

**Kremmling Fire Protection District
Kremmling, Colorado
Financial Statements**

December 31, 2016



**Kremmling Fire Protection District
Financial Statements
December 31, 2016**

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MCMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Kremmling Fire Protection District
Kremmling, Colorado**

We have audited the accompanying financial statements of Kremmling Fire Protection District, as of and for the year ended December 31, 2016, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kremmling Fire Protection District as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Kremmling Fire Protection District
Kremmling, Colorado

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in section B, and the Schedule of Employer's Proportionate Share of the Net Pension Liability / Asset and the Schedule of District Contributions in section E be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
July 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

KREMMLING FIRE PROTECTION DISTRICT KREMMLING FIRE DEPARTMENT

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Introduction

The Kremmling Fire Protection District's management discussion and analysis is intended to provide the reader and user of our financial statements with: (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual approved budgets and; (e) an assessment of any future financial or operating issues of the District.

This discussion and analysis is intended to focus on the activities for the year ended December 31, 2016. It should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements.

Overview of the Financial Statements

Government-Wide Financial Statements: These statements are on pages C1 and C2 of this report. They provide information about the District's financial position from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet / Statement of Net Position provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, with the difference between the two reported as the District's net position. The General Fund column provides the financial position looking at the short term available resources and is reported on the modified accrual basis of accounting. The Statement of Net Position provides the financial position looking at long term economic resources and is reported on a full accrual basis. Over time, comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving or deteriorating.

The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities provides information regarding the District's revenues and expenses / expenditures. The General Fund column focuses on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. The Statement of Activities column 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 the related cash flows.

Fund Financial Statements: Governmental funds are used to maintain control over resources that have been designated for specific activities or objectives. A fund is a group of related accounts used as resources for the purposes of the fund. Governmental funds focus on the near term inflows and outflows of spendable resources and the balance of those resources at year-end. The focus of governmental funds is narrower than government-wide financial statements so a comparison of information presented to help readers better understand the long-term impact of the near term financing and spending decisions.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements. The Notes to the Financial Statements are found in Section D of this report.

The District adopts a budget annually for its only governmental fund, the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget and is found in the Required Supplementary Information on pages E1 – E2. As required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27)*, the District’s pension liability related to the Volunteer Fire and Police Pension Plan, is found in the Required Supplementary Information on pages E3 - E4.

Financial Analysis of the District

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Assets: | | |
| Current and other assets | \$ 1,294,157 | \$ 1,341,206 |
| Capital assets | 1,499,546 | 1,407,157 |
| Total Assets | \$ 2,793,703 | \$ 2,748,363 |
| Deferred outflows of resources: | | |
| Debt issuance costs, net of accumulated amortization | \$ 69,975 | \$ 55,377 |
| Total Deferred outflows of resources | \$ 69,975 | \$ 55,377 |
| Liabilities: | | |
| Other liabilities | \$ 5,686 | \$ 9,478 |
| Long-term liabilities | 289,925 | 280,457 |
| Total Liabilities | \$ 295,611 | \$ 289,935 |
| Deferred inflows of resources: | | |
| Unavailable property tax revenue | \$ 386,188 | \$ 386,645 |
| Total Deferred inflows of resources | \$ 386,188 | \$ 386,645 |
| Net Position: | | |
| Net investment in capital assets | \$ 1,499,546 | \$ 1,407,157 |
| Restricted for emergencies | 15,000 | 13,000 |
| Unrestricted | 667,333 | 707,003 |
| Total Net Position | \$ 2,181,879 | \$ 2,127,160 |

Net position increased by \$54,719 to \$2,181,879 during 2016 due to an increase in assessed valuation. \$15,000 of net position is restricted for an emergency reserve in compliance with TABOR.

Cash and investments decreased by \$62,364 from the prior year. At December 31, 2016, cash and investments represent approximately 68% of the District’s current assets and approximately 32% of the District’s total assets.

Total liabilities increased by \$5,676 from the previous year, primarily due to the change in the net pension liability.

Net capital assets totaled \$1,499,546 at December 31, 2016, which represents approximately 69% of total net position. In 2016, capital assets increased by \$92,389 on a net basis. Capital assets of the District include land and improvements, buildings, vehicles, equipment, and assets under construction. These assets are used to provide fire protection and rescue services to its constituents; therefore, these assets are not available for future spending. The remaining unrestricted assets are for current expenditures and reserves for future capital expenditures and scheduled replacements of vehicles and equipment. The details of the changes to capital assets can be found in the Notes at section D.

