

**Grand Lake Fire Protection District**  
**FINANCIAL STATEMENTS**  
**With Independent Auditor's Report**  
**December 31, 2016**



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**Grand Lake Fire Protection District**

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Certified Public Accountants and Business Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Grand Lake Fire Protection District  
Grand County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand Lake Fire Protection District (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 of Grand Lake Fire Protection District, as of December 31, 2016, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi and the pension liability information on pages 31 through 33 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 required supplementary information on pages i through vi 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.

The required supplementary information on pages 31 through 33 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Danner Higgs & Associates, PC*

Lakewood, Colorado  
September 29, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Grand Lake Fire Protection District (the District) financial statements for the year ended December 31, 2016 provides a narrative overview of the District's financial activities. Please consider the information here in conjunction with the accompanying financial statements and notes to the financial statements.

### Financial Highlights

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$5,243,983 (net position) for the year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,962,281.
- Total net position at December 31, 2016 was comprised of the following:
  1. Net investment in capital assets of \$1,661,248 includes property and equipment, net of accumulated depreciation and reduced by outstanding balances of long-term debt attributable to the acquisition of those assets.
  2. Net position of \$22,600 restricted for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado.
  3. Net pension asset – FPPA statewide defined benefit plan of \$688,893 representing the net pension asset related to the firefighter pension.
  4. Unrestricted net position of \$2,871,242 representing the portion available to maintain the District's continuing obligations to citizens and creditors.
- The District's governmental activities reported a total ending fund balance of \$2,799,015 at December 31, 2016. This compares to the prior year ending fund balance of \$2,698,521 showing an increase of \$100,494 during the current year.
- Effective January 1, 2015, the District and all other state and local governments throughout the nation that provide their employees with pension benefits, are required to apply GASB Statement No. 68 to their financial statements. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit pension plan and a volunteer pension plan that is an agent multiple-employer defined benefit plan both administered by the Colorado Fire and Police Pension Association (FPPA). It is important to note that the District does not have a responsibility to pay the amount shown as the District's net pension liability related to the volunteer pension plan nor is the pension asset related to the defined benefit pension plan controlled by the District. The District's liability is limited to the annually required contributions established by the State Legislature. In addition, the District does not have any control over the investment policies associated with FPPA investments. These responsibilities lie solely with the FPPA board and administration. Decisions regarding the plan benefit and design and the funding policies lie solely with the State Legislature. Please refer to Note 7 within the Notes to Financial Statements section of this report starting on page 21.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Overview of the Financial Statements

*Management's Discussion and Analysis* introduces the District's basic financial statements. The District's basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The District also includes in this report additional information to supplement the basic financial statements.

**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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the District's capital assets in addition to the financial information provided in this report.

The *Statement of Activities* presents information showing how the District's net position changed during the current 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. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the District that are principally supported by property taxes. Governmental activities of the District include general government, fire suppression, fire prevention and training, communications and vehicles & equipment operations.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The basic financial statements of the District are presented as a special purpose government engaged in governmental type activities providing fire protection services to District residents.

*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. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

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

A budgetary comparison statement is included in the basic financial statements for the general fund. This statement demonstrates compliance with the District's adopted and final revised budget.

**Notes to the Financial Statements.** The accompanying notes to the financial statements provide additional information essential to a full understanding of the government-wide and fund financial statements.

**Financial Analysis of the District as a Whole**

The following table provides a summary of the District's net position at December 31:

	<b>Net Position</b>	
	<u><b>Governmental Activities</b></u>	
	<u><b>2016</b></u>	<u><b>2015</b></u>
Current assets	\$ 3,873,203	\$ 3,771,559
Capital assets, net	3,171,248	3,345,220
Net pension asset - FPPA	688,893	822,027
Total assets	<u>7,733,344</u>	<u>7,938,806</u>
Deferred outflows of resources	<u>185,349</u>	<u>56,679</u>
Current liabilities	22,135	24,081
Long-term liabilities	1,576,948	1,945,482
Total liabilities	<u>1,599,083</u>	<u>1,969,563</u>
Deferred inflows of resources	<u>1,075,627</u>	<u>1,063,641</u>
Net position:		
Net investment in capital assets	1,661,248	1,431,412
Restricted	711,493	913,584
Unrestricted	2,871,242	2,617,285
Net position	<u>\$ 5,243,983</u>	<u>\$ 4,962,281</u>

The District has 32% of its net position invested in capital assets (e.g., property, plant, and equipment); less any related debt used to acquire those assets that is still outstanding. The

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

District uses these capital assets to provide services to citizens; consequently, this net position is not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,746,211 (55%) may be used to meet the District's ongoing obligations to citizens and creditors.

