

**Grand Fire Protection District No.1
Grand County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditors' Report

December 31, 2016



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Grand Fire Protection District No.1

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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Grand Fire Protection District No. 1
Grand County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grand Fire Protection District No. 1 (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 the Grand Fire Protection District No. 1, as of December 31, 2016, and the respective changes in financial position, 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.

I

Barnes Griggs & Associates, PC

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 III through IX and pension liability information on pages 31-32 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 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.

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 on page 33 is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such 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.

Lerner Higgs & Associates, PC

Lakewood, Colorado
July 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Grand Fire Protection District No.1's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,605,982 (net position). Of this amount, \$2,060,204 (unrestricted net position) may be used to meet the District's ongoing obligations to its citizens and creditors.
- The District's total net position increased by \$104,669 over the prior fiscal year. The increase is primarily due to debt reduction.
- Total governmental funds revenue increased \$75,228 from the prior year, primarily due to an increase in firefighting deployment revenue.
- General fund expenditures increased by \$242,804 from the prior year, primarily due to the replacement and purchases of capital assets including new apparatus and the acquisition of land for the future construction of a North Station.
- The general fund ending fund balance was \$2,827,918, a decrease of \$360,579 from the prior 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 administered by the Colorado Fire and Police Pension Association. 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. The District's direct 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 design and the funding policies lie solely with the State Legislature. Please refer to Note 8 within the Notes to Financial Statements section of this report starting on page 9

Overview of the Financial Statements

Grand Fire Protection District No.1's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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, deferred inflows of resources, liabilities, and deferred outflows 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 is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent 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.

The governmental activities of the District include fire, rescue and emergency services within its boundaries. In addition, the District maintains mutual aid and automatic aid agreements with adjacent fire protection districts. Other activities include fire prevention and fire safety education, fire training, fire inspections and plan reviews.

The government-wide financial statements can be found on pages 1-2 of this report.

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. Grand Fire Protection District No.1, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 the District'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 activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District'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.

Grand Fire Protection District No. 1 maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

for the general fund and the debt service fund, both of which are considered to be major funds.

The District adopts an annual appropriated budget for each of the funds described above. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-8 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 9-24 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information. Budget comparisons for the debt service fund can be found on page 26 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of Grand Fire Protection District No.1, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,605,982 at the close of the most recent fiscal year.

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

Net Position

	Governmental Activities	
	2016	2015
Current assets	\$ 4,231,530	\$ 4,642,842
Capital assets	7,477,791	7,452,462
Total assets	11,709,321	12,095,304
Deferred outflows of resources	440,408	455,014
Current liabilities	498,166	476,401
Long-term obligations	4,995,547	5,437,217
Total liabilities	5,493,713	5,913,618
Deferred inflows of resources	1,050,034	1,135,387
Net position:		
Invested in capital assets, net of related debt	3,176,116	2,692,982
Restricted	369,662	373,672
Unrestricted	2,060,204	2,434,659
Net position	\$ 5,605,982	\$ 5,501,313

The District has 57% 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 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 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,060,204 (37%) may be used to meet the District's ongoing obligations to citizens and creditors.

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

Activities	For the Years Ended December 31,	
	2016	2015
Revenues		
Program revenues		
Operating grants and contributions	\$ 26,371	\$ 18,731
General revenues		
Property taxes	1,101,836	1,090,378
Specific ownership taxes	68,327	68,483
Fire impact fees	24,568	12,957
Interest and other	72,506	27,831
Total revenues	1,293,608	1,218,380
Expenses		
General and administrative	371,975	358,309
Pension contribution/expense	101,360	26,052
Operating and communications	110,427	90,084
Repairs, maintenance and other	95,124	154,626
South (Red Dirt) Station annual contribution	25,000	25,000
Grant expenditures	25,351	5,000
Depreciation and amortization	282,368	282,368
Bond interest expense and related debt service costs	177,334	188,722
Total expenses	1,188,939	1,130,161
Change in net position	104,669	88,219
Net position - beginning	5,501,313	6,445,707
Restatement (related to pension adjustments)	-	(1,032,613)
Net position - ending	\$ 5,605,982	\$ 5,501,313

Financial Analysis of the Government's Funds

As noted earlier, Grand Fire Protection District No.1 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, unreserved 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 governmental funds reported a combined ending fund balance of \$3,115,841, a decrease of \$328,706 in comparison with the prior year. The general fund balance decreased \$360,579 while the debt service fund balance increased \$31,873 during 2016.

