

Grand Lake Fire Protection District

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2017

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Office of the State Auditor

July 27, 2018

Grand Lake Fire Protection District

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand Lake Fire Protection District (the District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Grand Lake Fire Protection District, as of December 31, 2017, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi and the pension liability information on pages 30 through 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 on pages i through vi in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information on pages i through vi because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The required supplementary information on pages 30 through 32 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

Fiscal Focus Partners, LLC

Lakewood, Colorado
July 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Grand Lake Fire Protection District (the District) financial statements for the year ended December 31, 2017 provides a narrative overview of the District's financial activities. Please consider the information here in conjunction with the accompanying financial statements and notes to the financial statements.

Financial Highlights

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$5,303,212 (net position) for the year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,996,226.
- Total net position at December 31, 2017 was comprised of the following:
 1. Net investment in capital assets of \$1,870,215 includes property and equipment, net of accumulated depreciation and reduced by outstanding balances of long-term debt attributable to the acquisition of those assets.
 2. Net position of \$22,900 restricted for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado.
 3. Net pension asset – FPPA of \$453,943 representing the net pension asset related to the firefighter pension.
 4. Unrestricted net position of \$2,956,154 representing the portion available to maintain the District's continuing obligations to citizens and creditors.
- The District's governmental activities reported a total ending fund balance of \$2,910,326 at December 31, 2017. This compares to the prior year ending fund balance of \$2,799,015 showing an increase of \$111,311 during the current year.
- Effective January 1, 2015, the District and all other state and local governments throughout the nation that provide their employees with pension benefits, are required to apply GASB Statement No. 68 to their financial statements. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit pension plan and a volunteer pension plan that is an agent multiple-employer defined benefit plan both administered by the Colorado Fire and Police Pension Association (FPPA). It is important to note that the District does not have a responsibility to pay the amount shown as the District's net pension liability related to the volunteer pension plan nor is the pension asset related to the defined benefit pension plan controlled by the District. The District's liability is limited to the annually required contributions established by the State Legislature. In addition, the District does not have any control over the investment policies associated with FPPA investments. These responsibilities lie solely with the FPPA board and administration. Decisions regarding the plan benefit and design and the funding policies lie solely with the State Legislature. Please refer to Note 7 within the Notes to Financial Statements section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Overview of the Financial Statements

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

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

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

The *Statement of Activities* presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs; regardless of the timing of related cash flows. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar

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

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

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

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

Financial Analysis of the District as a Whole

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

	Net Position	
	Governmental Activities	
	2017	2016
Current assets	\$ 4,004,468	\$ 3,873,203
Capital assets, net	3,020,215	3,171,248
Net pension asset - FPPA	453,943	441,136
Total assets	<u>7,478,626</u>	<u>7,485,587</u>
Deferred outflows of resources	<u>230,605</u>	<u>185,349</u>
Current liabilities	27,029	22,135
Net pension liability - FPPA	21,230	-
Long-term liabilities	1,243,605	1,576,948
Total liabilities	<u>1,291,864</u>	<u>1,599,083</u>
Deferred inflows of resources	<u>1,114,155</u>	<u>1,057,627</u>
Net position:		
Net investment in capital assets	1,870,215	1,661,248
Restricted	476,843	463,736
Unrestricted	2,956,154	2,871,242
Net position	<u>\$ 5,303,212</u>	<u>\$ 4,996,226</u>

The District has 35% 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

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

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 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,956,154 (56%) may be used to meet the District's ongoing obligations to citizens and creditors.

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

Change in Net Position

	Governmental Activities For the Years Ended December 31,	
	2017	2016
Revenues		
Program revenues		
Capital grants and contributions	\$ -	\$ 1,661
Charges for services	97,339	108,370
General revenues		
Property taxes	1,055,641	1,053,206
Specific ownership taxes	73,308	64,354
Interest and other	66,078	62,398
Total revenues	<u>1,292,366</u>	<u>1,289,989</u>
Expenses		
General government	142,472	151,171
Public safety	805,286	1,060,981
Interest on long-term debt	37,622	43,892
Total expenses	<u>985,380</u>	<u>1,256,044</u>
Change in net position	<u>306,986</u>	<u>33,945</u>
Net position - beginning (restated)	4,996,226	4,962,281
Net position - ending	<u>\$ 5,303,212</u>	<u>\$ 4,996,226</u>

Property tax and specific ownership tax revenues make up 87% of government-wide revenue and increased \$11,389 in 2017 over 2016.

