

DeBEQUE FIRE PROTECTION DISTRICT

Financial Statements and  
Report of Independent Auditors  
For the Year Ended December 31, 2016



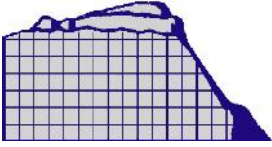
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DeBEQUE FIRE PROTECTION DISTRICT

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December 31, 2016

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Paul D. Miller CPA, LLC.

Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
DeBeque Fire Protection District  
DeBeque, Colorado

I have audited the accompanying financial statements of the governmental activities of DeBeque Fire Protection District, State of Colorado as of and for the year ended December 31, 2016, and the related notes to the financial statements, 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 entity'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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the DeBeque Fire Protection District, State of Colorado, as of December 31, 2016, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Pages 3-5, required pension information, page 14-19, and budgetary comparison information on page 20 for the General Fund, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

*Paul D. Miller, CPA, LLC*

Grand Junction, CO  
May 26, 2017

Management's Discussion and Analysis  
DeBeque Fire Protection District  
Fiscal Year 2016

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The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on District financial issues and activities. Please read it in conjunction with the District's financial statements that follow the Management's Discussion and Analysis.

USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a special-purpose government engaged only in a government-type activity. The following statements and schedules are included:

- ) Statement of Net Position and governmental fund balance sheet – reports the District's current financial resources (short-term spendable resources with capital assets and short and long-term obligations). (See page 6)
- ) Statement of revenue, expenditures, and changes in fund balances – governmental and statement of activities – reports the District operating and non-operating revenues by major source along with operating and non-operating expenditures. (See page 7)
- ) Statement of revenues, expenditures, and change in fund balance actual and budget – compares the District's budgeted and actual revenues and expenditures for the year ended December 31, 2016 (See pages 21)

STATEMENT OF NET POSITION

The following table shows the condensed statement of Net Position for the past two years.

Years ended December 31,	2016	2015
Current assets	\$ 1,731,051	\$ 4,169,270
Capital assets (net of depreciation)	6,664,695	3,282,624
Deferred Outflow of Resources-SWDB Pension	152,333	35,862
Total assets	8,548,079	7,487,756
Current liabilities	98,033	525,594
Deferred Inflow of Resources	924,359	1,482,592
Net Position		
Invested in capital assets	6,664,695	3,282,624
Restricted for Tabor emergency	48,030	48,030
Restricted for FPPA SWDB Pension	152,052	135,160
Nonspendable	7,700	11,320
Committed	-	194,292
Unrestricted	653,210	1,808,144
Total Net Position	\$ 7,525,687	\$ 5,479,570

Management's Discussion and Analysis  
DeBeque Fire Protection District  
Fiscal Year 2016

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The net position of the District increased \$2,046,117 from \$5,479,570 in 2015 to \$7,525,687 in 2016. The increase is a result of construction of a new fire station. The District's total assets increased from \$7,487,756 in 2015 to \$8,548,079 in 2016 for a difference of \$1,060,323. The District's total liabilities decreased in 2016 by \$427,561.

REVIEW OF REVENUES

Years ended December 31,	<u>2016</u>	<u>2015</u>
Operating revenue		
Charges for services	\$ 73,513	\$ 52,050
Total	<u>73,513</u>	<u>52,050</u>
Non-operating revenue		
Specific ownership tax	87,505	95,137
General property tax	1,565,669	1,440,201
Interest income	741	1,804
Other revenue	27,539	12,136
Grants	<u>1,719,784</u>	<u>345,475</u>
Total	<u>3,401,238</u>	<u>1,894,753</u>
Total revenue	<u>\$3,474,751</u>	<u>\$ 1,946,803</u>

The District's total revenues increased in 2016 by \$1,527,948 from 2015. The increase in revenue was due mainly to an increase in Grants received by the District for construction of the new fire station.

REVIEW OF EXPENDITURES

Years ended December 31,	<u>2016</u>	<u>2015</u>
Operating expenditures:		
Fire & ambulance operations	\$ 1,169,972	\$ 1,090,591
Depreciation	271,266	286,240
Capital outlay	<u>3,657,624</u>	<u>1,774,347</u>
Total Expenditures	<u>\$ 4,827,596</u>	<u>\$ 2,864,938</u>

The District's total expenditures increased in 2016 by \$1,962,658 this was mainly due to an increase in capital expenditures.