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

General Fund 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.

General fund revenues were more than budgeted by \$70,063. General Fund expenditures were less than budgeted by \$256,955 primarily related to the amounts budgeted for capital expenditures for District projects not expended during 2016.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for governmental activities as of December 31, 2016 amounts to \$7,452,462 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, furniture and equipment.

Capital Assets, net of Depreciation

	December 31,	
	2016	2015
Land and improvements	\$ 1,149,262	\$ 1,149,262
Construction in process	103,195	84,248
Buildings and improvements	4,648,522	4,691,523
Vehicles	1,382,794	1,413,547
Equipment	194,018	113,882
Total	<u>\$ 7,477,791</u>	<u>\$ 7,452,462</u>

Additional information relating to the District's capital assets activity can be found in Note 4 of this report.

Debt Administration. As of December 31, 2016, the District had general obligation bonded debt outstanding of \$4,220,000.

Additional detail on the District's debt is in Note 5 of this report.

Economic Factors and Next Year's Budget

New growth is expected to be slow throughout the District during 2017. Conservative budgeting and spending will continue. The District continues to work on the construction of a North Station. The 2017 budget includes capital expenditures related to the purchase of a new apparatus. General fund revenues budgeted for 2017 will not be sufficient to fund budgeted expenditures. Thus, \$512,405 is budgeted to be drawn from the general fund balance in 2017. Bond fund revenues will be sufficient to support debt service requirements in 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Additional revenue sources will be sought in 2017, including, but not limited to; 1) code enforcement fees, 2) regional and national wildland fire deployments of apparatus and personnel, 3) response reimbursement, and 4) state and federal grant funding.

Requests for Information

This financial report is designed to provide a general overview of Grand Fire Protection District No.1'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 financial information should be addressed to:

Ronald D. Thompson, Fire Chief and District Administrator
Grand Fire Protection District No. 1
P.O. Box 338
Granby, Colorado 80446
(970) 887-3380
grandfire@grandfire.org

BASIC FINANCIAL STATEMENTS

Grand Fire Protection District No.1
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 2,801,601
Cash and investments - restricted	369,662
Prepaid expenses	17,122
Property taxes receivable	1,043,145
Capital assets, not being depreciated	1,252,457
Capital assets, being depreciated, net	6,225,334
Total assets	11,709,321
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	175,184
Cost of refunding	265,224
Total deferred outflows of resources	440,408
LIABILITIES	
Accounts payable	7,867
Interest payable - bonds	12,421
Funds held in agency-South Station	64,677
Net pension liability - FPPA	1,107,073
Long-term debt	
Due within one year	413,201
Due in more than one year	3,888,474
Total liabilities	5,493,713
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	6,889
Deferred property taxes	1,043,145
Total deferred inflows of resources	1,050,034
NET POSITION	
Investment in capital assets, net of related debt	3,176,116
Restricted for:	
Emergencies	20,500
Fire impact expenditures	61,239
Debt service	287,923
Unrestricted	2,060,204
Total net position	\$ 5,605,982