The major expenses of the District's government-wide activities include general government (14%), public safety (82%) and interest on long-term debt (4%). Total expenses decreased \$270,664 (21.5%) in 2017 from 2016, primarily due to a change in pension-related expenses.

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

Financial Analysis of the District's Funds

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

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

As of December 31, 2017, the District's general fund reported an ending fund balance of \$2,841,845, an increase of \$110,463 in comparison with the prior year.

Budgetary Highlights

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

Actual total revenues in the general fund exceeded budgeted revenues by \$114,889, and expenditures in 2017 were lower than budgeted expenditures by \$268,626.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2017, was \$3,020,215.

Capital assets, net of Depreciation

	December 31,	
	2017	2016
Land, building and improvements	\$ 2,592,145	\$ 2,673,870
Equipment	428,070	497,378
Total	<u>\$ 3,020,215</u>	<u>\$ 3,171,248</u>

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

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

Long-Term Debt

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 1,150,000	\$ 1,510,000
Compensated absences	76,865	31,674
Total	<u>\$ 1,226,865</u>	<u>\$ 1,541,674</u>

Economic Environment and Next Year's Budgets and Rates

The District is anticipating tax revenue in 2018 that is slightly higher than 2017. The District's 2018 operating budget, excluding capital outlay, is expected to be comparable to that of 2017, allowing current services and staffing to be maintained to the best of the District's ability. The District is focused on maintaining its operating reserves to allow for future capital replacements through continued conservative budgeting and spending.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

Grand Lake Fire Protection District

STATEMENT OF NET POSITION

December 31, 2017

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 2,802,506
Cash and investments - restricted	104,798
Accounts receivable	20,328
Receivable - County Treasurer	4,723
Property taxes receivable	1,072,113
Capital assets, net	3,020,215
Net pension asset	453,943
Total assets	<u>7,478,626</u>
Deferred Outflows of Resources	
Loss on refunding	5,384
Pension related amounts	225,221
Total deferred outflows of resources	<u>230,605</u>
Liabilities	
Accounts payable	2,040
Accrued liabilities	19,989
Accrued interest payable	5,000
Noncurrent liabilities	
Net pension liability	21,230
Due within one year	365,000
Due in more than one year	878,605
Total liabilities	<u>1,291,864</u>
Deferred inflows of resources	
Property tax revenue	1,072,113
Pension related amounts	42,042
Total deferred inflows of resources	<u>1,114,155</u>
Net position	
Net investment in capital assets	1,870,215
Restricted	
Emergency reserve	22,900
Net pension asset - FPPA statewide defined benefit plan	453,943
Unrestricted	2,956,154
Total net position	<u>\$ 5,303,212</u>

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

Grand Lake Fire Protection District
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs:	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
Primary government					Governmental Activities
General government	\$ (142,472)	\$ -	\$ -	\$ -	\$ (142,472)
Public safety	(805,286)	97,339	-	-	(707,947)
Interest on long-term debt	(37,622)	-	-	-	(37,622)
Total primary government	\$ (985,380)	\$ 97,339	\$ -	\$ -	\$ (888,041)

General Revenues:

Property taxes	1,055,641
Specific ownership tax	73,308
Net investment income	17,619
Other income	48,459
Total general revenues	1,195,027

Change in net position

306,986

Net position - beginning (restated)

