

GALETON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2016



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Independent Auditors' Report

Board of Directors
Galeton Fire Protection District
Galeton, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Galeton Fire Protection District as of December 31, 2016, and for the year then ended, as listed in the table of contents, and the 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; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Galeton Fire Protection District as of December 31, 2016, and the changes in its financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Matter

Accounting principles generally accepted in the United States require that management discussion and analysis and supplementary pension plan information 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 (GASB) 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 required supplementary information in accordance with auditing standards generally accepted in the United States, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the Galeton Fire Protection District (GFPD) for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- * GFPD's assets exceeded liabilities by \$9,810,126 at December 31, 2016.
- * The General Fund balance was \$4,741,163 as of December 31, 2016. Of this amount, \$107,254 is reserved for emergencies.
- * The December 31, 2016 General Fund balance is \$606,016 more than the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. GFPD, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. GFPD has one governmental fund, a General Fund.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide adjustments to facilitate this comparison between *governmental funds* and *governmental activities*, which are also explained in the notes.

The basic governmental fund financial statements can be found on pages 8 and 9 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 21 of this report.

Budgetary Comparisons. GFPD adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund on pages 10 and 11 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2016, assets exceeded liabilities by \$9,810,126.

The following table provides a summary of the District's net position:

December 31	2016	2015
Assets:		
Cash	\$ 4,746,212	\$ 4,218,692
Property taxes receivable	1,790,689	3,044,140
Other receivables	--	2,267
Capital assets	4,628,698	2,461,601
Net pension asset	301,523	100,110
Deferred outflows-pension plan	162,488	260,897
Total Assets and Deferred Outflows	11,629,610	10,087,707
Liabilities:		
Accounts payable	5,049	85,812
Total Liabilities	5,049	85,812
Deferred Inflows:		
Deferred property taxes	1,790,689	3,044,140
Pension plan	23,746	30,942
Total Deferred Inflows	1,814,435	3,075,082
Net Position:		
Investment in capital assets	4,628,698	2,461,601
Restricted	547,519	395,920
Unrestricted	4,633,909	4,069,292
Total Net Position	\$ 9,810,126	\$ 6,926,813

A significant portion of GFPD's net assets represents unrestricted net position of \$9,810,126, which may be used to meet the District's ongoing obligations to patrons.

Another significant portion of the District's net position reflects its investment in capital assets. These assets include land, building, equipment, and vehicles. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$547,519 of the District's net position represents resources that are subject to external restriction on how they may be used. Included in this category is the TABOR emergency reserve of \$107,254 and pension assets of \$440,265.

The following table indicates the changes in net position:

	2016	2015
Revenues:		
General revenues:		
Property and S.O. taxes	\$ 3,038,905	\$ 2,189,219
Investment earnings	6,346	3,537
Building sale gain	112,573	3,537
Other revenue	45,080	2,395
Total Revenues	3,376,478	2,195,151
Expenses:		
Program services	312,230	281,436
Depreciation	180,935	76,799
Total Expenses	493,165	358,235
Increase in Net Position	\$ 2,883,313	\$ 1,836,916

Governmental Activities. Governmental activities increased GFPD's net position by \$2,883,313 in 2016. Key elements of this increase are as follows:

- * Total revenues were \$3,376,478, up 54% from the prior year. This is primarily due to increased property tax revenues.
- * Expenses totaled \$493,165. This represents a 37% increase over the previous year, as paid staff have been added.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes:

Year Ended December 31, 2016	Final Budget	Actual
Beginning Fund Balance	\$ 4,135,147	\$ 4,135,147
Revenue	3,300,262	3,575,148
Expenditures	3,778,200	2,969,132
Ending Fund Balance	\$ 3,657,209	\$ 4,744,163

Actual expenditures were less than budgeted as the new fire station was under budget.

CAPITAL ASSET ADMINISTRATION

Capital Assets. GFPD's investment in capital assets for its governmental type activities as of December 31, 2016, totals \$4,628,698 (net of accumulated depreciation). This investment includes all land, buildings, equipment, and vehicles. The total increase in capital assets for 2016 of \$2,167,097 was primarily due to completion of the construction of the fire station.

The District implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated. Additional information on the District's capital assets can be found in Note 2 of this report.

DEBT ADMINISTRATION

Long-term Debt. At December 31, 2016, the District had no long-term debt funded from General Fund taxes.

OTHER MATTERS

The following factors are expected to have a significant effect on the District's financial position and results of operations and were taken into account in developing the 2017 budget:

- The assessed valuation of property in the District decreased for 2017, resulting in property taxes expected of \$1,790,689.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of GFPD's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, P.O. Box 697, Galeton, Colorado 80622.