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

Grand Fire Protection District No.1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 2,801,601	\$ -	\$ 2,801,601
Cash and investments - restricted	81,739	\$ 287,923	369,662
Prepaid expenses	17,122	-	17,122
Property taxes receivable	541,574	501,571	1,043,145
Total assets	3,442,036	789,494	4,231,530
LIABILITIES			
Accounts payable	7,867	-	7,867
Funds held in agency - South Station	64,677	-	64,677
Total liabilities	72,544	-	72,544
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	541,574	501,571	1,043,145
Total deferred inflows of resources	541,574	501,571	1,043,145
FUND BALANCES			
Nonspendable:			
Prepays	17,122	-	17,122
Restricted for:			
Debt Service	-	287,923	287,923
Emergency reserves	20,500	-	20,500
Fire impact expenditures	61,239	-	61,239
Assigned for:			
Funds held in Agency	64,677	-	64,677
Subsequent year expenditures	512,405	-	512,405
Unassigned	2,151,975	-	2,151,975
Total fund balances	2,827,918	287,923	3,115,841
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,442,036	\$ 789,494	

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	7,477,791
Deferred outflows and inflows of resources that represent acquisition or consumption of net position that applies to future periods and, therefore, and not reported in the funds.	
Deferred outflows - pension plan	175,184
Deferred inflows - pension plan	(6,889)
Deferred loss on refunding, net	265,224
Long-term liabilities, including bonds payable and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable, net	(4,301,675)
Net pension liability - pension plan	(1,107,073)
Accrued interest payable	(12,421)

Net position of governmental activities	\$ 5,605,982
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The accompanying Notes to Financial Statements are an integral part of these statements.

Grand Fire Protection District No.1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds

For the year ended December, 31, 2016

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
General property taxes	\$ 529,735	\$ 572,101	\$ 1,101,836
Specific ownership taxes	32,832	35,495	68,327
Fire impact fees	24,568	-	24,568
Grant revenue	25,222	-	25,222
Contributions	1,150	-	1,150
Interest income	22,316	2,683	24,999
Other	47,506	-	47,506
Total revenues	683,329	610,279	1,293,608
EXPENDITURES			
Human Resources	273,509	-	273,509
Administration	98,466	-	98,466
Pension contribution	108,333	-	108,333
Operations	96,555	-	96,555
Grants	25,351	-	25,351
Communications	13,872	-	13,872
Facility Expenses	62,897	-	62,897
Equipment Repair and Maintenance	32,227	-	32,227
South Station	25,000	-	25,000
Capital expenditures	307,698	-	307,698
Debt Service			
Principal	-	440,000	440,000
Interest and other	-	138,406	138,406
Total expenditures	1,043,908	578,406	1,622,314
Net change in fund balance	(360,579)	31,873	(328,706)
FUND BALANCES - Beginning of year (restated)	3,188,497	256,050	3,444,547
FUND BALANCES - End of year	\$ 2,827,918	\$ 287,923	\$ 3,115,841

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

Grand Fire Protection District No.1
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	\$	(328,706)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital expenditures, net		307,697
Depreciation expense		(282,368)
<p>The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Bond principal payments		440,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.</p>		
Amortization of bond premium		17,805
Amortization of cost of refunding		(57,818)
Pension expense		6,974
Interest expense - change in accrued interest		1,085
		1,085
Change in net position of governmental activities	\$	104,669

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

Grand Fire Protection District No.1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
General Fund

For the year ended December, 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
General property taxes	\$ 537,266	\$ 529,735	\$ (7,531)
Specific ownership taxes	30,000	32,832	2,832
Interest income	16,000	22,316	6,316
Fire Impact	25,000	24,568	(432)
Grant revenue	-	25,222	25,222
Contributions	-	1,150	1,150
Other	5,000	47,506	42,506
Total revenues	613,266	683,329	70,063
EXPENDITURES			
Human Resources			
Administration salaries	220,000	211,183	8,817
Payroll taxes	7,700	7,316	384
Payroll benefits	55,000	54,428	572
Payroll expenses	200	185	15
Recruitment and incentives	1,000	397	603
Total general	283,900	273,509	10,391
Administration			
Legal, accounting and audit	18,000	10,527	7,473
County Treasurer fees	26,863	26,488	375
Office and miscellaneous	6,000	5,163	837
Dues and subscriptions	4,700	5,479	(779)
Insurance	36,000	34,512	1,488
Outside services and agreements	6,600	3,547	3,053
Professional development	7,000	4,724	2,276
Elections	3,000	1,726	1,274
Directors fees	6,500	6,300	200
Total administration	114,663	98,466	16,197
Contribution to South Station	25,000	25,000	-
Pension Contribution	\$ 100,000	\$ 108,333	\$ (8,333)