Financial Analysis of the District (continued)

| | 2016 | 2015 |
|-------------------------------|---------------------|---------------------|
| Revenues: | | |
| Property taxes | \$ 388,082 | \$ 359,531 |
| Specific ownership taxes | 23,642 | 22,432 |
| Interest income | 5,036 | 3,333 |
| Grants | 1,496 | 4,256 |
| Out-of-District charges | 18,202 | 16,183 |
| Utility reimbursements | - | 150 |
| Firefighter funds | 3,933 | 4,762 |
| Other | 10,904 | 7,163 |
| Total Revenues | \$ 451,295 | \$ 417,810 |
| Expenses: | | |
| Administration | \$ 175,538 | \$ 145,474 |
| Building | 3,244 | 5,964 |
| Operations | 20,634 | 25,503 |
| Training | 4,544 | 2,824 |
| Vehicles | 12,751 | 19,207 |
| Utilities | 14,491 | 15,074 |
| Capital outlay | 1,485 | - |
| Treasurer's fees | 19,404 | 17,977 |
| Firefighter funds | 5,436 | 5,383 |
| Pension expense | 35,082 | 26,598 |
| Depreciation | 103,967 | 106,524 |
| Total Expenses | \$ 396,576 | \$ 370,528 |
| Change in Net Position | \$ 54,719 | \$ 47,282 |
| Net Position: | | |
| Beginning of the Year | 2,127,160 | 2,079,878 |
| End of the Year | \$ 2,181,879 | \$ 2,127,160 |

In 2016, revenues increased \$33,485 or 8% from 2015 levels. Property and specific ownership taxes represented 91% of the total revenues in 2016, the same percentage as in 2015. The increase in total revenue from the prior year was primarily due to an increase in property tax revenues caused by a higher assessed valuation and an increase in out-of-district response charges.

Financial Analysis of the District (continued)

Overall expenses of the District increased by \$26,048 or 7% in 2016 compared to 2015. Depreciation expenses of \$103,967 accounted for 26% of the District's expenses for 2016; payroll costs including salaries and benefits totaled \$118,036 or 30% of total expenses; payments to the volunteer firefighter pension plan were \$40,515 or 10% of total costs; and insurance expense of \$26,175 were 7% of total expenses.

Budgetary Analysis and Discussion

The District's General Fund balance decreased by \$42,800 in 2016 and increased by \$84,994 in 2015. The 2016 decrease in fund balance is the result of higher than budgeted capital outlay.

General Fund revenues for 2016 were \$16,930 favorable to budget, primarily due to specific ownership taxes, out-of-district charges and other income being higher than expected. Overall, General Fund revenues for 2016 increased \$33,485 from 2015.

General Fund expenditures were favorable to budget by \$418,200 primarily due to lower than planned expenditures in capital outlay. Overall, General Fund expenditures for 2016 increased \$161,279 from 2015 primarily due to capital expense for station improvements.

Capital Asset and Long Term Debt

Capital Assets: Capital asset activity for the year consisted of depreciation expense of \$103,967 and capital outlay of \$196,356. As noted previously the detail of these expenses can be found in the note disclosures at section D.

Long Term Debt: The District has no long-term debt.

Next Year's Budget

The District's fund balance at the end of 2016 was \$902,283 as compared to the budget estimate of \$474,454. The 2017 budget anticipates an ending balance of \$428,961 with expected revenues of \$419,158 and expenditures of \$856,298, of which \$495,000 is for capital expenditures.

Request for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's operations. Questions concerning the information provided in this report should be addressed to: Board of Directors, Kremmling Fire Protection District, P.O. Box 6, Kremmling, Colorado 80459 or by phone at (970) 724-3795.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Kremmling Fire Protection District
Governmental Fund Balance Sheet / Statement of Net Position
December 31, 2016

