

**East Grand Fire Protection District No. 4**

**Financial Statements**

**December 31, 2016**



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**East Grand Fire Protection District No. 4  
Financial Report  
December 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

### **Board of Directors East Grand Fire Protection District No. 4**

We have audited the accompanying financial statements of the governmental activities and each major fund information of the East Grand Fire Protection District No. 4 (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, and the related notes to the financial statements.

### ***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***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, we 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.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund information of the East Grand Fire Protection District No. 4 as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Member: American Institute of Certified Public Accountants*

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**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B and Budgetary Comparison Schedules in Section E 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. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B and Budgetary Comparison Schedules in Section E in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**July 10, 2017**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# East Grand Fire Protection District No. 4

## Management's Discussion and Analysis

### December 31, 2016

As management of East Grand Fire Protection District No. 4, (the "District"), we offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2016.

#### **Financial Highlights**

- The District's net position increased by \$326,541.
- The District has no long term debt as of December 31, 2016.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of two components: 1) financial statements; and 2) Notes to the Financial Statements. These components are discussed below.

**Financial statements:** The financial statements are designed to provide readers with an overview of the District's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet/Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net position. The Balance Sheet columns present the financial position focusing on short-term available resources and are reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities shows how the government's fund balance and net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The District's financial statements can be found in section C of this report.

**Notes to the Financial Statements:** The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in section D of this report.

## Financial Analysis of the District

### East Grand Fire Protection District No. 4's Net Position

	<b>2016</b>	<b>2015</b>
<b>Assets and Deferred Outflows:</b>		
Current assets	\$ 7,169,131	\$ 6,673,447
Capital assets and long-term assets	6,371,618	6,659,635
Deferred outflows	305,050	105,080
<b>Total Assets</b>	<u>13,845,799</u>	<u>13,438,162</u>
<b>Liabilities and Deferred Inflows:</b>		
Current liabilities	10,448	18,445
Long-term liabilities	408,565	332,380
Deferred inflows	1,595,028	1,582,120
<b>Total Liabilities and Deferred Inflows</b>	<u>2,014,041</u>	<u>1,932,945</u>
<b>Net Position:</b>		
Restricted for:		
Investment in capital assets, net of debt	6,370,438	6,588,635
Restricted for TABOR	84,000	84,000
Restricted for pensions	1,180	71,000
Unrestricted	5,376,140	4,761,582
<b>Total Net Position</b>	<u>\$ 11,831,758</u>	<u>\$ 11,505,217</u>

A significant portion of the District's total assets reflect capital assets, which includes land, fire stations, vehicles, and equipment.

At the end of the 2016, the District is able to report positive balances in all categories of net position. Overall, the District's total assets increased during the most recent fiscal year. Governmental Accounting Standards Board Statement No. 34 requires asset acquisitions to be capitalized and depreciated over their respective estimated useful lives. For 2016, the District reported depreciation expense in the amount of \$395,461 and capitalized assets totaling \$177,264.

**Financial Analysis of the District (continued)**

**East Grand Fire Protection District No. 4's Change in Net Position**

	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>		
Property taxes	\$ 1,522,653	\$ 1,519,600
Specific ownership taxes	94,936	96,732
Fire impact fees	61,543	54,821
Interest	80,766	33,411
Unrealized gain (loss) on investment	(34,536)	23,372
Miscellaneous	6,868	7,757
<b>Total Revenues</b>	<u>1,732,230</u>	<u>1,735,693</u>
<b>Expenditures/Expenses:</b>		
Public safety	1,521,622	1,454,880
<b>Total Expenditures/Expenses</b>	<u>1,521,622</u>	<u>1,454,880</u>
<b>Other Financing Uses:</b>		
Sale of assets	115,933	7,500
<b>Change in Net Position</b>	326,541	288,313
<b>Net Position - January 1</b>	11,505,217	11,216,904
<b>Net Position - December 31</b>	<u>\$ 11,831,758</u>	<u>\$ 11,505,217</u>

Property taxes and specific ownership taxes were the most significant sources of revenues and are comparable to 2015. When compared to 2015, overall revenues decreased by \$3,463 in 2016. Expenses increased in 2016 by \$66,742. Additional details of revenues and expenses can be found in the E section of the financial statements.