The following table provides a summary of the District's changes in net position for the year ended December 31:

	<b>Governmental Activities</b>	
	<b>For the Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Revenues		
Program revenues		
Capital grants and contributions	\$ 1,661	\$ -
Charges for services	108,370	146,784
General revenues		
Property taxes	1,053,206	1,042,629
Specific ownership taxes	64,354	50,397
Interest and other	62,398	33,748
Total revenues	<u>1,289,989</u>	<u>1,273,558</u>
Expenses		
General government	151,171	67,424
Public safety	813,224	806,304
Interest on long-term debt	43,892	51,474
Total expenses	<u>1,008,287</u>	<u>925,202</u>
Change in net position	<u>281,702</u>	<u>348,356</u>
Net position - beginning (restated)	<u>4,962,281</u>	<u>4,613,925</u>
Net position - ending	<u><u>\$ 5,243,983</u></u>	<u><u>\$ 4,962,281</u></u>

Property tax and specific ownership tax revenues make up 87% of government-wide revenue and increased \$24,534 in 2016 over 2015.

The major expenses of the District's government-wide activities include general government (15%), public safety (81%) and interest on long-term debt (4%). Total expenses increased \$97,280 (10.5%) in 2016 from 2015.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of December 31, 2016, the District's general fund reported an ending fund balance of \$2,731,382, an increase of \$99,120 in comparison with the prior year.

**Budgetary Highlights**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The Board of Directors can only amend appropriation resolutions upon completion of notification and publication requirements.

Actual total revenues in the general fund exceeded budgeted revenues by \$131,335, and expenditures in 2016 were lower than budgeted expenditures by \$14,100.

**Capital Asset and Debt Administration**

*Capital Assets.* The District's investment in capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2016, was \$3,148,950.

**Capital assets, net of Depreciation**

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Land, building and improvements	\$ 2,673,870	\$ 2,755,595
Equipment	497,378	589,625
Total	<u>\$ 3,171,248</u>	<u>\$ 3,345,220</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

*Debt Administration.* The following table summarizes the District's long-term obligations.

**Long-Term Debt**

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
General obligation bonds	\$ 1,510,000	\$ 1,860,000
Compensated absences	31,674	31,674
Total	<u>\$ 1,541,674</u>	<u>\$ 1,891,674</u>

**Economic Environment and Next Year's Budgets and Rates**

As a result of the economic downturn of 2009, many special districts across Colorado experienced a decline in assessed values between 2011 and 2014. Property values appear to be recovering and the District experienced only a very slight increase in assessed valuation of \$247,240 from 2015 to 2016. As a result, the District is anticipating tax revenue in 2017 that is very similar to 2016. The District's 2017 operating budget, excluding capital outlay, is expected to be comparable to that of 2016, allowing current services and staffing to be maintained to the best of the District's ability. The District is focused on maintaining its operating reserves to allow for future capital replacements through continued conservative budgeting and spending.

**Requests for Information**

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Chief Mike Long  
Grand Lake Fire Protection District  
PO Box 1408  
201 W. Portal Road  
Grand Lake, CO 80447

