Cohen & Steers Pfd Security and Income	303,196	292,152

NOTE D – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2016 are as follows:

	Balance December 31, 2015	Additions	Disposals	Balance December 31, 2016
Capital assets				
Non-depreciable				
Land	\$ 174,463	\$ -	\$ -	\$ 174,463
Construction in process	65,810	-	(65,810)	-
Depreciable				
Buildings	2,332,362	1,499,688	-	3,832,050
Land improvements	29,259	-	-	29,259
Vehicles	3,545,167	-	-	3,545,167
Equipment	555,775	-	-	555,775
HazMat equipment	148,000	-	-	148,000
Total	6,850,836	1,499,688	(65,810)	8,284,714
Accumulated depreciation				
Buildings	(414,612)	(47,068)	-	(461,680)
Land improvements	(13,763)	(1,835)	-	(15,598)
Vehicles	(1,517,823)	(134,667)	-	(1,652,490)
Equipment	(273,692)	(42,677)	-	(316,369)
HazMat equipment	(90,664)	(6,855)	-	(97,519)
Total	(2,310,554)	(233,102)	-	(2,543,656)
Net capital assets	\$ 4,540,282	\$ 1,266,586	\$ (65,810)	\$ 5,741,058

Total depreciation expense for 2015 was \$233,102 of which \$9,426 was charged to the administrative function and \$223,676 was charged to the firefighting function.

In September 2015, the Board of Directors approved the purchase of a new rescue vehicle in the amount of \$592,544 with a September 2017, delivery expected.

Craig Rural Fire Protection District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E – FUND BALANCES/NET POSITION

Fund Balance

The District utilizes a fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact,

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

Committed – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the District’s Board of Directors. Committed resources cannot be used for any other purpose unless the District’s Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

Assigned – represents amounts that the District intends to use for specific purposes as expressed by the District’s Board of Directors or an official delegated the authority to assign amounts,

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

	General Fund	Special Revenue Fund	Total
Fund balances			
Restricted			
TABOR reserve	28,000	-	28,000
Committed			
Capital assets acquisition	592,544	-	592,544
Assigned			
Hazardous Material Response	-	39,107	39,107
Unassigned	898	-	898
Total fund balances	\$ 621,442	\$ 39,107	\$ 660,549

As discussed in NOTE D, in September 2015, the Board of Directors approved the acquisition of a new rescue vehicle and committed the available funds as of December 31, 2015. In addition, the District has levied in December 2016, property taxes in the amount of \$417,257 for capital acquisitions to be collected in 2017.

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E – FUND BALANCES/NET POSITION - *continued*

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

NOTE F – VOLUNTEER FIREFIGHTERS' PENSION PLAN

Description of the Plan and Benefits Provided

The District is trustee of a single employer defined benefit pension plan (the "Plan") for all of the District's volunteer firefighters. The Plan is administered by a five-member Board of Trustees and is included as an Expendable Trust Fund in the District's financial statements. Firefighters who have attained both the age of 50 and completed 20 years of active service in any fire department in the State of Colorado are eligible for a monthly pension according to the Plan provisions as enacted and governed by the Pension Fund Board of Trustees.

A summary of the Plan's status as of January 1, 2016, most recently completed actuarial valuation, and December 31, 2016, the Plan's current year end date (measurement and reporting date) is as follows:

Actuarial accrued liability			
Active members (23)	January 1, 2016	\$	1,044,507
Retirees and beneficiaries (27)	January 1, 2016		2,634,016
Inactive, non-retired members (1)	January 1, 2016		64,890
Total actuarial accrued liability	January 1, 2016	\$	<u>3,743,413</u>
Total pension liability	December 31, 2016	\$	3,780,534
Fiduciary net position	December 31, 2016		<u>3,531,893</u>
Net pension liability	December 31, 2016	\$	<u>248,641</u>
Fiduciary net position as % of total pension liability			<u>93.4%</u>

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – VOLUNTEER FIREFIGHTERS' PENSION PLAN - *continued*

Description of the Plan and Benefits Provided - continued

The Plan provides retirement benefits for Plan participants and beneficiaries according to the Plan provisions as enacted and governed by the Plan Board of Directors as follows:

Normal Retirement Benefit at Age 50 with 20 years of service (monthly)	\$	850
Disability Retirement Benefit (monthly)		
Long-term disability for line of duty injury, lifetime benefit		850
Survivor Benefits (monthly)		
Death after normal retirement		450
Funeral Benefit, lump sum, one-time only		100

Net Pension Liability and Change in the Net Pension Liability

As defined within GASB. 68, the Net Pension Liability ("NPL") is the difference between the Total Pension Liability "(TPL)" and the Plan's Net Position. This is analogous to the Plan's accrued liability less the market value of the Plan's assets. The TPL is based upon the Plan's actuarial valuation performed as of January 1, 2016 and the measurement date of December 31, 2015.