GALETON FIRE PROTECTION DISTRICT

GENERAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2016	General Fund	Adjustments	Statement of Net Position
<u>ASSETS</u>			
Cash	\$ 4,746,212	\$ -	\$ 4,746,212
Property Taxes Receivable	1,790,689	-	1,790,689
Capital Assets, net:			
Land and improvements	-	66,381	66,381
Buildings and improvements	-	4,046,252	4,046,252
Equipment and vehicles	-	516,065	516,065
Net Pension Asset	-	301,523	301,523
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Plan	-	162,488	162,488
TOTAL ASSETS AND DEFERRED OUTFLOWS	6,536,901	5,092,709	11,629,610
<u>LIABILITIES</u>			
Accounts Payable	5,049	-	5,049
Total Liabilities	5,049	-	5,049
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Property Taxes	1,790,689	-	1,790,689
Pension Plan	-	23,746	23,746
Total Deferred Inflows of Resources	1,790,689	23,746	1,814,435
<u>FUND BALANCE/NET POSITION</u>			
Fund Balances:			
Restricted for TABOR emergencies	107,254	(107,254)	-
Unassigned	4,633,909	(4,633,909)	-
Total Fund Balance	4,741,163	(4,741,163)	-
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 6,536,901		
Net Position:			
Investment in capital assets		4,628,698	4,628,698
Restricted for emergencies		107,254	107,254
Restricted for pensions		440,265	440,265
Unrestricted		4,633,909	4,633,909
		\$ 9,810,126	\$ 9,810,126

See Accompanying Notes to Financial Statements.

GALETON FIRE PROTECTION DISTRICT

STATEMENT OF GENERAL FUND REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

Year Ended December 31, 2016	General Fund	Adjustments	Statement of Activities
Revenue:			
General property taxes	\$ 3,038,905	\$ -	\$ 3,038,905
Specific ownership taxes	173,574	-	173,574
Interest earnings	6,346	-	6,346
Sale of building	311,243	(198,670)	112,573
Other	45,080	-	45,080
Total Revenue	3,575,148	(198,670)	3,376,478
Expenditures:			
Current Operating:			
Administration	282,592	(110,200)	172,392
Fire fighting and emergency response	85,160	-	85,160
Fire apparatus	2,454	-	2,454
Fire station and buildings	42,491	-	42,491
Capital outlay	2,556,435	(2,546,702)	9,733
Depreciation	-	180,935	180,935
Total Expenditures	2,969,132	(2,475,967)	493,165
Revenue Over Expenditures/ Change in Net Position			
	606,016	2,277,297	2,883,313
Fund Balances/Net Position, Beginning of Year	4,135,147	2,791,666	6,926,813
Fund Balances/Net Position, End of Year	\$ 4,741,163	\$ 5,068,963	\$ 9,810,126

See Accompanying Notes to Financial Statements.

GALETON FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON STATEMENT

Year Ended December 31, 2016	Actual	Original and Final Budget	Variance
Revenue:			
General property taxes	\$ 3,038,905	\$ 3,044,262	\$ (5,357)
Specific ownership taxes	173,574	250,000	(76,426)
Interest earnings	6,346	6,000	346
Sale of buildings	311,243	-	311,243
Other	45,080	-	45,080
Total Revenue	3,575,148	3,300,262	274,886
Expenditures:			
Administration:			
Directors' fees	3,900	8,000	4,100
Office payroll	11,831	25,000	13,169
Board secretary stipend	750	3,000	2,250
Board treasurer stipend	750	3,000	2,250
Fire chief fees	814	-	(814)
Office supplies	1,414	3,000	1,586
Internet	1,740	3,000	1,260
Professional services	61,236	15,000	(46,236)
Insurance	20,381	20,000	(381)
County treasurer's fees	45,820	52,000	6,180
Retirement contributions - FPPA	102,201	100,000	(2,201)
Workers compensation	-	6,000	6,000
Payroll taxes	3,880	3,000	(880)
Officer stipends	750	3,000	2,250
Election	7,676	2,000	(5,676)
Miscellaneous	18,025	5,000	(13,025)
Utilities - Annex	1,424	4,000	2,576
Total Administration	282,592	255,000	(27,592)
Fire Fighting and Emergency Response:			
Physician advisor	200	500	300
Operating supplies	1,705	5,000	3,295
Medical supplies	3,047	3,000	(47)
Contributions to fire department	4,380	3,600	(780)
Pagers lease	3,433	5,000	1,567
Uniforms	2,407	5,000	2,593
Training	4,075	5,000	925
Response stipends	24,865	40,000	15,135
Equipment replacement	20,548	-	(20,548)
Fire chief salary	20,500	1,600	(18,900)
Total Fire Fighting	85,160	68,700	(16,460)
Fire Apparatus:			
Truck repairs	363	5,000	4,637
Fuel	2,091	7,000	4,909
Total Fire Apparatus	2,454	12,000	9,546

Continued on next page.