| | General Fund | Adjustments | Statement of Net Position |
|--|-------------------------|--------------------|--------------------------------------|
| Assets: | | | |
| Cash and equivalents | 60,410 | - | 60,410 |
| Investments | 825,526 | - | 825,526 |
| Accounts receivable, net: | | | |
| Property taxes | 386,188 | - | 386,188 |
| Due from other governments | 3,588 | - | 3,588 |
| Other | 18,445 | - | 18,445 |
| Capital assets not being depreciated | - | 8,000 | 8,000 |
| Capital assets, net of accumulated depreciation | - | 1,491,546 | 1,491,546 |
| Total Assets | 1,294,157 | 1,499,546 | 2,793,703 |
| Deferred outflows of resources: | | | |
| Pension related deferred outflows | - | 69,975 | 69,975 |
| Total deferred outflows of resources | - | 69,975 | 69,975 |
| Liabilities: | | | |
| Accounts payable | 5,686 | - | 5,686 |
| Accrued compensated absences: | | | |
| Due in more than one year | - | 10,248 | 10,248 |
| Net pension liability | - | 279,677 | 279,677 |
| Total Liabilities | 5,686 | 289,925 | 295,611 |
| Deferred inflows of resources: | | | |
| Unavailable property tax revenue | 386,188 | - | 386,188 |
| Total deferred inflows of resources | 386,188 | - | 386,188 |
| Fund Balance/Net Position: | | | |
| Fund Balance: | | | |
| Restricted for emergencies | 15,000 | (15,000) | - |
| Assigned for memorial site | 2,876 | (2,876) | - |
| Unassigned | 884,407 | (884,407) | - |
| Total Fund Balance | 902,283 | (902,283) | - |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balance | 1,294,157 | | |
| Net Position: | | | |
| Net investment in capital assets | | 1,499,546 | 1,499,546 |
| Restricted for emergencies | | 15,000 | 15,000 |
| Unrestricted | | 667,333 | 667,333 |
| Total Net Position | | 2,181,879 | 2,181,879 |

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

Kremmling Fire Protection District
Governmental Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance / Statement of Activities
For the Year Ended December 31, 2016

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Property taxes | 388,082 | - | 388,082 |
| Specific ownership taxes | 23,642 | - | 23,642 |
| Interest income | 5,036 | - | 5,036 |
| Grants | 1,496 | - | 1,496 |
| Out-of-District charges | 18,202 | - | 18,202 |
| Firefighter funds | 3,933 | - | 3,933 |
| Other | 10,904 | - | 10,904 |
| | <u>451,295</u> | <u>-</u> | <u>451,295</u> |
| Expenditures/Expenses: | | | |
| Administration | 175,235 | 303 | 175,538 |
| Building | 3,244 | - | 3,244 |
| Operations | 20,634 | - | 20,634 |
| Training | 4,544 | - | 4,544 |
| Vehicles | 12,751 | - | 12,751 |
| Utilities | 14,491 | - | 14,491 |
| Capital outlay | 197,841 | (196,356) | 1,485 |
| Treasurer's fees | 19,404 | - | 19,404 |
| Firefighter funds | 5,436 | - | 5,436 |
| Pension expense | 40,515 | (5,433) | 35,082 |
| Depreciation | - | 103,967 | 103,967 |
| | <u>494,095</u> | <u>(97,519)</u> | <u>396,576</u> |
| Excess (Deficiency) of Revenues over Expenditures | (42,800) | 42,800 | - |
| Change in Net Position | - | 54,719 | 54,719 |
| Fund Balance / Net Position: | | | |
| Beginning of the year | <u>945,083</u> | | <u>2,127,160</u> |
| End of the year | <u>902,283</u> | | <u>2,181,879</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Policies

Kremmling Fire Protection District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to provide fire protection services. The District's service area is located in Grand County, Colorado. The District is governed by five elected board members (the "Board").

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

A. Reporting Entity

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

Based on the criteria above, the Kremmling Volunteer Firefighter membership (the "Volunteers") is reported as a blended component unit in the District's financial statements. More specifically, the Volunteers is included as a blended component unit of the District because it does not have corporate powers separate from the District that would distinguish it as being legally separate from the District, and the nature and significance of their relationship are such that exclusion would cause the financial statements to be incomplete. The purpose of the Volunteers is to preserve life and to protect property and the environment through firefighting and rescue activity, and to provide mutual aid to other agencies, as necessary. The Volunteers is comprised of volunteer firefighters.

B. Government-wide and Fund Financial Statements

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

In the Governmental Fund Balance Sheet / Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The District's net position are reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental fund:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources not required to be accounted for in another fund.

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

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

1. Long-term Economic Focus and Accrual Basis

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

2. Current Financial Focus and Modified Accrual Basis

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

D. Financial Statement Accounts

1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District.