The change in the Plan's NPL consists of the following:

Service costs	\$	39,989
Interest on the TPL		236,831
District contribution		(100,000)
State of Colorado supplemental discretionary contribution		(60,000)
Net Plan investment income		(209,291)
Plan administrative expenses		5,700
		<hr/>
Change in the Net Pension Liability		(86,771)
Net Pension Liability – Beginning of the Year		<hr/> 335,412
Net Pension Liability – End of the Year	\$	<hr/> <hr/> 248,641

The Plan's Net Pension Liability was calculated using a Single Discount Rate of 6.50%. The Plan's Net Pension Liability/(Asset) using the 6.50% Single Discount Rate and Single Discount Rate of one percent lower or one percent higher is as follows:

<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
5.50%	6.50%	7.50%
\$ 719,259	\$ 248,641	\$ (141,813)

The District's contribution for 2016 was \$100,000 and the State of Colorado's supplemental discretionary contribution was \$60,000 for a total contribution of \$160,000.

Craig Rural Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – VOLUNTEER FIREFIGHTERS’ PENSION PLANS - *continued*

Basis for Determining the District and Actuarial Calculated Contributions

The District makes contributions based upon the District's established benefits, as previously presented and funding requirements based upon the actuarial study. Plan Participants do not make contributions. The State of Colorado also may make a supplementary discretionary contribution to the Plan in an amount established by statute.

The actuarial assumptions and methods related to the Plan as of January 1, 2016, the most recently completed actuarial valuation, are as follows:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Amortization method	Level amount open
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return (single discount rate)	6.5%
Inflation	3.0%
Projected salary increases	N/A
Cost of living adjustments	None
Retirement age	50% probability for ages 50-64; 100% probability at age 65
Mortality	RP-2000 Combined Healthy Generational Mortality with Blue Collar Adjustment, projected with Scale AA

For the year ended December 31, 2016, the actuarial and District contributions were as follows:

<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Excess</u>
\$ <u>69,501</u>	\$ <u>160,000</u>	\$ <u>90,499</u>

Deferred Outflows of Resources

The deferred inflows and outflows of resources, as applicable, related to the Plan are amounts used under GASB 68 in developing the government-wide pension expense. The deferred inflows and outflows of resources arise from differences between the expected and actual experiences of the Plan and changes, as applicable, of Plan assumptions. The portions of these amounts which are not included in the current government-wide reported pension expense are reflected as deferred outflows of resources and consist of:

Deferred Outflows of Resources

Deferred outflow of resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPL to be amortized over the remaining estimate service lives of the participants	\$ 66,258
Deferred outflow of resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income to be amortized under a 5 year period	<u>136,418</u>
Total Deferred Outflows	\$ <u>202,676</u>

Craig Rural Fire Protection District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – VOLUNTEER FIREFIGHTERS’ PENSION PLANS - *continued*

Deferred Outflows of Resources - continued

The deferred outflows of resources by year to be recognized in the future pension expense as of December 31, 2016 are as follows:

<u>Year ended December 31,</u>	
2017	\$ 81,719
2018	74,225
2019	44,842
2020	<u>1,890</u>
Total	<u>\$ 202,676</u>

NOTE G – INTERGOVERNMENTAL AGREEMENT

The District, by virtue of an intergovernmental agreement (the “Agreement”) with Moffat County (the “County”) and the City of Craig, Colorado (the “City”), has been designated as the emergency response authority for the City and County and is thus responsible for emergency response to hazardous substance incidents. The District deploys its Hazardous Substance Response Team (“HazMat Team”), upon request, to the site of hazardous substance incidents within its designated area. The District accounts for the activities related to the HazMat Team in a Special Revenue Fund.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent insurance brokers. The District also carries commercial insurance for its employee health and accident insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

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.

In 1999, the electors of the District authorized the District to collect and spend all revenue received in 1999 and subsequent years, notwithstanding the limitations of TABOR, without increasing its mill levy above current levels without further voter approval.

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 the calculation of the fiscal year spending limits will require judicial interpretation.

Craig Rural Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE J - CONCENTRATION OF REVENUE

For 2016, property and specific ownership taxes accounted for 96% of the District's revenue of which a significant portion is attributed to the Craig Station (electricity generating plant) located within the District.

NOTE K- MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District's financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through May 18, 2017, which is the date the financial statements and accompanying footnotes were available for issuance

SUPPLEMENTARY INFORMATION

Craig Rural Fire Protection District
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE
IN FUND BALANCE

BUDGET AND ACTUAL - FIDUCIARY FUND

For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Additions			
District contribution	\$ 100,000	\$ 100,000	\$ -
State of Colorado contribution	60,000	60,000	-
Net investment income	<u>100,000</u>	<u>209,290</u>	<u>109,290</u>
Total additions	260,000	369,290	109,290
Deductions			
Pension benefits payments	239,700	239,700	-
Administrative expenses	<u>6,700</u>	<u>5,700</u>	<u>(1,000)</u>
Total deductions	<u>246,400</u>	<u>245,400</u>	<u>(1,000)</u>
CHANGE IN PLAN NET POSITION	<u>\$ 13,600</u>	123,890	<u>\$ 110,290</u>
PLAN NET POSITION - beginning of the year		<u>3,408,001</u>	
PLAN NET POSITION - end of the year		<u>\$3,531,891</u>	