## Budget Variances in the General Fund

The District did not amend the budget during the year. The following accounts had significant variances from budget:

	Final Budget	Actual	Variance Positive (Negative)	Reason
<b>Revenues:</b>				
Property taxes	1,551,394	1,522,653	(28,741)	The District experienced an increase in Delinquent taxes during the year.
Specific ownership taxes	70,000	94,936	24,936	The District budgets conservatively for SO tax revenues.
Unrealized gain (loss) on inv.	-	(34,536)	(34,536)	Unrealized gains and losses are not budgeted for.
<b>Expenditures/Expenses:</b>				
Firefighting	1,199,000	823,437	375,563	The District budgets conservatively for payroll expense, payroll benefits, and insurance expenses.
Station, buildings & grounds	93,500	72,314	21,186	The District budgets conservatively for repairs and maintenance.
Capital outlay	490,000	177,264	312,736	The District budgeted for additional truck purchases, which did not take place in 2016.
Contingency	4,481,241	-	4,481,241	No contingency was utilized during the year.

**Capital assets:** Additional capital asset information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements in section D.

### Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Administrative Offices, 77601 US Highway 40, Winter Park, CO. 80482.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**East Grand Fire Protection District**  
**Governmental Funds Balance Sheet/Statement of Net Position**  
**December 31, 2016**

	<b>Primary Government</b>				<b>Statement of Net Position</b>
	<b>General Fund</b>	<b>Impact Fee Fund</b>	<b>Total</b>	<b>Adjustments</b>	
<b>Assets:</b>					
Cash and investments	5,344,987	-	5,344,987	-	5,344,987
Restricted cash and investments	-	223,735	223,735	-	223,735
Property taxes receivable	1,569,204	-	1,569,204	-	1,569,204
Other receivable	10,955	-	10,955	-	10,955
Prepaid expenses	20,250	-	20,250	-	20,250
Net pension asset - employer plan	-	-	-	1,180	1,180
Capital assets, net of accumulated depreciation	-	-	-	6,370,438	6,370,438
<b>Total Assets</b>	<b>6,945,396</b>	<b>223,735</b>	<b>7,169,131</b>	<b>6,371,618</b>	<b>13,540,749</b>
<b>Deferred Outflows of Resources:</b>					
Pension related deferred outflows	-	-	-	305,050	305,050
<b>Total Deferred Outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>305,050</b>	<b>305,050</b>
<b>Liabilities:</b>					
Accounts payable	7,190	-	7,190	-	7,190
Accrued liabilities	3,258	-	3,258	-	3,258
Net pension liability - volunteer plan	-	-	-	408,565	408,565
<b>Total Liabilities</b>	<b>10,448</b>	<b>-</b>	<b>10,448</b>	<b>408,565</b>	<b>419,013</b>
<b>Deferred Inflow of Resources:</b>					
Unavailable property tax revenue	1,569,204	-	1,569,204	-	1,569,204
Pension related deferred inflows	-	-	-	25,824	25,824
<b>Total Deferred Inflows</b>	<b>1,569,204</b>	<b>-</b>	<b>1,569,204</b>	<b>25,824</b>	<b>1,595,028</b>
<b>Fund Balances / Net Position:</b>					
<b>Fund Balances:</b>					
Non-spendable	20,250	-	20,250	(20,250)	-
Restricted for TABOR	84,000	-	84,000	(84,000)	-
Committed	-	223,735	223,735	(223,735)	-
Unassigned	5,261,494	-	5,261,494	(5,261,494)	-
<b>Total Fund Balances</b>	<b>5,365,744</b>	<b>223,735</b>	<b>5,589,479</b>	<b>(5,589,479)</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>6,945,396</b>	<b>223,735</b>	<b>7,169,131</b>		
<b>Net Position:</b>					
Net investment in capital assets				6,370,438	6,370,438
Restricted for emergencies				84,000	84,000
Restricted for pensions				1,180	1,180
Unrestricted				5,376,140	5,376,140
<b>Total Net Position</b>				<b>11,831,758</b>	<b>11,831,758</b>

The accompanying notes are an integral part of these financial statements.

**Statement of Revenues, Expenditures and  
Changes in Fund Balances/Statement of Activities  
For the Year Ended December 31, 2016**