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

**Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

1. Cash, Cash Equivalents, and Investments (continued)

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

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. An allowance for uncollectible accounts of \$9,439 has been established as of December 31, 2016, to estimate uncollectible accounts.

3. Property Taxes

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

4. Capital Assets

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

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

Land improvements, buildings and improvements, vehicles, and equipment are depreciated using the straight line method over the following estimated useful lives:

| Assets | Years |
|----------------------------|---------|
| Land improvements | 10 - 20 |
| Buildings and improvements | 7 - 40 |
| Vehicles | 6 - 32 |
| Equipment | 5 - 20 |

Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Pensions

The District participates in the Statewide Defined Benefit Plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). The Statewide Defined Benefit Plan is a cost-sharing multiple-employer defined benefit plan. The District also sponsors a single employer defined benefit plan for its volunteer firefighters. The net pension asset (liability), 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 plans 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.

6. Use of Estimates

The preparation of financial statements to conform to GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has only one item that qualifies for reporting in this category at December 31, 2016, pension-related deferred outflows reported in the government-wide Statement of Net Position. Pension contributions made after the measurement date, and the difference between projected and actual earnings, will be recognized as a reduction of the net pension liability in future periods. See Note IV.D.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Unavailable revenues from property taxes, reported in the governmental balance sheet and on the Statement of Net Position, are deferred and recognized as an inflow from resources in the period that the amounts become available.

Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Fund Balance

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

The District classifies governmental fund balances as follows:

- *Non-spendable* - includes fund balance amounts that inherently cannot be spent because they are not in spendable form; such as inventories, prepaid items, or long-term receivables.
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board.
- *Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or its management designees.
- *Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents or contracts that prohibit this, such as in grant agreements requiring dollar-for-dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and management calculates targets and reports them annually to Board of Directors.

Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund Balance Sheet/Statement of Net Position includes an adjustment column. Explanations of adjustments included in this column are as follows:

Capital assets used in governmental activities totaling \$1,499,546 are not financial resources and are, therefore, not reported in the funds.

Long-term liabilities are not due and payable in the current period and are, therefore, not reported in the funds. Long-term liabilities as of December 31, 2016, were comprised of accrued compensated absences of \$10,248 and a net pension liability in the amount of \$279,677, representing the District's portion of the agent multiple employer defined benefit plan for its volunteer firefighters.

Deferred items related to the District's pension plans, adjusted for changes in pension related actuarial assumptions, proportion of collective pension amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan, are amortized over the average remaining service life of active and inactive plan participants.

B. Explanation of differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities includes an adjustment column. Explanations of the adjustments included in this column are as follows:

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are, therefore, not recorded as expenditures in governmental funds. The net change in accrued compensated absences of an increase of is such an example.

Changes in the District's pension asset (obligation) reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. \$5,433 represents the change in the District's net pension asset (obligation) during the year, including difference between employer contributions to the pension plans and amortization of pension-related deferrals.

Governmental funds report capital outlay as expenditures when incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the District's Board formally adopts a budget with appropriations by fund for the ensuing year pursuant to Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with GAAP.

- (1) For the 2016 budget, prior to August 25, 2015, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2015, only once by a single notification to the District.
- (2) On or before October 15, 2015, the District's manager submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) For the 2016 budget, prior to December 15, 2015, the District computed and certified to the County Commissioners a rate of a levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of those estimated in the budget; (c) it may approve emergency appropriations; and (d) it may reduce appropriations for which originally estimated revenues are insufficient.
- (6) All appropriations lapse at year-end.

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

B. TABOR Amendment - Revenue and Spending Limitation Amendment

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

Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment - Revenue and Spending Limitation Amendment (continued)

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

TABOR also requires local governments to establish emergency reserves to be used only for declared emergencies. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, salary, or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenues. The District has reserved a portion of its December 31, 2016 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$15,000.

The District's voters approved the following TABOR ballot question on November 4, 1997:

Without any increase in the property tax mill levy, shall the Kremmling Fire Protection District (the "District") be authorized to collect, and the District to retain and expend all revenues and other funds collected from any source during 1996 and each subsequent year, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution or any other law?

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

IV. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances for accounts over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's deposits and investments was \$885,936 at year end.