## **BASIC FINANCIAL STATEMENTS**

**Grand Lake Fire Protection District**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 2,702,434
Cash and investments - restricted	102,862
Accounts receivable	6,733
Receivable - County Treasurer	5,013
Property taxes receivable	1,056,161
Capital assets, net	3,171,248
Net pension asset	688,893
<b>Total assets</b>	<b>7,733,344</b>
 <b>Deferred Outflows of Resources</b>	
Loss on refunding	11,348
Pension related amounts	174,001
<b>Total deferred outflows of resources</b>	<b>185,349</b>
 <b>Liabilities</b>	
Accounts payable	6,219
Accrued liabilities	11,808
Accrued interest payable	4,108
Noncurrent liabilities	
Due within one year	360,000
Due in more than one year	1,216,948
<b>Total liabilities</b>	<b>1,599,083</b>
 <b>Deferred inflows of resources</b>	
Property tax revenue	1,056,161
Pension related amounts	19,466
<b>Total deferred inflows of resources</b>	<b>1,075,627</b>
 <b>Net position</b>	
Net investment in capital assets	1,661,248
Restricted	
Emergency reserve	22,600
Net pension asset - FPPA statewide defined benefit plan	688,893
Unrestricted	2,871,242
<b>Total net position</b>	<b>\$ 5,243,983</b>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Grand Lake Fire Protection District**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2016

<b>Functions/Programs:</b>	<b>Program Revenues</b>			<b>Net (Expense)</b>	
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Revenue and Change in Net Position</b>	
<b>Primary government</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
General government	\$ (151,171)	\$ -	\$ -	\$ -	\$ (151,171)
Public safety	(813,224)	108,370	-	1,661	(703,193)
Interest on long-term debt	(43,892)	-	-	-	(43,892)
Total primary government	<b>\$ (1,008,287)</b>	<b>\$ 108,370</b>	<b>\$ -</b>	<b>\$ 1,661</b>	<b>\$ (898,256)</b>
<b>General Revenues:</b>					
					1,053,206
					64,354
					15,805
					46,593
					<b>1,179,958</b>
					<b>Change in net position</b> 281,702
					<b>Net position - beginning</b> 4,962,281
					<b>Net position - ending</b> \$ 5,243,983

*The accompanying Notes to Financial Statements are an integral part of these statements.*

Grand Lake Fire Protection District

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 2,702,434	\$ -	\$ 2,702,434
Cash and investments - restricted	22,600	80,262	102,862
Accounts receivable	6,733	-	6,733
Receivable - County Treasurer	5,013	-	5,013
Due from other fund	12,629	-	12,629
Property taxes receivable	626,298	429,863	1,056,161
<b>Total assets</b>	<u>\$ 3,375,707</u>	<u>\$ 510,125</u>	<u>\$ 3,885,832</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	6,219	-	6,219
Accrued liabilities	11,808	-	11,808
Due to other fund	-	12,629	12,629
<b>Total liabilities</b>	<u>18,027</u>	<u>12,629</u>	<u>30,656</u>
<b>Deferred inflows of resources</b>			
Property tax revenue	626,298	429,863	1,056,161
<b>Total deferred inflows of resources</b>	<u>626,298</u>	<u>429,863</u>	<u>1,056,161</u>
<b>Fund balance</b>			
Restricted for emergencies	22,600	-	22,600
Restricted for debt service	-	67,633	67,633
Assigned for subsequent year's expenditures	273,052	-	273,052
Unassigned	2,435,730	-	2,435,730
<b>Total fund balances</b>	<u>2,731,382</u>	<u>67,633</u>	<u>2,799,015</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 3,375,707</u>	<u>\$ 510,125</u>	<u>\$ 3,885,832</u>
Total fund balance			\$ 2,799,015
Amounts reported for governmental activities in the statement of net position are different because:			
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:			
Capital assets, net of accumulated depreciation			3,171,248
Net pension asset - FPPA statewide defined benefit plan			688,893
Deferred outflows and inflows of resources that represent acquisition or consumption of net position that applies to future periods and, therefore, are not reported in the funds:			
Deferred Outflows - pension related			174,001
Deferred Inflows - pension related			(19,466)
Long-term liabilities, including general obligation bonds and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds			(1,510,000)
Bond premium			(35,274)
Accrued interest payable			(4,108)
Deferred loss on refunding			11,348
Compensated absences			(31,674)
Net position of governmental activities			<u>\$ 5,243,983</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**Grand Lake Fire Protection District**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2016**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 624,695	\$ 428,511	\$ 1,053,206
Specific ownership tax	64,354	-	64,354
Investment income	14,092	1,713	15,805
Charges for services	108,370	-	108,370
Other income	48,254	-	48,254
<b>Total revenues</b>	<b>859,765</b>	<b>430,224</b>	<b>1,289,989</b>
<b>Expenditures</b>			
Current			
Treasurer's fees	31,307	21,475	52,782
Administration	93,058	-	93,058
Salaries and benefits	522,020	-	522,020
Fire operations	109,129	-	109,129
Capital outlay	5,131	-	5,131
Debt service			
Principal	-	350,000	350,000
Interest	-	57,175	57,175
Paying agent fees	-	200	200
<b>Total expenditures</b>	<b>760,645</b>	<b>428,850</b>	<b>1,189,495</b>
<b>Net change in fund balance</b>	<b>99,120</b>	<b>1,374</b>	<b>100,494</b>
<b>Fund balances - beginning</b>	<b>2,632,262</b>	<b>66,259</b>	<b>2,698,521</b>
<b>Fund balances - ending</b>	<b>\$ 2,731,382</b>	<b>\$ 67,633</b>	<b>\$ 2,799,015</b>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Grand Lake Fire Protection District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2016**