	<b>Primary Government</b>				
	<b>General Fund</b>	<b>Impact Fee Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues:</b>					
Property taxes	1,522,653	-	1,522,653	-	1,522,653
Specific ownership taxes	94,936	-	94,936	-	94,936
Impact fees	-	61,543	61,543	-	61,543
Investment income	79,425	1,341	80,766	-	80,766
Unrealized gain (loss) on investments	(34,536)	-	(34,536)	-	(34,536)
Miscellaneous	6,868	-	6,868	-	6,868
<b>Total Revenues</b>	<u>1,669,346</u>	<u>62,884</u>	<u>1,732,230</u>	<u>-</u>	<u>1,732,230</u>
<b>Expenditures/Expenses:</b>					
Administration	170,137	-	170,137	7,491	177,628
Pension contribution	60,000	-	60,000	-	60,000
Firefighting	823,437	-	823,437	186,639	1,010,076
Training	35,944	-	35,944	-	35,944
Fire prevention	1,206	-	1,206	-	1,206
Communications	21,990	-	21,990	-	21,990
Station, buildings & grounds	72,314	-	72,314	142,464	214,778
Capital outlay	177,264	-	177,264	(177,264)	-
<b>Total Expenditures/Expenses</b>	<u>1,362,292</u>	<u>-</u>	<u>1,362,292</u>	<u>159,330</u>	<u>1,521,622</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	307,054	62,884	369,938	(159,330)	210,608
<b>Other Financing Sources (Uses):</b>					
Gain (loss) on disposition of assets	115,933	-	115,933	-	115,933
Operating transfers in / (out)	49,825	(49,825)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>165,758</u>	<u>(49,825)</u>	<u>115,933</u>	<u>-</u>	<u>115,933</u>
<b>Changes in Net Position</b>	472,812	13,059	485,871	(159,330)	326,541
<b>Fund Balances/Net Position:</b>					
Beginning of Year	4,892,932	210,676	5,103,608		11,505,217
End of Year	<u>5,365,744</u>	<u>223,735</u>	<u>5,589,479</u>		<u>11,831,758</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS



**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**I. Summary of Significant Accounting Policies**

The East Grand Fire Protection District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to provide emergency and non-emergency services for the protection of life and property in eastern Grand County, Colorado.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The District has no component units, and it is not a component unit of any other entity.

**B. Government-wide and Fund Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. However, the District does not have any business-type activities, only governmental activities.

**1. Government-wide Financial Statements**

In the Governmental Funds Balance Sheet/Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**1. Government-wide Financial Statements (continued)**

The government-wide focus is on the sustainability of the District as an entity and the change in the District's Net Position resulting from the current year's activities. The effect of interfund activity has been eliminated from the government-wide financial statements.

The *General Fund* is the District's primary operating fund. It accounts for all financial resources not required to be accounted for in another fund. Resources restricted within this fund relate to TABOR reserve requirements (see Note III.B).

The *Impact Fee Fund* accounts for the collection of fire impact fees. In 2003, the District entered into agreements with Grand County, the Town of Fraser, and the Town of Winter Park to collect fire impact fees from new developments within the boundaries of the District. The use of impact fees is limited to acquisition or improvement of District facilities and acquisition of new equipment. This fund is considered a major special revenue fund due to its significance to the District.

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Governmental activities in the government-wide financial statements and fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

**2. Current Financial Focus and Modified Accrual Basis**

The governmental funds financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exceptions to this general rule are that principal and interest on general long-term debt and expenditures related to accrued compensated absences are recognized when due.

**D. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The District's investment policy permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Government Obligations
- U.S. Government Agency Obligations
- U.S. Government Instrumentality Obligations (except for Federal National Mortgage Association)
- Bank/U.S. Repurchase Agreements
- Local Government Investment Pools
- Money Market Mutual Funds
- FDIC-insured Interest-bearing accounts or checking accounts
- FDIC-insured Certificates of Deposit

**2. Receivables**

Receivables are reported net of any allowance for uncollectible accounts.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**3. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

**4. Interfund Receivables and Payables**

Balances at year-end between funds are reported as “due (to) / from other fund” in the fund financial statements and are eliminated in the government-wide financial statements.

**5. Capital Assets**

Capital assets, which include land, fire stations and improvements, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital expenditures for projects are capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the asset.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Mobile Equipment	5-25
Other Fire Fighting / Training Equipment	7-15
Administrative Assets	5-7

**6. Compensated Absences**

The District’s policy allows for a maximum carryover of 160 hours of vacation to the following year. At December 31, 2016, there were no hours carried forward to 2017. The District’s policy does not allow for payment of sick time upon termination. Therefore, no liability is included in these statements.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**7. Long-term Debt**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position column. Long-term debt premiums and discounts, issuance costs, as well as losses on refinancing, are deferred and amortized over the life of the related debt using the straight-line method.

**8. Pensions**

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the District's defined benefit pension plan and additions to/deductions from the fiduciary net position of the District's defined benefit pension plan have been determined using the economic resources measurement focus and the accrual basis of accounting. 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.