Fair Value of Investments

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

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

**Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)**

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2016, the District had the following recurring fair value measurements:

| <u>Investments Measured at Fair Value</u> | <u>Total</u> | <u>Fair Value Measurements Using</u> | | |
|--|--------------|--------------------------------------|----------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Certificate of deposit | \$ 253,305 | - | 253,305 | - |
| | | | | |
| <u>Investments Measured at Net Asset Value</u> | <u>Total</u> | | | |
| Colotrust | \$ 572,221 | | | |

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices

The Investment Pool represents investments in COLOTRUST. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2016, the District's investments in COLOTRUST were 69% of the District's investment portfolio. Certificates of deposit were 31% of the investment portfolio.

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

Credit Risk. District investment policy limits investments to those authorized by State statutes as listed in Note I.D.1. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2016, the District had the following cash and investments with the following maturities:

| | Standard & Poors Rating | Carrying Amounts | Maturities | |
|------------------------|-------------------------------|---------------------|-----------------------|----------------------|
| | | | Less than one year | One to five years |
| <i>Deposits:</i> | | | | |
| Checking | Not rated | \$ 7,820 | 7,820 | - |
| Money market | Not rated | 52,590 | 52,590 | - |
| <i>Investments:</i> | | | | |
| Certificate of deposit | Not rated | 253,305 | - | 253,305 |
| Investment pool | AAAm | 572,221 | 572,221 | - |
| | | <u>\$ 885,936</u> | <u>632,631</u> | <u>253,305</u> |

B. Capital Assets

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

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|----------------------|------------------|-----------------|--------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 8,000 | - | - | 8,000 |
| Total capital assets, not being depreciated | <u>8,000</u> | <u>-</u> | <u>-</u> | <u>8,000</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 45,915 | - | - | 45,915 |
| Buildings and improvements | 955,766 | 74,283 | - | 1,030,049 |
| Vehicles | 1,572,587 | - | - | 1,572,587 |
| Equipment | 131,636 | 122,073 | (18,328) | 235,381 |
| Total capital assets being depreciated | <u>2,705,904</u> | <u>196,356</u> | <u>(18,328)</u> | <u>2,883,932</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (39,627) | (4,375) | - | (44,002) |
| Buildings and improvements | (341,729) | (40,084) | - | (381,813) |
| Vehicles | (805,469) | (48,729) | - | (854,198) |
| Equipment | (119,922) | (10,779) | 18,328 | (112,373) |
| Total accumulated depreciation | <u>(1,306,747)</u> | <u>(103,967)</u> | <u>18,328</u> | <u>(1,392,386)</u> |
| Total capital assets, being depreciated, net | <u>1,399,157</u> | <u>92,389</u> | <u>-</u> | <u>1,491,546</u> |
| Total Capital Assets, Net | <u>\$ 1,407,157</u> | <u>92,389</u> | <u>-</u> | <u>1,499,546</u> |

**Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)**

IV. Detailed Notes on All Funds (continued)

C. Long-term Obligations

1. Accrued Compensated Absences

The District has a policy for the accumulation of paid vacation and sick leave, subject to certain limits. These benefits accrue at different rates for full-time employees and part-time employees.

Full-time employees are eligible for these benefits under the following formula. Earned vacation leave accrues on a graduated scale. Sick pay accrues at the rate of 8 hours per month. The maximum accrual of aggregate sick and vacation hours for the Chief, the only full-time employee, is 340 hours, increased from 240 by a Board resolution in July 2007. Part-time employees are eligible for vacation benefits at an accrual rate of five percent (5%) of monthly hours worked, with a maximum accrual of 240 hours.

This liability is reported in the Statement of Net Position. None of this liability is reported in the Governmental Fund Balance Sheet, as it is not expected to be paid from expendable available resources.

2. Changes in Long-term Obligations

The following table summarizes changes in the District's long-term obligations during the past year:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|------------------------------------|------------------------------|------------------|------------------|---------------------------|--------------------------------|
| Compensated absences | \$ 9,943 | 305 | - | 10,248 | - |
| Total long-term obligations | <u>\$ 9,943</u> | <u>305</u> | <u>-</u> | <u>10,248</u> | <u>-</u> |