(continued)

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

Grand Fire Protection District No.1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
General Fund
(continued)
For the year ended December, 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operations			
Gas and oil	\$ 13,000	\$ 8,284	\$ 4,716
Supplies	10,000	14,126	(4,126)
Training	18,500	7,286	11,214
Prevention	7,000	5,905	1,095
Resident Program	3,000	1,793	1,207
Volunteer fund transfer	-	25,077	(25,077)
Grant expenditures	-	25,351	(25,351)
Uniforms	7,000	7,457	(457)
Wildland deployment	5,000	20,762	(15,762)
Firefighter incentives	10,000	5,865	4,135
Total fire fighting	73,500	121,906	(48,406)
Communication			
Telephone	5,800	5,720	80
Website and social media	1,000	435	565
Dispatch	7,500	7,449	51
Maintenance	500	268	232
Total communication	14,800	13,872	928
Facility Expenses			
Outside service	10,000	10,096	(96)
Supplies	8,000	5,434	2,566
Office equipment	2,000	6,185	(4,185)
Utilities	43,000	41,182	1,818
Total building repair and maintenance	63,000	62,897	103
Equipment Repair and Maintenance			
Outside service	14,000	18,899	(4,899)
Parts and supplies	7,000	13,328	(6,328)
Total equipment repair and maintenance	\$ 21,000	\$ 32,227	\$ (11,227)

(continued)

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

Grand Fire Protection District No.1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
General Fund
(continued)
For the year ended December, 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Capital Expenditures			
Equipment	\$ 40,000	\$ 29,905	\$ 10,095
North Station construction	50,000	85,646	(35,646)
Building and property	60,000	63,641	(3,641)
Apparatus	300,000	81,810	218,190
Disaster reserve fund	10,000	-	10,000
Fire impact fees	75,000	46,696	28,304
Total capital expenditures	<u>535,000</u>	<u>307,698</u>	<u>227,302</u>
Contingency	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>1,280,863</u>	<u>1,043,908</u>	<u>236,955</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(667,597)	(360,579)	307,018
FUND BALANCES - Beginning of year	<u>3,339,399</u>	<u>3,188,497</u>	<u>(150,902)</u>
FUND BALANCES - End of year	<u>\$ 2,671,802</u>	<u>\$ 2,827,918</u>	<u>\$ 156,116</u>

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

Grand Fire Protection District No.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 1 – Reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in 1951, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District provides fire protection and responds to various emergency situations in a 150 square mile area within the Granby, Colorado region.

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 except for the fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and inter-governmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) 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 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, internally dedicated revenues, and other items not properly included among program revenues are reported instead as general revenues.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

Separate financial statements are provided for governmental funds. 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 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 and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue 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 paid.

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, except those required to be accounted for in another fund.

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest, and are being accumulated for principal and interest maturing in future years.

Grand Fire Protection District No.1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2016

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.

Pooled cash and investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments for the District are reported at fair value.

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 in the year they are levied and measurable. The deferred inflows are recorded as revenue in the year they are available or collected.

Capital assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities of the government-wide financial statements at cost, net of accumulated depreciation. Capital assets are defined by the District as those assets with a cost of \$1,000 or greater and an estimated life in excess of three years. 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. Interest incurred during the construction phase

Grand Fire Protection District No.1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

of capital assets is not included as part of the capitalized value of the assets constructed.

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

Buildings	30-50 years
Vehicles	10-20 years
Furniture and fixtures	5 years
Equipment	10 years

Compensated absences

The District does not have a standard policy related to compensated absences for its employees; rather it negotiates this benefit on an individual basis. The District has not calculated the potential future liability for these individual arrangements. However, management believes that the total liability for compensated absences is immaterial to the financial statements.