**9. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category, the collective deferred outflows of the District's net pension obligation. Pension contributions made after the measurement date, and the net difference between projected and actual earnings will be recognized as a change of the net pension liability or asset in future periods.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. Unavailable revenue from property taxes, reported in the governmental balance sheet are deferred and recognized as an inflow from resources in the period that the amounts become available. Collective deferred inflows related to the District's net pension obligation are reported on the Statement of Net Position and are amortized over the average service lives of participants.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**10. Fund Balance**

Government accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction place upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund balance that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications, refer to Note IV.D.

**11. Use of Estimates**

The preparation of financial statements to conformity with U.S. GAAP 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 the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of differences between the governmental fund Balance sheet and the government-wide Statement of Net Position**

The Governmental Funds Balance Sheet and the government-wide Statement of Net Position include a reconciling column. A number of elements in the reconciling column accounts for capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds. \$10,704,911 represents the cost of capital assets at December 31, 2016. Another adjustment represents the accumulated depreciation on capital assets. The total accumulated depreciation was \$4,334,474. Additional items relate to the net pension asset and liability the District is recognizing of \$1,180 and \$408,565, respectively, along with the associated deferred inflow and outflows of \$25,824 and \$305,050, respectively.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**II. Reconciliation of Government-wide and Fund Financial Statements (continued)**

**B. Explanation of difference between the government fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities**

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities includes a reconciling column. One element of the reconciliation column accounts for governmental funds reporting capital outlay as expenditures. However, in the Statement of Net Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense totaled \$395,461. In addition to depreciation, the adjustments include capitalized expenses of (\$177,264) and net pension changes of (\$58,867).

**III. Stewardship, Compliance, and Accountability**

**A. Budgets and Budgetary Accounting**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds and the fiduciary fund are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

- (1) For the 2016 budget, prior to October 15, 2015, the budget office submits to the board a proposed budget for the fiscal year commencing the following January 1. Upon receiving the proposed budget, the District will publish a "Notice of Budget". The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board to obtain taxpayer comments.
- (2) On or before December 15, 2015, the District submits a certification of mill levy to the county commissioners; the budget is approved through passage of a formal resolution prior to the submission of the certification.
- (3) For the 2016 budget, prior to December 15, 2015, the District computed and certified to the County Commissioners a rate of a levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient.
- (5) All appropriations lapse at a year-end.

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in 2015 were collected in 2016 and taxes certified in 2016 will be collected in 2017. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment - Revenue and Spending Limitation Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service) for the fiscal year ended December 31, 2016. The District has reserved a portion of its December 31, 2016 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$84,000 which is the approximate required reserve at December 31, 2016.

The initial base for local government spending and revenue limits is December 31, 1992, fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

On May 5, 1998, the District's electorate approved the following ballot question:  
*Shall the East Grand County Fire Protection District No. 4 be authorized to collect, retain, and spend, for fire protection, emergency medical and rescue purposes, all revenues collected from the District's existing property tax rate of 3.070 Mills, and from all other funds and sources, commencing January 1, 1997, and continuing thereafter as a voter-approved revenue change, offset and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution, Section 29-1-301, C.R.S. or any other law.*

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

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. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The District had the following deposits and investments with the following maturities as of December 31, 2016:

	Standard & Poors Rating	Carrying Amounts	Maturities	
			Less than one year	One to five years
<i>Petty cash and other</i>	Not rated	\$ 7,582	7,582	-
<i>Deposits:</i>				
Checking and depository	Not rated	109,447	109,447	-
<i>Investments:</i>				
Colorado Pools	AAAm	1,341,796	1,341,796	-
US Government Treasury Securities	AA+	4,109,897	-	4,109,897
		<u>\$ 5,568,722</u>	<u>1,458,825</u>	<u>4,109,897</u>

*Fair Value of Investments*

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1:* Quoted prices for identical investments in active markets;
- Level 2:* Observable inputs other than quoted market prices; and,
- Level 3:* Unobservable inputs.

At December 31, 2016, the District had unrealized losses of \$34,536. The District had the following recurring fair value measurements:

Investments Measured at Fair Value	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
US Government Treasury Securities	\$ 4,109,897	\$ 4,109,897	\$ -	\$ -
 Investments Measured at Net Asset Value	 Total			
Colotrust	\$ 1,341,796			

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

Investments classified in Level 1 are valued using prices quoted in active markets for those investments. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;

The Investment Pool represents investments in COLOTRUST. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2016, the District's investments in COLOTRUST were 24% and government securities were 74% of the District's investment portfolio.