The major capital assets purchased, which are included in the \$3,657,624 total for 2016, were as follows:

Training Materials and construction of a new firehouse.

Management's Discussion and Analysis  
DeBeque Fire Protection District  
Fiscal Year 2016

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ECONOMIC AND OTHER FACTORS

DeBeque Fire Protection District has been an independent District since January 1, 2009. During 2009, the District purchased a good share of the fire and emergency equipment that was needed in the near future.

There has been a drop in the area economy since the District began. This drop was caused by a decrease in oil and gas production and the general decline on the national and local levels.

FINANCIAL CONTACT

The District's financial statements are designed to present users (service users, taxpayers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions concerning this report or need additional financial information, please contact the Fire Chief, DeBeque Fire Protection District, P.O. Box 180, DeBeque, Colorado 81630, or 970-283-8632.

DeBeque Fire Protection District  
Statement of Net Position and Governmental Fund Balance Sheet  
December 31, 2016

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash and cash equivalents	\$ 729,791	\$ -	\$ 729,791
Accounts receivable rescue less allowance of \$23,783	10,258	-	10,258
Property taxes receivable	922,520	-	922,520
Other current receivables	59,224	-	59,224
Prepaid Expenses	7,700	-	7,700
Net Pension Asset FPPA SWDB	-	1,558	1,558
Capital Assets (net of accumulated depreciation):			
Land and building	-	491,543	491,543
Administrative equipment	-	8,467	8,467
Fire trucks and equipment	-	638,300	638,300
Construction in process	-	5,442,670	5,442,670
Rescue vehicles and equipment	-	83,715	83,715
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow of resources-Pension SWDB	-	152,333	152,333
<b>TOTAL ASSETS</b>	<b>\$ 1,729,493</b>	<b>\$ 6,818,586</b>	<b>\$ 8,548,079</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 50,096	-	50,096
Other current liabilities	22,912	-	22,912
Compensated absences	25,025	-	25,025
<b>TOTAL LIABILITIES</b>	<b>98,033</b>	<b>-</b>	<b>98,033</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Property taxes	922,520	-	922,520
Pension FPPA SWDB	-	1,839	1,839
<b>TOTAL INFLOW OF RESOURCES</b>	<b>922,520</b>	<b>1,839</b>	<b>924,359</b>
<b>FUND BALANCE</b>			
Emergency reserve - TABOR	48,030	(48,030)	-
Nonspendable	7,700	(7,700)	-
Unassigned	653,210	(653,210)	-
<b>TOTAL FUND BALANCE</b>	<b>708,940</b>	<b>(708,940)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,729,493</b>		
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ -	6,664,695	6,664,695
Restricted for:			
TABOR emergency	-	48,030	48,030
Pension FPPA SWDB	-	152,052	152,052
Nonspendable	-	7,700	7,700
Unassigned	-	653,210	653,210
<b>TOTAL NET POSITION</b>	<b>\$ -</b>	<b>\$ 7,525,687</b>	<b>\$ 7,525,687</b>

Adjustments to reconcile the governmental fund balance sheet to the statement of net assets are as follows:

Fund balance per general fund balance sheet	\$ 708,940
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,664,695
GASB 68 Pension Adjustment	152,052
<b>Net Position</b>	<b>\$ 7,525,687</b>

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

DeBeque Fire Protection District  
Statement of Revenue, Expenditures, and Change in Net Position-Governmental  
and Statement of Activities  
For the Year Ended December 31, 2016

	General Fund	Adjustments (See Page 4)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Fire & ambulance-operation	\$ 1,169,972	\$ -	\$ 1,169,972
Capital outlay	3,657,624	(3,657,624)	-
Pension Activity	-	(12,604)	(12,604)
Depreciation	-	271,266	271,266
Total expenditures/expenses	<u>4,827,596</u>	<u>(3,398,962)</u>	<u>1,428,634</u>
<b>PROGRAM REVENUES</b>			
Charges for services	73,513	-	73,513
Net program (expenses) revenue	<u>(4,754,083)</u>	<u>3,398,962</u>	<u>(1,355,121)</u>
<b>GENERAL REVENUES</b>			
Property taxes	1,565,669	-	1,565,669
Specific ownership	87,505	-	87,505
Grant revenue	1,719,784	-	1,719,784
Interest income	741	-	741
Miscellaneous income	27,539	-	27,539
Total general revenues	<u>3,401,238</u>	<u>-</u>	<u>3,401,238</u>
Excess of Revenue over (Under) expenditures	(1,352,845)	3,398,962	
Change in net position			2,046,117
<b>NET POSITION</b>			
Beginning of the year	2,061,785	3,417,785	5,479,570
End of the year	<u>\$ 708,940</u>	<u>\$ 6,816,747</u>	<u>\$ 7,525,687</u>