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

1. Volunteer Fire and Police Pension Plan

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

**Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)**

IV. Detailed Notes on All Funds (continued)

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

1. Volunteer Fire and Police Pension Plan (continued)

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

| | |
|---|-----------|
| <i>Normal retirement benefit at age 50 with 20 year of service (monthly):</i> | |
| Regular | \$ 450.00 |
| Extended Service Amount Per Year of Service | \$ 22.50 |
| <i>Vested retirement benefit (monthly):</i> | |
| With 10 to 20 years of service amount per year of service per minimum vesting years | \$ 22.50 |
| Minimum vesting years | 10 |
| <i>Disability retirement benefit (monthly):</i> | |
| Short term disability for line of duty injury amount payable for not more than 1 year | \$ 150.00 |
| Long term disability for line of duty injury lifetime benefit | \$ 150.00 |
| <i>Survivor benefits (monthly):</i> | |
| Following death before retirement eligible: due to death in line of duty as volunteer firefighter | \$ - |
| Following death after normal retirement | \$ 225.00 |
| Following death after vested retirement with extended service amount per year of service | \$ 11.25 |
| Following death after vested retirement with 10 to 20 years of service amount per year of service per minimum vesting years | \$ 11.25 |
| Following death after disability retirement | \$ 75.00 |
| <i>Funeral benefits (required benefit):</i> | |
| Funeral benefit lump sum, one time only | \$ 100.00 |

As of January 1, 2016, the latest actuarial valuation date, there were 12 retirees and beneficiaries, 3 inactive, non-retired members and 15 active members.

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

Net Pension Liability: At December 31, 2016, the volunteer pension fund reported a net pension liability of \$279,677. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

**Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)**

IV. Detailed Notes on All Funds (continued)

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

1. Volunteer Fire and Police Pension Plan (continued)

Actuarial Assumptions: The significant actuarial assumptions used in the valuation as of January 1, 2016 were:

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

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 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%* |
| Total | 100% | |

*While expected inflation exceeds the expected rate of return for cash a 0.0% real rate of return is utilized

**Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)**

IV. Detailed Notes on All Funds (continued)

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

1. Volunteer Fire and Police Pension Plan (continued)

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

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

| | Current Single Discount | | |
|-------------------------------|--------------------------------|------------------------|--------------------|
| | 1% Decrease | Rate Assumption | 1% Increase |
| | 6.50% | 7.50% | 8.50% |
| Net Pension Liability (Asset) | \$ 359,904 | \$ 279,677 | \$ 212,507 |

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and actual experience | \$ 6,692 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 22,768 | - |
| Contributions subsequent to measurement date | 40,515 | - |
| | \$ 69,975 | \$ - |

**Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)**

IV. Detailed Notes on All Funds (continued)

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

1. Volunteer Fire and Police Pension Plan (continued)

Contributions subsequent to the measurement date of December 31, 2015, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in subsequent years. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized as a component of pension expense in future years as follows:

| Year Ending December 31, | Amortization |
|-------------------------------------|---------------------|
| 2017 | \$ 12,601 |
| 2018 | 5,909 |
| 2019 | 5,911 |
| 2020 | 5,037 |
| 2021 | - |
| Thereafter | - |
| | \$ 29,458 |

2. Paid Firefighters - Deferred Compensation Plan – Section 457 Plan

All paid firefighters are eligible to participate in a deferred compensation plan created in accordance with Internal Revenue Code section 457 (the "Deferred Compensation Plan"). The Deferred Compensation Plan, which is administered by FPPA, allows all paid firefighters the opportunity to defer a portion of their salary until future years. All compensation deferred under the Deferred Compensation Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the participants and their beneficiaries. Amounts contributed to the Deferred Compensation Plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

Participants may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. Employers may also contribute to this plan on behalf of its employees provided that the combined employee and employer contributions do not exceed the aforementioned limits.

Deferred Compensation Plan investment purchases are determined by the individual participants and therefore, the Deferred Compensation Plan's investment concentration varies between participants.

The District has no liability for losses under the Deferred Compensation Plan. Accordingly, the Deferred Compensation Plan is not part of the District's financial statements.

**Kremmling Fire Protection District
Notes to the Financial Statements
December 31, 2016
(Continued)**

IV. Detailed Notes on All Funds (continued)

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

3. Defined Contribution Statewide Money Purchase Retirement Plan

All paid firefighters of the District are eligible to participate in the Statewide Money Purchase Retirement Plan (the "Money Purchase Plan"). This Trust is administered by FPPA. The contribution rate for members is 8% of covered salaries, and for the District is 8% of covered salaries. The District contributed \$5,016 for 2016. Member contributions vest immediately and employer contributions vest at the rate of 20% per year and are fully vested after five years. As of December 31, 2016, the Money Purchase Plan had 1 fully vested employee and no non-vested employees. Unvested District contributions for employees who leave employment before five years are reserved in a forfeiture account to pay the administrative expenses of the Plan. Forfeitures may be carried forward from one plan year to the next for up to five years. After five years, forfeitures not used to pay the administrative expenses of the plan must be used to reduce the District's required contributions to the plan. There were no forfeitures during the year ended December 31, 2016.