**Interest Rate Risk.** As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length on maturities, the District has limited its interest rate risk.

**Credit Risk.** State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's investment policy is to follow statutes which is to apply the prudent-person rule: Investments are made as a prudent person would expect to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative statements.

**Concentration of Credit Risk.** The District diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are implicitly insured by the U.S. Federal Government and meet the AA+ rating. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible depository.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**B. Receivables**

The District has the following receivables, net of applicable uncollectible accounts:

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Total</u>
Property taxes, net	\$ 1,569,204	-	\$ 1,569,204
Other Receivables	10,955	-	10,955
Gross receivables on fund(s)	<u>1,580,159</u>	<u>-</u>	<u>1,580,159</u>
Less: Allowance for uncollectible	-	-	-
Net receivables on fund(s)	<u>\$ 1,580,159</u>	<u>-</u>	<u>\$ 1,580,159</u>

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 175,070	-	-	\$ 175,070
Total capital assets, not being depreciated	<u>175,070</u>	<u>-</u>	<u>-</u>	<u>175,070</u>
Capital assets, being depreciated:				
Buildings and improvements	4,874,028	99,448	-	4,973,476
Vehicles	4,807,724	49,528	-	4,857,252
Equipment	670,825	28,288	-	699,113
Total capital assets being depreciated	<u>10,352,577</u>	<u>177,264</u>	<u>-</u>	<u>10,529,841</u>
Less accumulated depreciation:	<u>(3,939,012)</u>	<u>(395,461)</u>	<u>-</u>	<u>(4,334,473)</u>
Total capital assets, being depreciated, net	<u>6,413,565</u>	<u>(218,197)</u>	<u>-</u>	<u>6,195,368</u>
Total Capital Assets, Net	<u>\$ 6,588,635</u>	<u>(218,197)</u>	<u>-</u>	<u>\$ 6,370,438</u>

Depreciation expense was charged to functions of the District as follows:

General and administrative	\$ 11,348
Fire and rescue services	241,649
Station, buildings, & grounds	142,464
<b>Total Depreciation Expense</b>	<u>\$ 395,461</u>

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**D. Fund Balance Disclosure**

The District classified governmental fund balances as follows:

*Non-spendable* – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, etc.

*Spendable Fund Balance:*

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The General Fund had funds restricted by law for emergencies under Colorado's TABOR amendment.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of the District.

*Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of the District or its management designees.

*Unassigned* – includes residual positive fund balance within the General Fund, which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as grant agreements that require dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts when expenditures are made. The District does not have an adopted minimum fund balance policy, however, the District's budget includes calculations of targeted reserve positions, which is reported annually to the Board of the District.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**1. FPPA 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 they are not already covered by a statutorily exempt plan. As of August 1, 2003, the SDBP may include clerical and other personnel from fire districts whose services are auxiliary to fire protection.

**Contributions:** Determined by state statute or by election of the members, contributions are set at a level that enables all benefits to be fully funded at the retirement date of all members. Employees and employers are contributing at a rate of 8% of base salary for a total contribution rate of 16% through 2014. In 2014, the members elected to increase the member contribution rate 0.5% annually from 2015 through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% 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% of base salary through 2014. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24%.

**Benefits:** On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the Plan to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983, such that any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension.

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. 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.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

**Benefits (continued):** 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, 2014, the standard Separate Retirement Account contribution rate for members of the 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.

**Net Pension (Liability) Asset:** At December 31, 2016, the District reported an asset of \$1,180 for its proportionate share of the net pension (liability) asset. The Plan's fiduciary net position currently exceeds the total pension liability, resulting in an asset reported by the District. The net pension (liability) asset was measured at 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 January 1, 2015. The District's proportion of the net pension (liability) asset was based on the District's contributions to the Plan for calendar year 2015, relative to the total contributions of participating employers to the Plan.

At December 31, 2015, The District's proportionate share was 0.066933%, compared to 0.062911% at December 31, 2014.