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

DeBeque Fire Protection District  
Statement of Revenue, Expenditures, and Change in Net Position-Governmental  
and Statement of Activities  
For the Year Ended December 31, 2016

Amounts reported for the governmental activities in the statement of activities (page 6) are different because:

Excess of expenditures over revenues - general funds (page 6)	<u>\$ (1,352,845)</u>
Governmental funds report capital outlay as expenditures. However, in the Statement of Activity the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	3,657,624
Depreciation	<u>(271,266)</u>
	<u>3,386,358</u>
 GASB 68 Activity	 <u>12,604</u>
 Change in net position of governmental activities (page 6)	 <u><u>\$ 2,046,117</u></u>

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

DeBEQUE FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2016

The DeBeque Fire Protection District is a special service district governed pursuant to provisions of the Colorado Special District Act. The District was established to provide fire protection and ambulance services within and surrounding the area of DeBeque in 2008.

The District operates under the Board of Directors elected by the voters of the District. The District's financial statements include the accounts and operations of all the District's functions.

The District's boundaries cover a portion of two Colorado counties, Mesa and Garfield. The District maintains fire and rescue at one location, DeBeque, Colorado.

The more significant of the District's accounting policies are described below:

A. Financial Reporting Entity

The DeBeque Fire Protection District is a special district as defined by Colorado Statutes and is governed by an elected board of directors. The Board of Directors has oversight responsibility and control over all activities within its boundaries.

The basic financial statements include only the District, as there are no component units required to be included in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, based on their operational or financial relationships with the District.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and statement of activities) report information on all of the non-fiduciary activities of the District.

*Governmental activities* are supported by taxes, and charges for services. The district has no *business-type activities*, which rely to a significant extent on user charges for support.

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

C. Risk of Loss

The District is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance coverage for vehicles, commercial property, commercial umbrella, commercial general liability, and management liability through the Volunteer Firemen Insurance Services.

D. Subsequent Events

The District's management has reviewed subsequent events through the date of the audit report.

E. Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

DeBEQUE FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2016

E. Fund Financial Statements-Continued

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period. The District has only one governmental fund, the *General Fund*, which is the general operating fund of the District. The District has no financial resources required to be accounted for in a separate fund.

F. Capital Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental type fund.

All capital assets are valued at historical cost or estimated historical costs if actual historical cost is not available. The assets have a useful life of 5 to 40 years and are depreciated on the straight-line method. It is the District's policy to capitalize individual items costing \$1,500 or more.

G. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both determined and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter, to be used to pay liabilities of the current period. For this purpose, the District considers revenues available within 60 days of the end of the current fiscal period. Those revenues associated with the current period susceptible to accrual are property taxes, interest revenue, and charges for services. All other revenues are reported when cash is received. Expenditures are recorded when the related fund liability is incurred.

H. Net Position

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets net of related debt consists of capital assets net of accumulated depreciation and related debt. Net Position are reported as restricted when there are constraints placed on their use either by law through constitutional provisions or enabling legislation or through restrictions externally imposed by creditors, grantors, laws, or regulations of other governments.

I. Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

J. Disaggregation of Receivables and Payables

Significant components of receivables and payables are disaggregated in the financial statements. All receivables are expected to be collected within one year. All material payables are expected to be paid within one year with the exception of the amounts for the accrual of compensated absences and capital leases.

DeBEQUE FIRE PROTECTION DISTRICT  
Summary of Significant Accounting Policies  
December 31, 2016

K. Budgets and Budgetary Accounting

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

The budget is prepared on the same basis as that of the fund financial statements.