GALETON FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON STATEMENT - Continued

Year Ended December 31, 2016	Actual	Original and Final Budget	Variance
Expenditures - Continued:			
Fire Station and Buildings:			
Building Improvements	\$ 11,754	\$ 2,000	\$ (9,754)
Janitorial and maintenance	2,839	36,000	33,161
Telephone	3,497	2,500	(997)
Electricity	5,617	5,000	(617)
Propane	18,784	7,000	(11,784)
Total Fire Station and Buildings	42,491	52,500	10,009
Capital Outlay:			
Radios	-	20,000	20,000
Bunker gear and boots	67	20,000	19,933
Equipment	81,659	200,000	118,341
Maintenance equipment	1,116	-	(1,116)
Furnishings	-	150,000	150,000
Building construction	2,473,593	3,000,000	526,407
Total Capital Outlay	2,556,435	3,390,000	833,565
Total Expenditures	2,969,132	3,778,200	809,068
Revenue Over Expenditures	606,016	(477,938)	1,083,954
Fund Balance, January 1, 2016	4,135,147	4,135,147	-
Fund Balance, December 31, 2016	\$ 4,741,163	\$ 3,657,209	\$ 1,083,954

See Accompanying Notes to Financial Statements.

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Galeton Fire Protection District (the District or GFPD) conform to generally accepted accounting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity:

The financial report of the District includes all of the integral parts of the District's operations. The District has determined that it has no financial accountability for any other agency which would require it to be in the reporting entity.

Government-wide and Fund Financial Statements:

The District reports as a special purpose government engaged in a single governmental program. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

Separate financial statements are provided for the government fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued:

Property taxes and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District.

Capital Assets:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Acquisitions of capital assets are recorded as capital outlay expenditures within the General Fund. Depreciation has been provided on capital assets, using straight line methods over the useful lives of the assets (building 40 years, trucks 20 years, large equipment 10 years and small equipment 5 years). The District's capitalization level is \$1,000.

Property Taxes:

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the same year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. The District uses the Weld County Treasurer to bill and collect its property taxes. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible. Taxes levied in December 2016 are recorded as taxes receivable and unearned revenue as of December 31, 2016.

The original January 1, 2016 levy for the General Fund of the District was 4.096 mills or approximately \$3,044,262.

Budget:

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with the Local Government Budget Law. The budget is prepared on a basis consistent with generally accepted accounting principles for all funds. The fund level of classification is the level at which expenditures may not legally exceed appropriations. All annual appropriations lapse at year end.

The Board is authorized to transfer budgeted amounts within departments of each fund. Any revisions that alter the total appropriation for each department must be approved by the Board through a supplemental appropriation resolution. There were no supplemental appropriations in 2016.

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition and construction of those assets. Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Equity:

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally restricted by law or outside parties for use for specific purposes.

Restrictions for the District are recorded up to the maximum equity available in the fund balance and consist of:

Restricted for Emergencies:

These restrictions are established to comply with TABOR. Recorded TABOR emergency reserves at December 31, 2016 are \$107,254.

Assigned fund balances, if any, are amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official to which the Board delegates authority. Restricted funds are considered to be spent first, followed by assigned and unassigned, for an expenditure for which any could be used.

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of net 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 future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of net 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Pensions:

GFPD participates in an agent defined benefit pension fund administered by the Fire and Police Pension Association of Colorado (FPPA). The net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of GASB Statement No. 68 and GASB Statement No. 71:

As of January 1, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense.

NOTE 2 - Capital Assets:

	Balance, 1/1/16	Additions	Deletions/ Reclass.	Balance, 12/31/16
Land and Improvements	\$ 79,713	\$ --	\$ (13,332)	\$ 66,381
Buildings and Improvements	276,724	2,473,124	1,400,712	4,150,560
Equipment and Vehicles	1,038,049	73,578	--	1,111,627
Construction in Progress	1,675,985	--	(1,675,985)	--
Total Capital Assets	3,070,471	2,546,702	(288,605)	5,328,568
Less Accumulated Depreciation:				
Building and Improvements	90,225	104,018	(89,935)	104,308
Equipment and Vehicles	518,645	76,917	--	595,562
Total Accumulated Depreciation	608,870	180,935	(89,935)	699,870
Capital Assets, Net	\$ 2,461,601	\$ 2,365,767	\$ (198,670)	\$ 4,628,698

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - Cash and Investments:

The District's bank accounts at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

NOTE 4 – Volunteer Pension Plan:

The District's defined benefit pension plan for volunteers provides retirement and disability benefits and death benefits to plan members and beneficiaries. The plan is affiliated with the Fire and Police Member's Benefit Fund, an agent multiple-employer pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. Title 31, Article 30 of the Colorado Revised Statutes assigns the authority to establish and amend the benefit provisions of the plans that participate in FPPA to the respective member entities. FPPA issues a publicly available financial report that includes financial statements and required supplementary information for the Fire and Police Member's Benefit Fund. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Englewood, Colorado 80111, or by calling 1-800-332-FPPA.