Net change in fund balance - total governmental funds	\$ 100,494
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital expenditures	5,131
Depreciation expense	(179,103)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension expense	(8,103)
Bond principal payments	350,000
Amortization of deferred loss on refunding	(5,964)
Amortization of bond premium	18,534
Change in accrued interest payable	713
Change in net position of governmental activities	\$ 281,702

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Grand Lake Fire Protection District**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**GENERAL FUND**

For the Year Ended December 31, 2016

	<b>Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 625,030	\$ 624,695	\$ (335)
Specific ownership tax	45,000	64,354	19,354
Interest income	40,000	14,092	(25,908)
Charges for services	-	108,370	108,370
Other income	18,400	48,254	29,854
<b>Total revenues</b>	<u>728,430</u>	<u>859,765</u>	<u>131,335</u>
<b>EXPENDITURES</b>			
Treasurer's fees	31,600	31,307	293
Administration	48,300	93,058	(44,758)
Salaries and benefits	507,250	522,020	(14,770)
Fire operations	97,595	109,129	(11,534)
Contingency/reserves	90,000	-	90,000
<b>Total expenditures</b>	<u>774,745</u>	<u>760,645</u>	<u>14,100</u>
<b>Net change in fund balance</b>	(46,315)	99,120	145,435
<b>Fund balance - beginning</b>	<u>2,661,331</u>	<u>2,632,262</u>	<u>(29,069)</u>
<b>Fund balance - ending</b>	<u><u>\$ 2,615,016</u></u>	<u><u>\$ 2,731,382</u></u>	<u><u>\$ 116,366</u></u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

## Grand Lake Fire Protection District

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

#### **Note 1 – Reporting entity**

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Grand County, Colorado.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

#### **Note 2 – Summary of significant accounting policies**

The more significant accounting policies of the District are described as follows:

##### **Government-wide and fund financial statements**

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 District. The Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District is reported as net position.

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

Separate financial statements are provided for governmental funds.

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

**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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has 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.

Expenditures, other than interest on long-term obligations, generally are recorded when a liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government.

The debt service fund is used to account for resources accumulated and payments for principal and interest on long-term debt.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, including reimbursements, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Investments**

Investments for the District are reported at fair value.

## Grand Lake Fire Protection District

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

#### Property taxes

Property taxes are levied based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

#### Receivables

Receivables are reported at original value net of estimated uncollectible amounts. Management believes all receivables are collectible as of December 31, 2016.

#### Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column of the government-wide financial statements. Capital assets are defined by the District as those assets with a cost of \$5,000 or greater and a life of 5 years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Buildings and improvements	20-50 years
Vehicles	10-20 years
Equipment	5-10 years

#### Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Personal leave

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

benefits are accrued as a liability when the benefits are earned for services rendered at is probable that the District will compensate the employee for the benefits earned. Employees are compensated for unused personal leave at the time of termination of employment, at their current pay rate.

**Long-term obligations, bond premium, deferred refunding amounts, and debt issuance costs**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Bond premiums and deferred refunding amounts are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Debt issuance costs are recognized as an expense during the period of issuance.

In the fund financial statements, bond premiums and debt issuance costs are recognized during the period of issuance.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows represent consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources until the future period(s).

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows represent acquisitions of net position that applies to a future period(s) and will not be recognized as an inflow of resources until the future period(s).