4,996,226

Net position - ending

\$ 5,303,212

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

Grand Lake Fire Protection District

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 2,802,506	\$ -	\$ 2,802,506
Cash and investments - restricted	22,900	81,898	104,798
Accounts receivable	20,328	-	20,328
Receivable - County Treasurer	4,723	-	4,723
Due from other fund	13,417	-	13,417
Property taxes receivable	646,139	425,974	1,072,113
Total assets	<u>\$ 3,510,013</u>	<u>\$ 507,872</u>	<u>\$ 4,017,885</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	2,040	-	2,040
Accrued liabilities	19,989	-	19,989
Due to other fund	-	13,417	13,417
Total liabilities	<u>22,029</u>	<u>13,417</u>	<u>35,446</u>
Deferred inflows of resources			
Property tax revenue	646,139	425,974	1,072,113
Total deferred inflows of resources	<u>646,139</u>	<u>425,974</u>	<u>1,072,113</u>
Fund balance			
Restricted for emergencies	22,900	-	22,900
Restricted for debt service	-	68,481	68,481
Assigned for subsequent year's expenditures	82,041	-	82,041
Unassigned	2,736,904	-	2,736,904
Total fund balances	<u>2,841,845</u>	<u>68,481</u>	<u>2,910,326</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,510,013</u>	<u>\$ 507,872</u>	<u>\$ 4,017,885</u>
Total fund balance			\$ 2,910,326
Amounts reported for governmental activities in the statement of net position are different because:			
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:			
Capital assets, net of accumulated depreciation			3,020,215
Net pension asset - FPPA statewide defined benefit plan			453,943
Deferred outflows and inflows of resources that represent acquisition or consumption of net position that applies to future periods and, therefore, are not reported in the funds:			
Deferred Outflows - pension related			225,221
Deferred Inflows - pension related			(42,042)
Long-term liabilities, including general obligation bonds and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds			(1,150,000)
Bond premium			(16,740)
Accrued interest payable			(5,000)
Deferred loss on refunding			5,384
Compensated absences			(76,865)
Net pension liability			(21,230)
Net position of governmental activities			<u>\$ 5,303,212</u>

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

Grand Lake Fire Protection District
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 625,990	\$ 429,651	\$ 1,055,641
Specific ownership tax	73,308	-	73,308
Investment income	15,391	2,228	17,619
Charges for services	97,339	-	97,339
Other income	48,459	-	48,459
Total revenues	860,487	431,879	1,292,366
Expenditures			
Current			
Treasurer's fees	31,370	21,531	52,901
Administration	89,371	-	89,371
Salaries and benefits	560,157	-	560,157
Fire operations	69,126	-	69,126
Debt service			
Principal	-	360,000	360,000
Interest	-	49,300	49,300
Paying agent fees	-	200	200
Total expenditures	750,024	431,031	1,181,055
Net change in fund balance	110,463	848	111,311
Fund balances - beginning	2,731,382	67,633	2,799,015
Fund balances - ending	\$ 2,841,845	\$ 68,481	\$ 2,910,326

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

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

For the Year Ended December 31, 2017

Net change in fund balance - total governmental funds	\$ 111,311
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(151,033)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension expense	20,221
Increase in compensated absence	(45,191)
Bond principal payments	360,000
Amortization of deferred loss on refunding	(5,964)
Amortization of bond premium	18,534
Change in accrued interest payable	<u>(892)</u>
Change in net position of governmental activities	<u><u>\$ 306,986</u></u>

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

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

For the Year Ended December 31, 2017

	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 626,298	\$ 625,990	\$ (308)
Specific ownership tax	60,000	73,308	13,308
Interest income	45,000	15,391	(29,609)
Charges for services	-	97,339	97,339
Other income	14,300	48,459	34,159
Total revenues	<u>745,598</u>	<u>860,487</u>	<u>114,889</u>
EXPENDITURES			
Treasurer's fees	33,000	31,370	1,630
Administration	56,550	89,371	(32,821)
Salaries and benefits	569,300	560,157	9,143
Fire operations	89,800	69,126	20,674
Capital outlay/reserves	270,000	-	270,000
Total expenditures	<u>1,018,650</u>	<u>750,024</u>	<u>268,626</u>
Net change in fund balance	(273,052)	110,463	383,515
Fund balance - beginning	<u>2,649,459</u>	<u>2,731,382</u>	<u>81,923</u>
Fund balance - ending	<u><u>\$ 2,376,407</u></u>	<u><u>\$ 2,841,845</u></u>	<u><u>\$ 465,438</u></u>

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

Grand Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Note 1 – Reporting entity

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

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

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

Note 2 – Summary of significant accounting policies

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

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. The Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

Separate financial statements are provided for governmental funds.

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

December 31, 2017

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

The District reports the following major governmental funds:

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

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

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

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

Investments

Investments for the District are reported at fair value.

Grand Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Property taxes

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

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

Receivables

Receivables are reported at original value net of estimated uncollectible amounts. Management believes all receivables are collectible as of December 31, 2017.

Capital assets

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

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

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

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

Compensated absences

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

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

December 31, 2017

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

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

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

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

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

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

Deferred Outflows and Inflows of Resources

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

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

Fund balances

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

Grand Lake Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

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

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

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

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

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

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

Grand Lake Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

At December 31, 2017, the District had \$22,900 restricted by legislation (for emergencies), and \$68,481 restricted for debt service.

The District had assigned fund balance of \$82,041 for subsequent year's expenditures.