For the year ended December 31, 2016, the District recognized net pension (revenues) expense of \$17,998.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows of Resources**

Net differences between projected and actual earnings on pension plan investments	\$ 60,055
Changes in pension assumptions	\$ 18,533
Changes in pension actual and reported contribution	\$ 31,827
Changes in pension experience difference	\$ 9,543
Changes in proportionate share of contributions	\$ 1,285
Contributions subsequent to measurement date	\$ 26,147

**Deferred Inflows of Resources**

Differences between proportionate share	\$ 5,618
Differences between actual and expected experience	\$ 1,394

Contributions subsequent to the measurement date of December 31, 2015, which are reported as deferred outflows of resources related to pensions, will be recognized as an adjustment against the net pension (liability) asset in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as a component of pension expense as follows:

Year ending December 31:

2017	21,069
2018	20,683
2019	20,683
2020	19,194
2021	6,417
Thereafter	26,185
	<u>\$ 114,231</u>

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

**Actuarial Assumptions:** The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment rate *	7.5%
Projected Salary Increases	4.0% to 14.0%
Cost of Living Adjustments	0.0%
* includes inflation at	2.5%

The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every five years the Fire & Police Pension Association's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2011 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the Fire & Police Pension Association's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future.

The assumption changes were effective for actuarial valuations beginning January 1, 2012. The actuarial assumptions impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used. The date the new actuarial assumptions were effective for benefit purposes was October 1, 2012.

Effective with the January 1, 2013 valuations, the Board adopted a five-year smoothing methodology in the determination of the actuarial value of assets. Beginning in the January 1, 2014 valuations, the married assumption for active members was increased from 80% to 85% to reflect the passage of the Colorado Civil Union Act.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Rate of Return</b>
Global Equity	37%	6.5%
Equity Long/Short	10%	4.7%
Illiquid Alternatives	20%	8.0%
Fixed Income	16%	1.5%
Absolute Return	11%	4.1%
Managed Futures	4%	3.0%
Cash	2%	0.0%
	<b>100%</b>	

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 Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB 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.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**1. FPPA Statewide Defined Benefit Plan (continued)**

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:** The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1 % Increase (8.5%)
Collective net pension liability (asset)	\$ 246,949,671	\$ (1,762,854)	\$ (208,061,345)
Proportionate share of net pension liability (asset)	\$ 165,291	\$ (1,180)	\$ (139,262)

**Pension plan fiduciary net position:** Detailed information about the Plan's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at [http://www.fppaco.org/annual\\_reports.htm](http://www.fppaco.org/annual_reports.htm).

**Plan Description:** The District is trustee of a single-employer defined benefit pension plan available to provide retirement income for all volunteer fire fighters in recognition of their service to the District. FPPA administers an agent multiple-employer Public Employee Retirement System ("PERS"). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at [http://fppaco.org/pdfs/annual\\_audit\\_actuarial\\_reports](http://fppaco.org/pdfs/annual_audit_actuarial_reports).

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**2. Volunteer Fire and Police Pension Plan**

The plan provides normal retirement benefits, disability retirement and survivor benefits. The following benefit provisions were used to determine the District's pension liability at the measurement date of December 31, 2015:

<i>Normal retirement benefit at age 50 with 20 year of service (monthly):</i>	
Regular	\$600
<i>Vested retirement benefit:</i>	
With 10 to 20 years of service amount per year of service per minimum vesting years	\$30
Minimum vesting years	10
<i>Disability retirement benefit (monthly):</i>	
Short term disability for line of duty injury amount payable for not more than 1 year	\$300
Long term disability for line of duty injury lifetime benefit	\$600
<i>Survivor benefits (monthly):</i>	
Following death before retirement eligible: due to death in line of duty as volunteer firefighter	\$300
Following death after normal retirement	\$300
Following death after vested retirement with 10 to 20 years of service amount per year of service per minimum vesting rights	\$15
Following death after disability retirement	\$300
<i>Funeral benefits (required benefit):</i>	
Funeral benefit lump sum, one time only	\$100

As of January 1, 2015, the latest actuarial valuation date, there were 30 active members, 30 service retirees and beneficiaries, and 6 inactive members.

**Funding Policy:** The funding of the plan by the District and members is authorized by the Board of Trustees. The contribution by the State of Colorado (the "State") toward fire pension funds has been a fixed dollar amount established by the legislature and allocated pro rata to all fire pension funds in the State who apply for State matching funds, based upon the amounts contributed by the employer up to a maximum of one half (1/2) mill on the assessed valuation or 90% of District contributions, whichever is less. Since the District currently offers maximum retirement benefits in excess of \$300 per month, the State will match at the level determined above but no greater than the maximum of: (1) the amount necessary to fund a pension of \$300 per month on an actuarially sound basis, and (2) the amount of State contributions provided in the prior year.