**Fund balances**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

**Grand Lake Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2016**

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when expenditure is incurred, it is the District's policy to use the most restrictive classification first.

**Grand Lake Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2016**

At December 31, 2016, the District had \$22,600 restricted by legislation (for emergencies), and \$67,633 restricted for debt service.

The District had assigned fund balance of \$273,052 for subsequent year's expenditures.

The remaining fund balance is considered by the District to be unassigned. At December 31, 2016, the District had an unassigned fund balance in the general fund of \$2,435,730.

**Budgets**

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

The District incurred expenditures in excess of appropriations for the year ended December 31, 2016, by \$75, in the Debt Service Fund, which may be in violation of the Local Government Budget Law.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2016 statement of net position as follows:

Cash and investments	\$ 2,702,434
Cash and investments-restricted	102,862
	<u>\$ 2,805,296</u>

**Deposits with financial institutions**

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. As of December 31, 2015, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. 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 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Custodial credit risk - deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. None of the District's deposits at December 31, 2015 were exposed to credit risk.

As of December 31, 2016, the District's bank balances and carrying balances were insured or collateralized as follows:

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

Bank balances:	
Federally insured	\$ 159,583
Collateralized	-
Total bank balances	<u>\$ 159,583</u>
Carrying balances:	
Federally insured	\$ 155,427
Collateralized	-
Total carrying balances	<u>\$ 155,427</u>

**Investments**

The District has not adopted a formal investment policy but follows state statutes regarding investments.

The District primarily limits its investments to money market funds, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain securities lending agreements
- Certain certificates of participation
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

**Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized costs.

The District has invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

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

<u>Investment</u>	<u>Maturity</u>	
U.S. government/agency securities	Less than 5 years	\$ 2,316,749
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	333,120
Total investments		<u>\$ 2,649,869</u>

**U.S. Government and U.S. Government Agency Securities**

As of December 31, 2016, the District invested \$2,316,749 in U.S. Government agency securities rated AA+ by Fitch and Aaa by Moody's. These investments are valued using Level 1 inputs.

**COLOTRUST**

During 2016 and 2015, the District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

**Cash and investments - restricted**

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish emergency reserves (see Note 9). At December 31, 2016, \$22,600 of cash and investments were restricted in compliance with this requirement.

**Note 4 – Capital assets**

An analysis of the changes in capital assets for the year ended December 31, 2016 are as follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Capital assets not being depreciated				
Land	\$ 90,115	\$ -	\$ -	\$ 90,115
Capital assets being depreciated				
Building and improvements	3,794,700	-	-	3,794,700
Vehicles	1,835,466	-	-	1,835,466
Equipment	379,645	5,131	-	384,776
Total capital assets being depreciated	<u>6,009,811</u>	<u>5,131</u>	<u>-</u>	<u>6,014,942</u>
Less accumulated depreciation for				
Building and improvements	1,129,220	81,725	-	1,210,945
Vehicles	1,290,991	78,940	-	1,369,931
Equipment	334,495	18,438	-	352,933
Total accumulated depreciation	<u>2,754,706</u>	<u>179,103</u>	<u>-</u>	<u>2,933,809</u>
Total capital assets being depreciated, net	<u>3,255,105</u>	<u>(173,972)</u>	<u>-</u>	<u>3,081,133</u>
Total capital assets, net	<u>\$ 3,345,220</u>	<u>\$ (173,972)</u>	<u>\$ -</u>	<u>\$ 3,171,248</u>

Depreciation expense of \$179,103 for the year ended December 31, 2016 was charged to the Public Safety function.

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

**Note 5 – Long-term obligations**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
General Obligation Bonds, Series 2011	\$ 1,860,000	\$ -	\$ (350,000)	\$ 1,510,000	\$ 360,000
Compensated absences	31,674	-	-	31,674	-
	<u>\$ 1,891,674</u>	<u>\$ -</u>	<u>\$ (350,000)</u>	1,541,674	<u>\$ 360,000</u>
Bond premium				35,274	
				<u>\$ 1,576,948</u>	

**General Obligation Refunding Bonds, Series 2011**

On May 17, 2011, the District issued \$3,460,000 in general obligation bonds for the purpose of refunding all of its Series 2000 and Series 2001 general obligation bonds. Interest rates range from 2.25% to 4.00%. The Bonds were sold at a premium of \$161,514. On May 17, 2011, \$3,535,000 was placed in escrow to provide for all future payments of the refunded bonds. As of December 31, 2016, \$11,348 remained representing the unamortized difference between the amount placed in escrow and the amount of total loss deferred. The Bonds mature on December 1, 2020, with principal payments due December 1 each year and interest payments due June 1 and December 1 each year.