The details of the budget calendar are outlined below:

October 15	–	Deadline for Budget Officer to submit proposed budget to the government board. Governing body must publish "Notice of Budget" upon receiving proposed budget.
December 15	–	Deadline for certification of mill to the Board of County Commissioners.
December 22	–	Deadline for Board of County Commissioners to levy taxes and to certify the levies to the Assessor.
December 31	–	Statutory deadline for local governing body to adopt budget. A certified copy of the adopted budget must be sent to the Division of Local Government within 30 days of adoption.
On or before December 31	–	The District shall enact an ordinance appropriating the budget for the ensuing year.

L. Property Taxes - Receivable

Annual property taxes are levied on December 22 of each year and attached as an enforceable lien as of January 1. They are payable in full April 30, or in two equal installments due February 28 and June 30. The county bills and collects property taxes for the district. Property taxes collected by the county are remitted to the district in the subsequent month. Property taxes are reported as receivable and deferred revenue when levied and as revenue when collected in the following year.

M. Fund Equity

In the fund financial statements governmental funds report reservations of fund balance amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

N. Pensions – State Wide Defined Benefit Plan FPPA.

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

DeBEQUE FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2016

Note 1 - Change in Capital Asset

	<u>Balance</u> <u>12/31/15</u>	<u>Net</u> <u>Change</u>	<u>Balance</u> <u>12/31/16</u>
Administration equipment	\$ 21,550	\$ 7,002	\$ 28,552
EMS vehicles & equipment	498,794	8,440	507,234
Building	294,952	-	294,952
Fire vehicles & equipment	<u>2,379,461</u>	<u>(16,277)</u>	<u>2,363,184</u>
Total Fixed Assets	3,194,757	(835)	3,193,922
Less accumulated depreciation	<u>(1,940,241)</u>	<u>(254,056)</u>	<u>(2,194,297)</u>
Net Depreciable Fixed Assets	1,254,516	(254,891)	999,625
Construction in process	1,805,788	3,636,882	5,442,670
Land (Not Depreciated)	<u>222,400</u>	<u>-</u>	<u>222,400</u>
Net Fixed Assets	<u>\$ 3,282,704</u>	<u>\$ 3,381,991</u>	<u>\$6,664,695</u>

In 2016, the Districts depreciation was \$ 271,266. This was allocated as follows:

Administration	\$ 10,713
EMS vehicles & equipment	31,948
Fire vehicles & equipment	<u>228,605</u>
Total	<u>\$ 271,266</u>

Note 2 - Budget to Actual Comparison

	<u>General</u> <u>Fund</u>
Revenue and other financing resources	
GAAP Basis	\$ 3,474,751
Modification to GAAP Basis	
Carryover from prior year	<u>1,998,144</u>
Resources Budgetary Basis	5,472,895
16 Budgeted Resources	<u>( 5,511,700)</u>
Variance Favorable (Unfavorable)	<u>\$ ( 38,805)</u>
Expenditures - GAAP Basis	\$ 1,428,634
Modification to GAAP Basis	
Depreciation	( 271,266)
Pension Activity GASB 68	12,604
Capital outlays	<u>3,657,624</u>
Expenditures Budget Basis	4,827,596
16 Budgeted Expenditures	<u>( 5,195,890)</u>
Variance Favorable (Unfavorable)	<u>\$ 368,294</u>

DeBEQUE FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2016

Note 3 – Deposits and Investments

Deposits

The District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, effective December 31, 2004. This Statement establishes and modifies disclosure requirements related to investment credit risk, including custodial credit risk and concentration of credit risk, interest rate risk and foreign currency risk, as well as deposit custodial credit risk and foreign currency risk.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. 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 at least equal to 100% of the uninsured deposits. Collateral in the pool is considered equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2016, the District's cash deposits were \$729,792 of which \$729,692 is covered by F.D.I.C. insurance, and \$100 is uninsured.

At December 31, 2016, the reconciled balance of the District consisted of the following:

Petty cash	\$ 100
Cash in bank	194,911
Money market	<u>534,780</u>
Cash and Cash Equivalents	<u>\$ 729,791</u>

Note 4 - Tax, Spending, and Debt Limitation

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

The District believes it is compliance with this amendment.

DeBEQUE FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2016

Note 5 – Operating Leases

For 2016, the following are the operating leases the District had.

The District leased its firehouse from the Town of DeBeque until June 2016, when it moved into its new facilities. The lease paid the Town was 42,090 for 2016.