The remaining fund balance is considered by the District to be unassigned. At December 31, 2017, the District had an unassigned fund balance in the general fund of \$2,736,904.

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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

December 31, 2017

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2017 statement of net position as follows:

Cash and investments	\$ 2,802,506
Cash and investments-restricted	104,798
	<u>\$ 2,907,304</u>

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2017, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. None of the District's deposits at December 31, 2017 were exposed to credit risk.

As of December 31, 2017, the District's bank balances and carrying balances were insured or collateralized as follows:

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

December 31, 2017

Bank balances:	
Federally insured	\$ 168,090
Collateralized	-
Total bank balances	<u>\$ 168,090</u>
Carrying balances:	
Federally insured	\$ 158,197
Collateralized	-
Total carrying balances	<u>\$ 158,197</u>

Investments

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

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

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

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

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

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

December 31, 2017

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.

As of December 31, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2017</u>
U.S. government/agency securities	Less than 5 years	\$ 2,333,930
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	415,177
Total investments		<u>\$ 2,749,107</u>

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

As of December 31, 2017, the District invested \$2,333,930 in U.S. Government agency securities rated AA+ by Fitch and Aaa by Moody's. These investments are valued using Level 1 inputs.

COLOTRUST

During 2017 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. COLOTRUST records its investments at fair value and the Town records its

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

December 31, 2017

investment in COLOTRUST using the net asset method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Cash and investments - restricted

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish emergency reserves (see Note 9). At December 31, 2017, \$22,900 of cash and investments were restricted in compliance with this requirement.

Note 4 – Capital assets

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

	Balance at December 31, 2016	Increases	Decreases	Balance at December 31, 2017
Capital assets not being depreciated				
Land	\$ 90,115	\$ -	\$ -	\$ 90,115
Capital assets being depreciated				
Building and improvements	3,794,700	-	-	3,794,700
Vehicles	1,835,466	-	-	1,835,466
Equipment	384,776	-	-	384,776
Total capital assets being depreciated	<u>6,014,942</u>	<u>-</u>	<u>-</u>	<u>6,014,942</u>
Less accumulated depreciation for				
Building and improvements	1,210,945	81,725	-	1,292,670
Vehicles	1,369,931	61,710	-	1,431,641
Equipment	352,933	7,598	-	360,531
Total accumulated depreciation	<u>2,933,809</u>	<u>151,033</u>	<u>-</u>	<u>3,084,842</u>
Total capital assets being depreciated, net	<u>3,081,133</u>	<u>(151,033)</u>	<u>-</u>	<u>2,930,100</u>
Total capital assets, net	<u>\$ 3,171,248</u>	<u>\$ (151,033)</u>	<u>\$ -</u>	<u>\$ 3,020,215</u>

Depreciation expense of \$151,033 for the year ended December 31, 2017 was charged to the Public Safety function.

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

December 31, 2017

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, 2017:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
General Obligation Bonds, Series 2011	\$ 1,510,000	\$ -	\$ (360,000)	\$ 1,150,000	\$ 365,000
Compensated absences	31,674	45,191	-	76,865	-
	<u>\$ 1,541,674</u>	<u>\$ 45,191</u>	<u>\$ (360,000)</u>	1,226,865	<u>\$ 365,000</u>
Bond premium				16,740	
				<u>\$ 1,243,605</u>	

General Obligation Refunding Bonds, Series 2011

On May 17, 2011, the District issued \$3,460,000 in general obligation bonds for the purpose of refunding all of its Series 2000 and Series 2001 general obligation bonds. Interest rates range from 2.25% to 4.00%. The Bonds were sold at a premium of \$161,514. On May 17, 2011, \$3,535,000 was placed in escrow to provide for all future payments of the refunded bonds. As of December 31, 2017, \$5,384 remained representing the unamortized difference between the amount placed in escrow and the amount of total loss deferred. The Bonds mature on December 1, 2020, with principal payments due December 1 each year and interest payments due June 1 and December 1 each year.

Future long-term debt obligations

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

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

December 31, 2017

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 365,000	\$ 38,500	\$ 403,500
2019	385,000	27,550	412,550
2020	400,000	16,000	416,000
Total	<u>\$ 1,150,000</u>	<u>\$ 82,050</u>	<u>\$ 1,232,050</u>

Debt authorization

At December 31, 2017 the District had no authorized but unissued indebtedness.

Note 6 – Net position

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

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

As of December 31, 2017 the District had net investment in capital assets of \$1,870,215.