**Future long-term debt obligations**

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2016 were as follows:

<u>Year ending December 31,</u>	Principal	Interest	Total
2017	\$ 360,000	\$ 49,300	\$ 409,300
2018	365,000	38,500	403,500
2019	385,000	27,550	412,550
2020	400,000	16,000	416,000
Total	<u>\$ 1,510,000</u>	<u>\$ 131,350</u>	<u>\$ 1,641,350</u>

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

**Debt authorization**

At December 31, 2016 the District had no authorized but unissued indebtedness.

**Note 6 – Net position**

The District reports net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of leases, bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

As of December 31, 2016 the District had net investment in capital assets of \$1,661,248.

Restricted net position is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2016, the District had restricted net position for emergencies (Note 9) of \$22,600 and \$688,893 related to the net pension asset.

The District had unrestricted net position of \$2,871,242 as of December 31, 2016.

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

**Note 7 – Pension plans**

**Statewide Defined Benefit Plan**

Plan Description and Provisions

The District contributes to the Statewide Defined Benefit Plan (SDBP), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (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 of the SDBP 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.

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

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

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 a least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contributions rates for the SDBP are set by state

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

Members of the SDBP and their employers are contributing at the rate of 8.5% and 8%, respectively, of base salary for a total contribution rate of 16.5% through 2015. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase .5% annually 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 20.5% of base salary through 2015. 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 .5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24% in 2022. Contributions to the pension plan from the District were \$20,824 for the year ended December 31, 2016.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported a net pension asset of \$1,034 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2015, the District's proportion was .05870%, which was an increase of .00009% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$2,179. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 7,550	\$ 1,102
Changes of assumptions or other inputs	14,662	-
Net difference between projected and actual earnings on pension plan investments	42,135	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	3,603	-
Contributions subsequent to the measurement date	<u>20,824</u>	<u>-</u>
Total	<u>\$ 88,774</u>	<u>\$ 1,102</u>

\$20,824 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended 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:

<u>Year ended December 31:</u>	
2017	\$ 13,247
2018	13,247
2019	13,247
2020	13,247
2021	2,714
Thereafter	<u>11,145</u>
Total	\$ <u>66,848</u>

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

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 years
Investment Rate of Return*	7.5%
Projected Salary Increases*	4.0% - 14.0%
Cost of Living Adjustments (COLA)	0.0%
*Including Inflation at	2.5%

For determining the total pension liability, the RP-2014 Mortality Tables for Clue Collar Employees, projected with Scale BB, 55 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-2014 Mortality Table for Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

For determining the actuarially determined contributions, 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 and Police Pension Association's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumption. The recommendations were made by the FPPA'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, 2016 and were used in the roll forward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

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:

Asset Class	Target Allocation	Long-Term Expected Real 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%
Totals	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contribution 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 SDBP 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.

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the 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 3.57% (based on the weekly rate closet 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%.

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Proportionate share of the net pension liability (asset)	144,966	(1,035)	(122,138)

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

**Statewide Death and Disability Plan**

*Plan Description*

The Statewide Death and Disability Plan (Plan) is a cost-sharing multiple-employer defined benefit death and disability plan covering full-time employees of substantially all fire and police departments in Colorado. As of August 1, 2003, the Plan may include part-time employees. Contributions to the Plan are used solely for the payment of death and disability benefits. The Plan assets are included in the Fire & Police Members' Benefit Investment Fund.

Plan benefits provide 24-hour coverage, both on and off duty and are available for members not eligible for normal retirement under a defined benefit plan, or members who have not met 25 years of accumulated service and age 55 under a money purchase plan.

## Grand Lake Fire Protection District

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2016

In the case of an on-duty death, benefits may be payable to the surviving spouse and/or dependent children of active members who were eligible to retire, but were still working. On-duty death and disability benefits are free from state and federal taxes in the event that a member's disability is determined to be the result of an on-duty injury or an occupational disease.