V. Other Information

Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

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

| | 2016 | | Variance Positive (Negative) | 2015 |
|---------------------------------------|--|----------------|---|----------------|
| | Original and Final Budget | Actual | | Actual |
| Revenues: | | | | |
| Property taxes | 386,645 | 388,082 | 1,437 | 359,531 |
| Specific ownership taxes | 18,000 | 23,642 | 5,642 | 22,432 |
| Interest income | 3,100 | 5,036 | 1,936 | 3,333 |
| Grants | 20,000 | 1,496 | (18,504) | 4,256 |
| Out-of-District charges | 3,000 | 18,202 | 15,202 | 16,183 |
| Utility reimbursements | 500 | - | (500) | 150 |
| Firefighter funds | 2,000 | 3,933 | 1,933 | 4,762 |
| Other | 1,120 | 10,904 | 9,784 | 7,163 |
| Total Revenues | 434,365 | 451,295 | 16,930 | 417,810 |
| Expenditures: | | | | |
| Administration: | | | | |
| Salaries and wages | 94,980 | 96,940 | (1,960) | 75,755 |
| Employee benefits | 20,730 | 21,095 | (365) | 18,073 |
| Awards | 6,300 | 6,667 | (367) | 4,934 |
| On-call incentive | 3,600 | - | 3,600 | - |
| Dispatch | 5,430 | 5,189 | 241 | 3,754 |
| Information technology management | 4,265 | 4,608 | (343) | 1,948 |
| Insurance | 24,680 | 26,175 | (1,495) | 21,848 |
| Legal and professional | 10,700 | 9,313 | 1,387 | 11,030 |
| Memberships and subscriptions | 2,225 | 2,260 | (35) | 2,218 |
| Supplies | 3,000 | 2,933 | 67 | 5,582 |
| Bad debts and bank charges | 2,000 | 55 | 1,945 | 40 |
| Total - Administration | 177,910 | 175,235 | 2,675 | 145,182 |
| Building: | | | | |
| Repairs and maintenance | 7,620 | 3,244 | 4,376 | 5,964 |
| Total - Building | 7,620 | 3,244 | 4,376 | 5,964 |
| Operations: | | | | |
| Minor equipment purchases and repairs | 30,200 | 17,516 | 12,684 | 21,640 |
| Fire prevention and public education | 1,400 | 756 | 644 | 686 |
| Physical exams | 500 | 94 | 406 | 1,220 |
| Supplies | 2,000 | 2,268 | (268) | 1,957 |
| Total - Operations | 34,100 | 20,634 | 13,466 | 25,503 |
| Training: | | | | |
| Supplies | 4,000 | 1,621 | 2,379 | 1,909 |
| Travel and tuition | 3,000 | 2,923 | 77 | 914 |
| Total - Training | 7,000 | 4,544 | 2,456 | 2,823 |

(continued)

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

Kremmling Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)
(Continued)