Restricted net position is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2016, the District had restricted net position for emergencies (Note 9) of \$22,900 and \$453,943 related to the net pension asset.

The District had unrestricted net position of \$2,956,154 as of December 31, 2017.

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

December 31, 2017

Note 7 – Pension plans

State Fire and Police Pension Plan (FPPA)

The District contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan (SWDB) provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by the FPPA. This is a noncontributory plan. All full-time, paid firefighters of the District are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Local revenue sources are responsible for funding of the Death and Disability benefits for firefighters hired on or after January 1, 1997.

Colorado statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Description of Benefits

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 at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal

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

December 31, 2017

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. Contribution rates for the SWDB plan 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 election of the membership. Members of the SWDB plan and their employers contributing at the rate of 9.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 17.5 percent in 2017. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022. Contributions to the SWDB plan from the District were \$25,327 for the year ended December 31, 2017.

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

At December 31, 2017, the District reported a liability of \$21,230 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2016, the District's proportion was 0.05875 percent, which was an increase of 0.00005 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of (\$8,017). At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

December 31, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 18,956	\$ 1,080
Changes of Assumptions or other Inputs	14,502	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	57,304	-
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Share of Contributions	3,103	158
Contributions Subsequent to the Measurement Date	25,327	-
Total	\$ 119,192	\$ 1,238

\$25,327 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31, 2017</u>	Amount
2018	\$ 22,266
2019	22,266
2020	20,959
2021	8,761
2022	4,238
Thereafter	14,137
Total	\$ 92,627

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using 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
Long-term Investment Rate of Return*	7.5%
Projected Salary Increases*	4.0 - 14.0%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.5%

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

December 31, 2017

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	36.00 %	9.25 %
Equity Long/Short	10.00	7.35
Illiquid Alternatives	23.00	10.75
Fixed Income	15.00	4.10
Absolute Return	10.00	6.55
Managed Futures	4.00	5.50
Cash	2.00	0.00 %*
Total	<u>100.00</u>	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the FPPA Board's funding policy, which establishes the

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

December 31, 2017

contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.5%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability (Asset)	\$ 180,631	\$ 21,230	\$ (111,161)

Pension Plan Fiduciary Net Position

Detailed information about the SWDB’s fiduciary net position is available in FPPA’s comprehensive annual financial report, which can be obtained at <http://www.fppaco.org>.

Statewide Death and Disability Plan

Plan Description

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

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

Grand Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

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

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

Funding Policy

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

For the years ended December 31, 2017, the District contributed \$6,931 to the plan.

Volunteer Pension Fund

Plan Descriptions and Provisions

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

Volunteers Covered by Benefit Terms

As of the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

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

December 31, 2017

Retirees and Beneficiaries				11
Inactive, Nonretired Members				2
Active Members				4
Total				<u>17</u>

Benefits provided

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

Funding policy

The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The Actuarial study as of January 1, 2017, indicated that the current level of contributions to the fund are adequate to support, on an actuarially sound basis, the prospective benefits for the present plan.

Contributions

There were no contributions to the plan from the District or the State of Colorado for the year ended December 31, 2017.

Net Pension Asset

The total pension liability is based on an actuarial valuation performed as of January 1, 2017 and a measurement date of December 31, 2016. This measurement date is within two years of the plan sponsor's fiscal year-end of December 31, 2017 and may be used for December 31, 2017 reporting purposes.

Actuarial Assumptions. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

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

December 31, 2017

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (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 7.5%.

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). Being that the plan’s fiduciary net position is projected to be sufficient to pay benefits, the long-term expected rate of return of 7.5% was used as the discount rate.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 12/31/16	\$ 1,191,234	\$ 1,618,185	\$ (426,951)
Changes for the Year			
Service Cost	7,752	-	7,752
Interest	85,833	-	85,833
Changes in benefit terms	-	-	-
Difference Between Expected and Actual Experience	(76,044)	-	(76,044)
Changes in assumptions	36,401	-	36,401
Contributions - Employer	-	-	-
Contributions – Employee	-	-	-
Net Investment Income	-	83,709	(83,709)
Benefit Payments, Including Refunds of Employee Contributions	(103,050)	(103,050)	-
Administrative Expenses	-	(2,775)	2,775
Other Changes	-	-	-
Net Changes	(49,108)	(22,116)	(26,992)
Balance at 12/31/17	<u>\$ 1,142,126</u>	<u>\$ 1,596,069</u>	<u>\$ (453,943)</u>