Note 6 – Fund Balance Classification Policies and Procedures

During 2011, the District implemented GASB 54, Fund Balance Classification. With this new GASB, the fund balance is broken into five classifications. (1) Non-spendable – not in spendable form, (2) Restricted-fund constrained by external parties, (3) Committed – constraints on use of funds imposed by the highest level of decision making authority, in the Districts case that is the Board of Directors. The funds must be established, modified, or rescinded by use of resolution of the Board. (4) Assigned – funds intended to be used for a specific purpose, where the intent is expressed by an official authorized by the governing board, in the Districts case that is the Fire Chief and (5) Unassigned – which are funds available for any purpose. The District does not have Committed or Assigned fund classification in 2016.

It is the District's policy to spend restricted funds first then unrestricted funds for the purpose for which both funds are available and committed and assigned funds are spent when expenditure are incurred for purposes for which amount in any of those unrestricted fund balance classification could be used.

The District does have fund classification as follows:

- Restricted which is dictated by Colorado State Law
- Non-spendable, which is its prepaid expenses,
- ) Committed, which are fund designated by the board of directors for a specific purpose
- Unassigned.

Note 7 - Employee Retirement Plan

***General Information about the Fire & Police Statewide Defined Benefit Plan***

Plan description.

The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2015 has 212 participating employer fire and police departments.

Employers once had the option to elect to withdraw from the Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at [www.fppaco.org](http://www.fppaco.org).

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2016

Note 7 - Employee Retirement Plan-continued

**General Information about the Fire & Police Statewide Defined Benefit Plan-continued**

Benefits provided.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result their Separate Retirement Account (SRA) has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2015, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions.

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

Members of this Plan and their employers are contributing at the rate of 8 percent of base salary for a total contribution rate of 16 percent through 2015. In 2015, the members elected to increase the member contribution rate to the Plan beginning in 2016. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20 percent of base salary through 2015. **It is a local decision on who pays the additional 4 percent contribution.** Per the 2015 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2016 through 2022 for a total combined member and employer contribution rate of 24 percent.

Contributions to the Plan from the Department were \$35,990 for the year ended December 31, 2016.

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2016

Note 7 - Employee Retirement Plan-continued

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2016, the Department reported an asset of (\$1,558) for its proportionate share of the net pension liability/ (asset). The net pension liability/ (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability/ (asset) was determined by an actuarial valuation as of that date. **The Department's proportion of the net pension liability/ (asset) was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating Departments, actuarially determined.** At December 31, 2015, the Department's proportion was 8.84 percent, which was an increase/(decrease) of (.05) percent from its proportion measured as of December 31, 2014.

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2015

Note 7 - Employee Retirement State Wide Plan-continued

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-continued***

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 1,839
Changes in assumptions	-	-
Net difference between actual and projected earnings on pension plan investments	79,278	-
Changes in proportion and difference between Department contributions and proportionate share of contributions	37,065	-
Department contributions subsequent to the measurement date	35,990	-
Total	<u>\$ 152,333</u>	<u>\$ 1,839</u>

\$35,990 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>December 31,</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2017	\$ 15,806	\$ 3,457
2018	15,806	3,457
2019	15,806	3,457
2020	14,257	3,457
2021	-	3,457
Thereafter	-	14,690

*Actuarial assumptions.*

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0 – 14.0 percent
Cost of Living Adjustment	0.0 percent
Inflation	3.0 percent

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2015

Note 7 - Employee Retirement State Wide Plan-continued

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-continued***

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- ) Reduced the inflation assumption from 3.5 percent to 3.0 percent.
- ) Reduced the normal investment return assumption from 8.0 percent to 7.5 percent.
- ) Revised the post-retirement mortality tables to reflect increased longevity.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Rate of Return</b>
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
<b>Total</b>	<b>100%</b>	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2015, are summarized in the above table.