| | 2016 | | Variance Positive (Negative) | 2015 |
|--|--|-----------------|---|----------------|
| | Original and Final Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| Vehicles: | | | | |
| Repairs and maintenance | 13,500 | 9,757 | 3,743 | 14,933 |
| Fuel | 7,000 | 2,994 | 4,006 | 4,274 |
| Total - Vehicles | <u>20,500</u> | <u>12,751</u> | <u>7,749</u> | <u>19,207</u> |
| Utilities: | | | | |
| Electric | 5,210 | 4,394 | 816 | 4,972 |
| Natural gas | 4,850 | 4,202 | 648 | 3,990 |
| Propane | 2,900 | 929 | 1,971 | 1,061 |
| Telephone | 3,495 | 3,123 | 372 | 3,237 |
| Water, sewer and trash | 1,860 | 1,843 | 17 | 1,814 |
| Total - Utilities | <u>18,315</u> | <u>14,491</u> | <u>3,824</u> | <u>15,074</u> |
| Capital Outlay: | | | | |
| Buildings and improvements | 65,000 | 75,768 | (10,768) | 53,030 |
| Equipment | 150,000 | 122,073 | 27,927 | 5,078 |
| Vehicles | 370,000 | - | 370,000 | - |
| Total - Capital Outlay | <u>585,000</u> | <u>197,841</u> | <u>387,159</u> | <u>58,108</u> |
| Line Item Expenses: | | | | |
| Treasurer's fees | 19,335 | 19,404 | (69) | 17,977 |
| Firefighter funds | 2,000 | 5,436 | (3,436) | 5,383 |
| Pension expense | 40,515 | 40,515 | - | 37,595 |
| Total Line Item Expenses | <u>61,850</u> | <u>65,355</u> | <u>(3,505)</u> | <u>60,955</u> |
| Total Expenditures | <u>912,295</u> | <u>494,095</u> | <u>418,200</u> | <u>332,816</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(477,930)</u> | <u>(42,800)</u> | <u>435,130</u> | <u>84,994</u> |
| Net Change in Fund Balance | <u>(477,930)</u> | <u>(42,800)</u> | <u>435,130</u> | <u>84,994</u> |
| Fund Balance - Beginning of Year | <u>952,384</u> | <u>945,083</u> | <u>(7,301)</u> | <u>860,089</u> |
| Fund Balance - End of Year | <u>474,454</u> | <u>902,283</u> | <u>427,829</u> | <u>945,083</u> |

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

Kremmling Fire Protection District
Schedule of Employer's Proportionate Share of Net Pension Asset / Liability
Fire and Police Pension Association of Colorado
Last 10 Fiscal Years *

| Measurement period ending December 31, | <u>2015</u> | <u>2014</u> |
|---|--------------------------|--------------------------|
| Total Pension Liability: | | |
| Service Cost | \$ 13,047 | \$ 9,978 |
| Interest on the Total Pension Liability | 52,568 | 50,443 |
| Difference between Expected and Actual Experience | - | 21,900 |
| Benefit Payments | <u>(55,450)</u> | <u>(55,530)</u> |
| Net Change in Total Pension Liability | 10,165 | 26,791 |
| | | |
| Total Pension Liability - Beginning | <u>721,728</u> | <u>694,937</u> |
| | | |
| Total Pension Liability - Ending (a) | <u><u>\$ 731,893</u></u> | <u><u>\$ 721,728</u></u> |
| | | |
| Plan Fiduciary Net Position: | | |
| Employer Contributions | \$ 37,595 | \$ 36,825 |
| Pension Plan Net Investment Income | 8,380 | 27,729 |
| Benefit Payments | (55,450) | (55,530) |
| Pension Plan Administrative Expense | (773) | (1,038) |
| State of Colorado Supplemental Discretionary Payment | 11,250 | 11,250 |
| Net Change in Plan Fiduciary Net Position | <u>1,002</u> | <u>19,236</u> |
| | | |
| Plan Fiduciary Net Position - Beginning | <u>451,214</u> | <u>431,978</u> |
| | | |
| Plan Fiduciary Net Position - Ending (b) | <u><u>\$ 452,216</u></u> | <u><u>\$ 451,214</u></u> |
| | | |
| Net Pension Liability - Ending (a) - (b) | <u><u>\$ 279,677</u></u> | <u><u>\$ 270,514</u></u> |
| | | |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 61.79% | 62.52% |

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014.

Notes to the Schedule of Employer's Proportionate Share of Net Pension Asset / Liability for the year ended December 31, 2016:

Note 1. Changes of assumptions.

No changes during the years presented above.

Note 2. Changes of benefit terms.

No changes during the years presented above.

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

No changes during the years presented above.

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

**Kremmling Fire Protection District
Schedule of District Contributions
Fire and Police Pension Association of Colorado
Last 10 Fiscal Years ***

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|--------------------|
| Actuarially determined contribution | \$ 36,799 | \$ 36,799 | \$ 36,799 |
| Actual contribution, including State of Colorado discretionary payment | <u>(48,845)</u> | <u>(48,075)</u> | <u>(48,924)</u> |
| Contribution deficiency (excess) | <u>\$ (12,046)</u> | <u>\$ (11,276)</u> | <u>\$ (12,125)</u> |

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2013.

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

Note 1. Changes of assumptions.

No changes during the years presented above.

Note 2. Changes of benefit terms.

No changes during the years presented above.

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

No changes during the years presented above.

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