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**2. Volunteer Fire and Police Pension Plan (continued)**

**Net Pension Liability:** At December 31, 2016, the volunteer pension fund reported a net pension liability of \$408,565. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

**Actuarial Assumptions:** The significant actuarial assumptions used in the valuation as of January 1, 2015 were:

Actuarial method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	20 years
Asset valuation method	5-Year Smoothed Market
Includes inflation at	3.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2000 Combined Mortality table with Blue Collar Adjustment, 40% multiplier for off duty mortality. Post-retirement: RP-2000 Combined Mortality Table with Blue collar adjustment. Disabled: RP-2000 Disabled Mortality Tables All tables projected with Scale AA.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) the long-term expected rate of return on pension plan investments (7.50%), and (2) tax-exempt municipal bond rate based on an index of 20-year obligation bonds with an average AA credit rating as of the measurement date (3.65%) to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits. The resulting Single Discount Rate is 7.50%.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following represent the plan's net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<b>Current Single Discount Rate Assumption</b>		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1 % Increase (8.5%)
Proportionate share of net pension liability (asset)	\$ 679,283	\$ 408,565	\$ 183,100

**East Grand Fire Protection District No. 4**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**2. Volunteer Fire and Police Pension Plan (continued)**

In connection with the District's Volunteer Fire and Police Protection Retirement Plan, the following deferred outflow of resources and deferred inflows of resources were reported at December 31, 2016:

**Deferred Outflows of Resources**

Net differences between projected and actual earnings on pension plan investments	\$ 97,660
Contributions subsequent to measurement date	\$ 60,000

**Deferred Inflows of Resources**

Differences between actual and expected experience	\$ 18,812
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Contributions subsequent to the measurement date of December 31, 2014, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in subsequent years. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized as a component of pension expense in future years as follows:

Year ending December 31:	
2017	\$ 14,690
2018	16,780
2019	25,140
2020	22,238
2021	-
Thereafter	-
	\$ 78,848

**V. Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to workers compensation; general liability, unemployment, torts, theft of, damage to, and destruction of assets; and errors and omissions. The District has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance coverage.

**B. Contingent Liability**

A pending property tax case concerning the YMCA of the Rockies and a religious exemption may have an impact on the District property tax revenues. The District's share of the possible principal amount to be refunded to the YMCA is estimated to be \$65,300. Substantial interest has accumulated as well.

REQUIRED SUPPLEMENTAL INFORMATION



**East Grand Fire Protection District**  
**General Fund**  
**Schedule of Revenues and Expenditures**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**  
**With Comparative Actual Amounts for 2015**

	<b>2016</b>		<b>Final Budget Variance Positive (Negative)</b>	<b>2015</b>
	<b>Original and Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>				
Property taxes	1,551,394	1,522,653	(28,741)	1,519,600
Specific ownership taxes	70,000	94,936	24,936	96,732
Interest income	15,000	79,425	64,425	33,094
Unrealized gain (loss) on federal bonds	-	(34,536)	(34,536)	23,372
Miscellaneous	12,500	6,868	(5,632)	7,757
<b>Total Revenues</b>	<u>1,648,894</u>	<u>1,669,346</u>	<u>20,452</u>	<u>1,680,555</u>
<b>Expenditures/Expenses:</b>				
Administration	148,070	170,137	(22,067)	180,653
Pension contribution	60,000	60,000	-	60,000
Firefighting	1,199,000	823,437	375,563	781,205
Training	65,000	35,944	29,056	49,776
Fire prevention	10,000	1,206	8,794	3,758
Communications	23,200	21,990	1,210	17,828
Station, buildings & grounds	104,500	72,314	32,186	72,534
Community wildlife protection	5,000	-	5,000	-
Capital outlay	490,000	177,264	312,736	941,559
Contingency	4,481,241	-	4,481,241	-
<b>Total Expenditures/Expenses</b>	<u>6,586,011</u>	<u>1,362,292</u>	<u>5,223,719</u>	<u>2,107,313</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(4,937,117)	307,054	5,244,171	(426,758)
<b>Other Financing Sources (Uses):</b>				
Gain (loss) on disposition of assets	-	115,933	115,933	7,500
Operating transfers in / (out)	-	49,825	49,825	24,365
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>165,758</u>	<u>165,758</u>	<u>31,865</u>
<b>Changes in Net Position</b>	<u>(4,937,117)</u>	472,812	<u>5,409,929</u>	(394,893)
<b>Fund Balances/Net Position:</b>				
Beginning of Year		4,892,932		5,287,825
End of Year		<u>5,365,744</u>		<u>4,892,932</u>

The accompanying notes are an integral part of these financial statements.