Long-term debt

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

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

Fund Balances

In the fund financial statements the following classifications describe the relative strength of the spending constraints.

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.

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NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2016

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 an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

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.

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 and liabilities and disclosures of contingent assets and liabilities 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 Fire Protection District No.1
NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2016

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2016 financial statements as follows:

	Governmental
Cash and investments	\$ 2,801,601
Cash and investments - restricted	369,662
Total cash and investments	\$ 3,171,263

Cash and investments as of December 31, 2016 consisting of the following:

	Governmental
Deposits with financial institutions	\$ 2,740,334
Investments	430,929
Total cash and investments	\$ 3,171,263

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, 2016, 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 to 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.

At December 31, 2016, the District's cash deposits had bank balances of \$2,768,169 and carrying balances of \$2,740,334.

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 adopted a deposit policy, which follows state statutes, for custodial credit risk. As of December 31, 2016, the District's bank balances and carrying balances were insured or collateralized as follows:

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

Bank balances:	
Federally insured	\$ 2,506,906
Collateralized	<u>261,263</u>
Total bank balances	<u>\$ 2,768,169</u>

Carrying balances:	
Federally insured	\$ 2,506,906
Collateralized	<u>233,428</u>
Total carrying balances	<u>\$ 2,740,334</u>

Investments

The District's investment policy follows state statutes regarding investments. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the District. 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.

The District primarily limits its investments to local government investment pools, 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 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 certificates of participation
- Certain securities lending agreements
- 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 Fire Protection District No.1

**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, recorded at fair value:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ 430,929

COLOTRUST

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 investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard & Poor's.

Cash and investments - restricted

At December 31, 2016, \$61,239 of cash and investments in the Governmental Funds were restricted for fire impact expenditures (see Note 10). \$287,923 of Governmental

Grand Fire Protection District No.1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

Funds cash and investments were restricted for future payment of bond principal, interest and related costs.

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish emergency reserves (see Note 13). At December 31, 2016, \$20,500 of Governmental Funds 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 follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Capital assets, not being depreciated				
Land and improvements	\$ 1,149,262	\$ -	\$ -	\$ 1,149,262
Construction in progress	84,248	85,646	66,699	103,195
	<u>1,233,510</u>	<u>85,646</u>	<u>66,699</u>	<u>1,252,457</u>
Capital assets being depreciated				
Buildings and improvements	5,709,246	63,640	-	5,772,886
Vehicles	3,007,464	113,395	-	3,120,859
Furniture and fixtures	45,334	3,987	-	49,321
Equipment	461,480	107,728	-	569,208
Total capital assets being depreciated	<u>9,223,524</u>	<u>288,750</u>	<u>-</u>	<u>9,512,274</u>
Less accumulated depreciation for				
Buildings and improvements	1,017,723	106,641	-	1,124,364
Vehicles	1,593,917	144,148	-	1,738,065
Furniture and fixtures	45,334	-	-	45,334
Equipment	347,598	31,579	-	379,177
Total accumulated depreciation	<u>3,004,572</u>	<u>282,368</u>	<u>-</u>	<u>3,286,940</u>
Total capital assets being depreciated, net	<u>6,218,952</u>	<u>6,382</u>	<u>-</u>	<u>6,225,334</u>
Capital assets, net	<u>\$ 7,452,462</u>	<u>\$92,028</u>	<u>\$66,699</u>	<u>\$ 7,477,791</u>

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NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2016

Depreciation expense of \$282,368 for 2016 was included in the expenses of the primary government on the statement of activities.