This plan is reported by FPPA as an Other Post-Employment Benefit (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by FPPA.

#### *Funding Policy*

Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. In 1997 the State made a one-time contribution of \$39,000,000 to fund past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated. Members hired on or after January 1, 1997, began contributing 2.4 percent of base salary to this Plan as of January 1, 1997. The contributions increased to 2.6 percent of base salary as of January 1, 2007. This percentage can vary depending on actuarial experience. The percentage contribution may either be paid entirely by the employer or member, or it may be split between the employer and the member. This District contributes the full 2.6% of covered salary for each eligible member. Member contributions to the Statewide Death and Disability Plan are not required.

For the years ended December 31, 2016, the District contributed \$6,768 to the plan.

#### **Volunteer Pension Fund**

##### Plan Descriptions and Provisions

The District, on behalf of its volunteer firefighters, contributes to a single-employer defined benefit pension plan (the Plan). The plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the Pension Fund Board of Trustees. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions for such plans. The Plan is included as a Pension Trust fund of the District and the Pension Trust does not issue separate statements.

##### Employees Covered by Benefit Terms

As of the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

Retirees and Beneficiaries			12
Inactive, Nonretired Members			2
Active Members			5
Total			19

*Benefits provided.* The Plan provides retirement, survivor, death and funeral benefits. Retirement benefit for a member is \$900 a month for 20 or more years of service. Those members with a minimum of 10 years of service receive \$45.00 per month for every year of service. Survivor's death benefits range from \$450 monthly benefit payment to 50 percent of normal benefit depending on different variables. Funeral benefit to the family members is a one-time payment of \$1,400.

*Funding policy.* The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The Actuarial study as of January 1, 2015, indicated that the current level of contributions to the fund are adequate to support, on an actuarially sound basis, the prospective benefits for the present plan.

There were no contributions to the plan from the District or the State of Colorado for the year ended December 31, 2016.

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

At December 31, 2016, the District reported a net pension asset of \$687,859. The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

For the year ended December 31, 2016, the District recognized pension expense of \$4,819. At December 31, 2016, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan		
Investments	80,013	-
<b>Total</b>	<b>\$ 80,013</b>	<b>\$ -</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Amounts
2017	\$ 20,523
2018	20,523
2019	20,523
2020	18,446
<b>Total</b>	<b>\$ 80,013</b>

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on contribution rates as of January 1 of odd years and used for two fiscal years.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Open*
Remaining Amortization Period	20 years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	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

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

Disabled: RP-2000 Disabled Mortality Table

All tables projected with Scale AA.

\*Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

The assumptions shown above pertain to the actuarial valuation as of January 1, 2013 and the associated Actuarially Determined Contribution for the year ending December 31, 2015. Following a regularly scheduled experience study in 2015, the board adopted a new assumption set for first use in the January 1, 2016 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 2, 107 Volunteer valuations.

The primary changes, which can be observed in the January 1, 2017 valuation, as compared to the assumptions shown are as follows:

Inflation	3.00%
Mortality:	Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Police experience.
	Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.
	Disabled: RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

*Single Discount rate*

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (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%.

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

Changes in the Net Pension Liability

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.00 %	6.50 %
Equity Long/Short	10.00 %	4.70 %
Illiquid Alternatives	20.00 %	8.00 %
Fixed Income	16.00 %	1.50 %
Absolute Return	11.00 %	4.10 %
Managed Futures	4.00 %	3.00 %
Cash	2.00 %	0.00%
Total	<u>100.00 %</u>	

*Sensitivity of the net pension liability to the changes in the discount rate.* The following table presents the net pension liability of the District, calculated using the discount rate of 7.50%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's Net Pension Liability	<u>\$ 511,231</u>	<u>\$ 687,859</u>	<u>\$ 838,035</u>

**Grand Lake Fire Protection District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2016**

**Note 8 – Risk management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**Note 9 – Tax, spending and debt limitations**

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

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

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

On May 5, 1998, the District voters authorized the District to collect, retain and spend the full amount of the revenues generated from the present property tax levy and all other sources, without regard to limitation under Article X, Section 20 of the Colorado Constitution, during 1997 and each subsequent year. The ballot issue prohibits increases in the District's present mill levy without approval of the electors of the District.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