**East Grand Fire Protection District  
Special Revenue - Impact Fee Fund  
Schedule of Revenues and Expenditures  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2016  
With Comparative Actual Amounts for 2015**

	2016		Final Budget Variance Positive (Negative)	2015
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Impact fees	47,258	61,543	14,285	54,821
Interest income	168	1,341	1,173	317
<b>Total Revenues</b>	47,426	62,884	15,458	55,138
<b>Expenditures/Expenses:</b>				
Administration	-	-	-	495
Contingency	278,221	-	278,221	-
<b>Total Expenditures/Expenses</b>	278,221	-	278,221	495
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(230,795)	62,884	293,679	54,643
<b>Other Financing Sources (Uses):</b>				
Operating transfers in / (out)	-	(49,825)	(49,825)	(24,365)
<b>Total Other Financing Sources (Uses)</b>	-	(49,825)	(49,825)	(24,365)
<b>Changes in Net Position</b>	(230,795)	13,059	243,854	30,278
<b>Fund Balances/Net Position:</b>				
Beginning of Year		210,676		180,398
End of Year		223,735		210,676

The accompanying notes are an integral part of these financial statements.

**East Grand Fire Protection District**  
**Schedule of the District's Proportionate Share of Net Pension Liability (Asset)**  
**Fire and Police Pension Association of Colorado - Statewide Defined Benefit Plan**  
**Last 10 Fiscal Years \***

<u>Employer Plan:</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's portion of the net pension asset	0.066933%	0.062911%	0.065031%
District's proportionate share of the net pension liability (asset)	(1,180)	(71,000)	(58,150)
District's covered payroll	324,475	282,912	282,458
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0%	-25%	-21%
Plan fiduciary net position as a percentage of the total pension asset	100.10%	106.80%	105.80%
<u>Volunteer Plan:</u>	<u>2015</u>	<u>2014</u>	
<b>Total Pension Liability</b>			
Service Cost	\$ 33,228	\$ 30,612	
Interest on the Total Pension Liability	169,263	169,017	
Difference between Expected and Actual Experience Assumption Changes	-	(39,714)	
Benefit Payments	(160,217)	155,720	
<b>Net Change in Total Pension Liability</b>	<u>42,274</u>	<u>315,635</u>	
<b>Total Pension Liability - Beginning</b>	<u>2,319,183</u>	<u>2,314,988</u>	
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 2,361,457</u></u>	<u><u>\$ 2,319,183</u></u>	
<b>Plan Fiduciary Net Position</b>			
Employer Contributions	\$ 60,000	\$ 60,000	
Pension Plan Net Investment Income	35,280	127,392	
Benefit Payments	(160,217)	(155,720)	
Pension Plan Administrative Expense	(4,974)	(4,727)	
State of Colorado supplemental discretionary payment	36,000	36,000	
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(33,911)</u>	<u>62,945</u>	
<b>Plan Fiduciary Net Position - Beginning</b>	<u>1,986,803</u>	<u>1,923,858</u>	
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 1,952,892</u></u>	<u><u>\$ 1,986,803</u></u>	
<b>Net Pension Liability - Ending (a) - (b)</b>	<u><u>\$ 408,565</u></u>	<u><u>\$ 332,380</u></u>	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.70%	85.67%	
Covered Employee Payroll	N/A	N/A	
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014 for employer plan, and fiscal year 2015 for Volunteer Plan.

**Notes to the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) for the year ended December 31, 2016:**

**Note 1. Changes of assumptions.**  
No changes during the years presented above.

**Note 2. Changes of benefit terms.**  
No changes during the years presented above.

**Note 3. Changes of size or composition of population covered by benefit terms.**  
No changes during the years presented above.

**East Grand Fire Protection District  
Schedule of District Contributions  
Fire and Police Pension Association of Colorado - Statewide Defined Benefit Plan  
Last 10 Fiscal Years \***

**Employer Plan:**

	2015	2014	2013
Contractually required contribution	25,958	22,633	22,597
Contributions in relation to the contractually required contribution	(25,958)	(22,633)	(22,597)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	324,475	282,913	282,463
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%

**Volunteer Plan:**

	2015	2014
Actuarially determined contribution	\$ 77,586	\$ 77,586
Actual contribution, including State of Colorado discretionary payment	(96,000)	(96,000)
Contribution deficiency (excess)	\$ (18,414)	\$ (18,414)

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014 for employer plan, and fiscal year 2015 for Volunteer Plan.

**Notes to the Schedule of District Contributions for the Year Ended December 31, 2016**

**Note 1. Changes of assumptions.**

No changes during the years presented above.

**Note 2. Changes of benefit terms.**

No changes during the years presented above.

**Note 3. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented above.