Sensitivity of the net pension liability (asset) to the changes in the discount rate. The following table presents the net pension liability (asset) of the District, calculated using

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

December 31, 2017

the discount rate of 7.5% as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's Net Pension Liability (Asset)	\$ (346,475)	\$ (453,943)	\$ (545,462)

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

For the year ended December 31, 2017, the district recognized pension expense of (\$12,204) for the Volunteer Pension Plan. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 40,804
Changes of Assumptions	19,532	-
Net Difference Between Projected and Actual Earnings on Pension Plan		
Investments	86,496	-
Total	\$ 106,029	\$ 40,804

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

Year Ended June 30	Deferred Amounts
2018	\$ 8,903
2019	24,375
2020	25,197
2021	6,750
Total	\$ 65,225

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial report.

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

December 31, 2017

Note 8 – Risk management

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

Note 9 – Tax, spending and debt limitations

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

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

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

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

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

REQUIRED SUPPLEMENTAL INFORMATION

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

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ 7,752	\$ 7,752	\$ 6,213
Interest	85,833	85,797	68,349
Changes in Benefit Terms		-	
Differences Between Expected and Actual Experience	(76,044)	-	(17,946)
Changes of Assumptions	36,401	-	-
Benefit Payments, Including Refunds of Employee Contributions	(103,050)	(83,420)	(87,780)
Net Change in Total Pension Liability	(49,108)	10,129	(31,164)
Total Pension Liability - Beginning of Year	1,191,234	1,181,105	1,212,269
Total Pension Liability - End of Year	<u>1,142,126</u>	<u>1,191,234</u>	<u>1,181,105</u>
Plan Fiduciary Net Position			
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	83,709	30,228	110,504
Benefit Payments, Including Refunds of Employee Contributions	(103,050)	(83,420)	(87,780)
Administrative Expenses	(2,775)	(4,707)	(2,905)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	(22,116)	(57,899)	19,819
Plan Fiduciary Net Position - Beginning of Year	1,618,185	1,676,084	1,656,265
Plan Fiduciary Net Position - End of Year	<u>1,596,069</u>	<u>1,618,185</u>	<u>1,676,084</u>
Net Pension Liability - End of Year	<u>\$ (453,943)</u>	<u>\$ (426,951)</u>	<u>\$ (494,979)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	139.75%	135.84%	141.91%
Covered Employee Payroll	N/A	N/A	N/A
District's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A

Grand Lake Fire Protection District

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,780	\$ 63,360	\$ 66,780	\$ 66,780
Contributions in Relation of the Actuarially Determined Contribution	-	-	-	-	-	-	30,780	63,360	66,780	6,670
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedules

Valuation Date:

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

Methods and Assumptions Used to Determine the Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 Years
Asset Valuation Method	5-Year smoothed fair value
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65.

Mortality

Pre-Retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality.
Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment
Disabled: RP-2000 Disabled Mortality Table.

Other information

All tables projected with Scale AA.

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

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

	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.05875%	0.05870%	0.05861%	0.06345%
District's proportionate share of the net pension liability (asset)	21,230	(1,035)	(66,140)	(77,820)
District's covered payroll	316,588	260,296	274,113	382,426
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.067 %	(0.004)%	(16.68)%	(20.35)%
Plan fiduciary net position as a percentage of the total pension liability	98.21%	100.10%	140.60%	139.00%

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

Schedule of District Contributions

	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 25,327	\$ 20,824	\$ 21,929	\$ 21,084	\$ 22,047
Contributions in Relation to the Contractually Required Contribution	25,327	20,824	21,929	21,084	22,047
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 316,588	\$ 260,296	\$ 274,113	\$ 263,550	\$ 275,588
Contributions as a Percentage of Covered Payroll	8%	8%	8%	8%	8%

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

SUPPLEMENTAL INFORMATION

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

For the Year Ended December 31, 2017

	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 429,863	\$ 429,651	\$ (212)
Interest income	1,000	2,228	1,228
Total revenues	430,863	431,879	1,016
EXPENDITURES			
Treasurer's fees	21,600	21,531	69
Bond principal	360,000	360,000	-
Bond interest	49,300	49,300	-
Paying agent fees	200	200	-
Total expenditures	431,100	431,031	69
Net change in fund balance	(237)	848	1,085
Fund balance - beginning	67,232	67,633	401
Fund balance - ending	\$ 66,995	\$ 68,481	\$ 1,486