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 payable					
Series 2012	\$ 4,660,000	\$ -	\$ 440,000	\$ 4,220,000	\$450,000
Total bonds payable	4,660,000	-	440,000	4,220,000	450,000
Premium	99,480	-	17,805	81,675	16,375
Cost of bond refunding	(323,042)	-	(57,818)	(265,224)	(53,174)
Total long-term obligations	<u>\$ 4,436,438</u>	<u>\$ -</u>	<u>\$ 399,987</u>	<u>\$ 4,036,451</u>	<u>\$413,201</u>

A description of long-term obligations outstanding as of December 31, 2016 is as follows:

\$5,260,000 of General Obligation Bonds, Series 2012 dated August 24, 2012

The bonds were issued in the amount of \$5,260,000 due through May 15, 2024, with interest rates of 2.0% to 3.0%. The bonds were issued primarily to refund the Series 2004 Bonds and to pay costs of issuance. Principal and interest are payable semi-annually on November 15 and May 15. The 2012 Series bonds are subject to redemption prior to maturity. The 2012 Series Bonds currently have a rating by Fitch of AA-.

The bonds are secured by the District's full faith and credit. All taxable property within the boundaries of the District is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds when due.

The District issued the 2012 bonds to achieve a net present value benefit of \$457,283 over the term of the bonds.

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NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2016

The District's long-term obligations will mature as follows:

Year Ended December 31	Principal	Interest	Total
2017	\$450,000	\$ 100,750	\$ 550,750
2018	460,000	91,750	551,750
2019	475,000	77,950	552,950
2020	485,000	68,450	553,450
2021	495,000	58,750	553,750
2022-2025	1,855,000	104,875	1,959,875
	<u>\$ 4,220,000</u>	<u>\$ 502,525</u>	<u>\$ 4,722,525</u>

Debt authorization

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

Note 6 – Net position

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had invested in capital assets, net of related debt calculated as follows:

Capital assets, net	\$ 7,477,791
Current portion of outstanding long-term obligations	(413,201)
Noncurrent portion of outstanding long-term obligations	<u>(3,888,474)</u>
Net investment in capital assets	<u>\$ 3,176,116</u>

Grand Fire Protection District No.1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

Restricted assets include net position that 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 as follows:

Emergencies (Note 13)	\$ 20,500
Fire impact expenditures (Note 10)	61,239
Debt service (Note 5)	<u>287,923</u>
Total restricted net position	<u>\$ 369,662</u>

The District had unrestricted net position of \$2,060,204 and total net position of \$5,605,982 as of December 31, 2016.

Note 7 – Related party transactions

During 2016, the District carried out transactions with companies owned by firefighters/board members totaling \$1,498. In addition, the board also paid vendors that have firefighters/board members as employees with transactions totaling \$28,015 during 2016. The board feels these transactions are priced competitively and are accurately characterized as “arms length” transactions.

Note 8 – Firefighters pension plan

The District contributes to the Grand Fire Protection District No. 1 Volunteer Pension Fund for the District's volunteer firefighters, which is a defined benefit pension plan. During 2001, the assets of the plan were transferred to an agent multiple-employer Public Employee Retirement System (PERS) affiliated with Colorado Fire and Police Pension Association (FPPA). The assets of the plan are pooled with other affiliated members for administration and investment purposes. The plan is not separately reported except as presented in the financial statements of the District. FPPA issues a publicly available annual financial report that includes the assets of the District's plan. The report may be obtained by calling FPPA at 303-770-3772 in the Denver Metro Area, or at 1-800-332-FPPA (3772) from outside the metro area. The report may also be accessed at www.fppa.org (employer tab).

The plan is administered by a Board of Trustees composed of the District board members and active or retired volunteer firefighters directed in accordance with Colorado Statutes.

Plan members are not required to contribute. The District's required contributions are established by the FPPA based on the retirement benefits determined by the District. The State of Colorado contributes a minimum of 90% of the District's contribution or 1/2 of one mill of the District's assessed valuation, up to a maximum of their matching

Grand Fire Protection District No.1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

contribution in 2001. During 2016, the District contributed \$108,333 to the plan. The State contributed an additional \$31,557.