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**REQUIRED SUPPLEMENTAL INFORMATION**

**Grand Lake Fire Protection District  
Volunteer Firefighter's Pension Fund**

**Schedule of Changes in Net Pension Liability and Related Ratios**

	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 7,752	\$ 6,213
Interest	85,797	68,349
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	(17,946)
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(83,420)	(87,780)
Net Change in Total Pension Liability	<u>10,129</u>	<u>(31,164)</u>
Total Pension Liability - Beginning of Year	<u>920,197</u>	<u>951,361</u>
Total Pension Liability - End of Year	<u>930,326</u>	<u>920,197</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	-	-
Contributions - Employee	-	-
Net Investment Income	30,228	110,504
Benefit Payments, Including Refunds of Employee Contributions	(83,420)	(87,780)
Administrative Expenses	(4,707)	(2,905)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>(57,899)</u>	<u>19,819</u>
Plan Fiduciary Net Position - Beginning of Year	<u>1,676,084</u>	<u>1,656,265</u>
Plan Fiduciary Net Position - End of Year	<u>1,618,185</u>	<u>1,676,084</u>
Net Pension Liability - End of Year	<u>\$ (687,859)</u>	<u>\$ (755,887)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	173.94%	182.14%
Covered Employee Payroll	N/A	N/A
District's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A

**Grand Lake Fire Protection District**

**Volunteer Firefighter's Pension Fund  
Schedule of District Contributions  
Last Ten Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,780	\$ 63,360	\$ 66,780	\$ 66,780
Contributions in Relation of the Actuarially Determined Contribution	-	-	-	-	-	-	30,780	63,360	66,780	6,670
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Covered-Employee Payroll N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A

Contributions as a Percentage of Covered Employee Payroll N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A

Notes to Schedules

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1 of odd numbered years and used for two fiscal years

Methods and Assumptions Used to Determine the Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 Years
Asset Valuation Method	5-Year smoothed fair value
Inflation	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 Table.

Other information All tables projected with Scale AA.

**Grand Lake Fire Protection District  
FPPA Statewide Defined Benefit plan**

**Schedule of the District's Proportionate Share of the Net Pension Asset**

	2015	2014	2013
District's proportion of the net pension liability (asset)	0.05870%	0.05861%	0.06345%
District's proportionate share of the net pension liability (asset)	(1,035)	(66,140)	(77,820)
District's covered payroll	260,296	274,113	382,426
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.004)%	(16.68)%	(20.35)%
Plan fiduciary net position as a percentage of the total pension liability	100.10%	140.60%	139.00%

\*The amounts presented for year fiscal year were determined as of December 31.

**Schedule of District Contributions**

	2016	2015	2014	2013
Contractually Required Contribution	\$ 20,824	\$ 21,929	\$ 21,084	\$ 22,047
Contributions in Relation to the Contractually Required Contribution	20,824	21,929	21,084	22,047
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 260,296	\$ 274,113	\$ 263,550	\$ 275,588
Contributions as a Percentage of Covered Payroll	8%	8%	8%	8%

\*The amounts presented for year fiscal year were determined as of December 31.

**SUPPLEMENTAL INFORMATION**

**Grand Lake Fire Protection District**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**DEBT SERVICE FUND**

For the Year Ended December 31, 2016

	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 428,748	\$ 428,511	\$ (237)
Interest income	1,000	1,713	713
<b>Total revenues</b>	<u>429,748</u>	<u>430,224</u>	<u>476</u>
<b>EXPENDITURES</b>			
Treasurer's fees	21,600	21,475	125
Bond principal	350,000	350,000	-
Bond interest	57,175	57,175	-
Paying agent fees	-	200	(200)
<b>Total expenditures</b>	<u>428,775</u>	<u>428,850</u>	<u>(75)</u>
<b>Net change in fund balance</b>	973	1,374	401
<b>Fund balance - beginning</b>	<u>66,171</u>	<u>66,259</u>	<u>88</u>
<b>Fund balance - ending</b>	<u>\$ 67,144</u>	<u>\$ 67,633</u>	<u>\$ 489</u>