At December 31, 2016, pension plan membership consisted of 12 active members and 13 retired members.

Contribution requirements of the District are established under Title 31, Article 30 of the Colorado Revised Statutes. The plan is noncontributory regarding participants. Districts are allowed to levy up to a 1 mill property tax to provide pension contributions and may also contribute other revenues. Contributions to the plan for the year ended December 31, 2016 included \$6,741 from State of Colorado matching and \$102,201 of property taxes levied by the District.

At December 31, 2016, GFPD reported an asset of \$301,523 for its net pension asset. The net pension asset 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, 2016.

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan – Continued:

For the year ended December 31, 2016, GFPD recognized pension income of \$7,999. At December 31, 2016, GFPD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 23,746
Net difference between projected and actual earnings on pension plan investments	60,287	--
Contributions subsequent to the measurement date	102,201	--
Total	\$ 162,488	\$ 23,746

Deferred outflows of resources related to pensions of \$102,201, resulting from contributions subsequent to the measurement date, will be recognized as an addition to the net pension asset in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2017	\$ 8,532
2018	8,532
2019	8,531
2020	10,946
	\$ 36,541

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

Actuarial assumptions: The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	3.0 percent
Retirement age	50% per year of eligibility until 100% at age 65
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.5 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with blue collar adjustment.

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 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.

The Plan's 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 return, net of investment expense and inflation) were developed for each major asset class. These ranges were 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 then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Volunteer Pension Plan - Continued:

Asset Class	Target Allocation	Long-term Expected Rate of Return
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%
Total	100%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.5 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at the actuarially recommended rates.

Sensitivity of the GFPD net pension asset to changes in the discount rate: The following presents the net pension asset calculated using the discount rate of 7.5 percent, as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

December 31, 2016	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension asset	\$ 210,388	\$ 301,523	\$ 378,243

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - Contingencies:

In 1992 the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Included in the accompanying financial statements are emergency reserves of at least 3% of fiscal year spending.

In 2002, the electors of the District voted to supersede TABOR and to collect, retain, and expend the full proceeds of all taxes, fees, and other revenue without increasing or adding taxes of any kind, and to retain the existing mill levy of 6.0. However, the District has applied a temporary 2.0 mill levy reduction.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The District purchases commercial insurance for risks of loss in excess of deductible amounts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 6 – Reconciliation Between General Fund Balance Sheet and the Statement of Net Position:

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

December 31, 2016	
Fund balance of General Fund	\$ 4,741,163
Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund	4,628,698
Deferred inflows and outflows for pensions	138,742
Net Pension Asset	301,523
Total Net Position	\$ 9,810,126

GALETON FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the General Fund to the Statement of Activities:

<u>Year Ended December 31</u>	<u>2016</u>
Net change in fund balance – General Fund	\$ 606,016
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
The general fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay and gain on sale of assets exceeded depreciation expense in the current year.	2,167,097
The General Fund reports District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.	110,200
<u>Change in Net Position of Governmental Activities</u>	<u>\$ 2,883,313</u>

GALETON FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions

Year Ended December 31	Actuarially Required Contributions	Contributions Made	Contribution Deficiency
2016	\$ 16,723	\$ 102,201	-
2015	16,723	250,406	-

Methods and Assumptions Used:

Actuarial cost method: Entry age
Amortization method: Level dollar-open
Remaining amortization period: 20 years
Asset valuation method: 5 year smoothed fair value
Inflation: 3.0%
Benefit increase: None
Investment return: 7.5%

Schedule of Changes in Net Pension Liability

December 31	2016	2015
Total Pension Liability:		
Annual Service Cost	\$ 9,848	\$ 8,925
Interest on the Total Pension Liability	63,659	59,985
Benefit Changes	-	87,237
Difference between expected experience and actual	-	(38,138)
Benefit Payments	(68,150)	(70,750)
Total Pension Liability - Beginning	877,413	830,154
Total Pension Liability - Ending	\$ 882,770	\$ 877,413
Plan Fiduciary Net Position:		
Contributions - District	\$ 257,147	\$ 212,000
Contributions - State Match	6,741	6,741
Net Investment Income	14,857	50,798
Administrative Costs	(3,825)	(1,503)
Benefit Payments	(68,150)	(70,750)
Net Change	206,770	197,286
Plan Fiduciary Net Position - Beginning	977,523	780,237
Plan Fiduciary Net Position - Ending	\$ 1,184,293	\$ 977,523
District Net Pension Asset	\$ 301,523	\$ 100,110
Percentage of Net Pension Asset	134%	111%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.