Retirement, disability and death benefits are paid in accordance with the plan provisions established by the Board of Trustees. Full retirement may commence when the retiree has twenty years of qualified service and is at least 50 years of age. Spouses of deceased firefighters may receive a portion of the current pension benefits.

During 2016, the District paid \$202,650 in pension payments. As of December 31, 2014 (the date of the latest valuation), there were 31 active members. In addition there were 29 retired members and beneficiaries and 2 inactive, non-retired members.

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 liability of \$1,077,724 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net liability was based on a projection of the District's long-term share of distributions of the pension plan relative to the projected distributions of all participating employers, actuarially determined.

At December 31, 2015, the District's proportion was 0.1688% of total employee contributions.

For the year ended December 31, 2016, the District recognized pension expense of \$26,052. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 299,058	\$ -
Changes in assumptions	-	-
Net difference between actual and projected earnings on pension plan investments	7,874	-
Total	\$ 306,932	\$ -

Grand Fire Protection District No.1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

Actuarial Assumptions

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

Investment rate of return	7.50%
Projected salary increases	N/A
Cost of living adjustment	N/A
Inflation	3.00%

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with scale AA, 40 percent multiplier for off-duty mortality.

Sensitivity of Net Pension Liability/(Asset) to the Single Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.5%, 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%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability/(asset)	\$ 1,319,950	\$ 1,077,724	\$ 873,171

Pension Plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the FPPA's comprehensive annual report which can be obtained at <http://www.fppaco.org/annual-reports.html>.

Grand Fire Protection District No.1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2016

Note 9 – 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 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.

Grand Fire Protection District No.1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2016

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 \$14,313 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 \$603 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 .03420%, which was an increase of .00766% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$7,340. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2016

	<u>Deferred</u> <u>Outflows</u> of <u>Resources</u>	<u>Deferred</u> <u>Inflows</u> of <u>Resources</u>
Difference between expected and actual experience	\$ 4,877	\$ 554
Changes of assumptions or other inputs	9,471	-
Net difference between projected and actual earnings on pension plan investments	30,176	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	19,391
Contributions subsequent to the measurement date	14,313	-
Total	\$ 58,837	\$ 19,945

\$14,313 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:

Year ended December 31:	
2017	\$ 6,985
2018	6,985
2019	6,985
2020	6,395
2021	(707)
Thereafter	(2,064)
Total	\$ 24,579

Actuarial assumptions. The total pension asset in the December 31, 2015 actuarial valuation was determined using the following actuarial valuation was determined using

Grand Fire Protection District No.1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

the following actuarial assumptions, applied to all periods included in the measurement:

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.

Grand Fire Protection District No.1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

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%	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	<u>100%</u>	

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).

Grand Fire Protection District No.1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

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%.

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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (asset)	84,467	(603)	(71,166)

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.

Note 9 – Deferred compensation plan

The District established a deferred compensation plan pursuant to Internal Revenue Code Section 457, which is being administered by the FPPA. The District has no administration or trustee responsibilities for this plan. Neither the assets nor corresponding liabilities of this plan are reflected in these financial statements. During 2016, the District’s employees contributed \$24,723 to the Plan.

Note 10 – Joint construction and facility use agreement

Grand Fire Protection District No. 1 and East Grand Fire Protection District No. 4 entered into a Joint Construction and Facility Use Agreement on June 27, 2006. The Districts agreed to share equally, the construction costs and future operating and maintenance costs of a regional response facility (known as the “South Station” or “Red Dirt Station”) in Grand County. The Districts have been utilizing this facility since then, providing living quarter to active firefighters and responding to emergencies in both Districts, improving response times and increasing manpower on scene.

Grand Fire Protection District No.1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2016

Land valued at \$150,000 was donated by the YMCA of the Rockies for the South Station site. The Districts contributed \$270,000 each toward construction. The facility is being operated now by a joint management committee made up of two members from each District's board. The Districts will rotate responsibility for management of the facility. The completed construction cost of \$1,075,603 is divided equally between the assets of both districts.