*Discount rate.*

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Director's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DeBeque Fire Protection District  
Notes to the Financial Statements  
December 31, 2015

Note 7 - Employee Retirement Plan-continued

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-continued***

*Sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Department's proportionate share of the net pension liability/ (asset) calculated using the discount rate of 7.50 percent, as well as what the Department's proportionate share of the net pension liability/ (Asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b><u>1.00% Decrease*</u></b>	<b><u>Current Discount Rate*</u></b>	<b><u>1.00% Increase*</u></b>
Department's proportionate share of the net pension liability/(asset)	\$218,207	\$( 1,558)	\$ (183,845)

*\* The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.65 percent. The single discount rate for the plans was 7.50 percent.*

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

REQUIRED SUPPLEMENTAL INFORMATION

**DeBeque Fire Protection District  
Notes to the Financial Statements  
for the Year Ended December 31, 2016**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the Department's Proportionate Share of the Net Pension Liability/ (Asset)  
Fire & Police Statewide Defined Benefit Plan  
As of December 31,**

	<b>2016</b>	<b>2015</b>
Department's proportion of the net pension liability/(asset)	.0884%	.0898%
Department's proportionate share of the net pension liability/(asset)	\$(1,558)	\$(101,387)
Department's covered-employee payroll	\$449,875	\$445,162
Department's proportionate share of the net pension liability/(asset) as a percentage of is covered-employee payroll	(0.346)%	(2.29)%
Plan fiduciary net position as a percentage of the total pension liability	100.1%	106.8%

**Schedule of Department Contributions  
Fire & Police Statewide Defined Benefit Plan  
As of December 31,**

	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$35,990	\$35,613
Contributions in relation to the contractually required contribution	\$35,990	\$35,613
Contribution deficiency (excess)	\$ -	\$ -
Department's covered-employee payroll	\$449,875	\$445,162
Contributions as a percentage of covered-employee payroll	8.0%	8.0%

**Notes to Required Supplementary Information  
for the Year Ended December 31, 2016**

*Changes in plan provisions.* The plan provisions have not changed since the prior valuation. The member contribution rate will increase in 2016 as a result of the member election.

*Benefit Adjustments.* Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0 percent to 3 percent. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

*Changes of assumptions.* Beginning in the January 1, 2104 actuarial valuation, the married assumption for active members was increased from 80 percent to 85 percent to reflect the passage of the Colorado Civil Union Act.

DeBeque Fire Protection District  
Statement of Revenues, Expenditures  
Actual and Budget  
For the Year Ended December 31, 2016

	General Fund		Variance
	Budget		Favorable
	Original & Final	Actual	(Unfavorable)
Revenue:			
General property taxes	\$ 1,510,718	\$ 1,565,669	\$ 54,951
Specific ownership tax	109,000	87,505	(21,495)
Ambulance	60,000	73,513	13,513
Grant Revenue	1,811,250	1,719,784	(91,466)
Interest income	1,200	741	(459)
Miscellaneous	21,388	27,539	6,151
Total Revenues	3,513,556	3,474,751	(38,805)
Expenditures:			
<b>Administrative:</b>			
Salaries	671,000	554,803	116,197
Payroll benefits	194,200	210,346	(16,146)
SWDB Pension expense	-	25,282	(25,282)
Insurance	55,000	36,762	18,238
Office expense	32,175	21,095	11,080
Professional	56,000	58,966	(2,966)
Dues and fees	2,350	2,309	41
Crew supplies & equipment	5,000	1,503	3,497
Treasurers fees	30,215	31,357	(1,142)
Director's fees	-	6,600	(6,600)
Equipment repairs	2,000	2,418	(418)
Vehicle expense	500	-	500
Bad debt expense	6,000	43,379	(37,379)
Contingency	5,000	-	5,000
Capital Outlay-Small Equipment	-	40,793	(40,793)
<b>Firefighting expense:</b>			
Supplies and expense	36,070	30,140	5,930
Capital outlays	-	-	-
<b>Communication:</b>			
911 expense	14,500	8,389	6,111
Capital outlay	-	-	-
<b>Ambulance services:</b>			
Supplies and expense	47,680	31,131	16,549
Capital outlay	-	-	-
<b>Building and Grounds:</b>			
Supplies and expense	53,200	64,699	(11,499)
Total Expenditures	1,210,890	1,169,972	40,918
<b>Capital Outlay Major</b>	3,985,000	3,657,624	327,376
Total	5,195,890	4,827,596	368,294
Revenue Over (Under) Expenditures	\$ (1,682,334)	\$ (1,352,845)	\$ 329,489
ADJUSTMENTS TO BUDGET BASIS:			
Depreciation		(271,266)	
Pension net Activity		12,604	
Capital Outlays		3,657,624	
Beginning Net Position		5,479,570	
Ending Net Position		\$ 7,525,687	