Note 11 – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or volunteers; and natural disasters. The District carries commercial coverage of these risks of loss. Claims have not exceeded coverage in any of the last three fiscal years.

Note 12 – Tax, spending and debt limitation

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 November 6, 2001, registered electors of the District passed an issue allowing the District, in the year 2002 and each subsequent year thereafter, to collect, retain, and expend the full proceeds of the District's fees, taxes, non-federal grants, and other revenues and to spend such revenue for debt service, District operations, capital projects, and any other lawful District purpose, notwithstanding any State of Colorado restrictions on revenues or spending including the restrictions of Article X, Section 20, of the Colorado Constitution, the revenue limitations in Section 29-1-301 of the Colorado Revised Statutes or any other law.

On May 4, 2004 the District voters approved a mill levy override to provide funds for District operations, allowing the District to levy up to 0.850 mills for such purposes.

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,

Grand Fire Protection District No.1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016

including interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

Note 13 – Restatement to financial statements

In 2016 the Volunteer Fire Department became a nonprofit (501(c)(3)) organization and was divested from the District's financial statements. As a result, the District's beginning general fund balance and net position were each reduced by \$17,873.

REQUIRED SUPPLEMENTARY INFORMATION

**GRAND FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE FIRE AND POLICE PENSION PLAN (FPPA)**

	<u>2015</u>	<u>2014</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY		
District's Proportion of the Net Pension Liability	0.16880000%	0.16880000%
District's Proportionate Share of the Net Pension Liability	\$ 1,077,424	\$ 1,124,744
District's Covered-Employee Payroll	N/A	N/A
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.47%	

**GRAND FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE FIRE AND POLICE PENSION PLAN (FPPA)**

	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 95,040	\$ 110,004
Contributions in Relation to the Statutorily Required Contribution	<u>95,040</u>	<u>110,004</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A

These schedules are presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years information is available.

GRAND FIRE PROTECTION DISTRICT NO. 1
Schedule of the District's Proportionate Share of the Net Pension Asset
Last Three Fiscal Years

	2015	2014
District's proportion of the net pension liability (asset)	0.034204%	0.026539%
District's proportionate share of the net pension liability (asset)	(603)	(29,952)
District's covered-employee payroll	165,814	119,350
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.0036)%	(00.25)%
Plan fiduciary net position as a percentage of the total pension liability	100.10%	106.80%

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

Schedule of District Contributions
Last Eight Fiscal Years

	2016	2015	2014
Contractually Required Contribution	14,313	\$ 13,265	\$ 9,548
Contributions in Relation to the Contractually Required Contribution	14,313	13,265	9,548
Contribution Deficiency (Excess)		\$ -	\$ -
District's Covered-Employee Payroll	\$ 178,917	\$ 165,814	\$ 119,350
Contributions as a Percentage of Covered Employee Payroll	8%	8%	8%

*The amounts presented for year fiscal year were determined as of December 31. Information for fiscal years 2006 - 2008 was unavailable.

SUPPLEMENTAL INFORMATION

Grand Fire Protection District No.1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
Debt Service Fund

For the year ended December, 31, 2016

	Original and Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES			
General property taxes	\$ 580,248	\$ 572,101	\$ (8,147)
Specific ownership taxes	-	35,495	35,495
Interest income	-	2,683	2,683
Total revenues	<u>580,248</u>	<u>610,279</u>	<u>30,031</u>
EXPENDITURES			
Debt service			
Principal	440,000	440,000	-
Interest	109,550	109,550	-
County Treasurer Fees	29,012	28,606	406
Other	700	250	450
Total expenditures	<u>579,262</u>	<u>578,406</u>	<u>856</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>986</u>	<u>31,873</u>	<u>30,887</u>
FUND BALANCES - Beginning of year	<u>206,933</u>	<u>256,050</u>	<u>129,638</u>
FUND BALANCES - End of year	<u>\$ 207,919</u>	<u>\$ 287,923</u>	<u>\$ 160,525</u>