

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

**FINANCIAL STATEMENTS**

**With Independent Auditors' Report**

**December 31, 2017**

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**Office of the State Auditor**

**October 22, 2018**

**Grand Fire Protection District No.1**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand Fire Protection District No. 1 (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 Fire Protection District No. 1, as of December 31, 2017, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

**Fiscal Focus Partners, LLC**

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VIII and pension liability information on pages 31-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information on page 34 is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
September 10, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Grand Fire Protection District No.1's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

### Financial Highlights

- Assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,760,346 (net position). Of this amount, \$1,953,664 (unrestricted net position) may be used to meet the District's ongoing obligations to its citizens and creditors.
- The District's total net position increased by \$227,190 over the prior fiscal year.
- Total governmental funds revenue increased \$205,333 from the prior year, primarily due to an increase in wildland fire assignment (deployment) revenue.
- General fund expenditures increased by \$64,836 from the prior year, primarily due to an increase in wildland fire assignment (deployment) revenue.
- The general fund ending fund balance was \$2,784,517, a decrease of \$43,401 from the prior year.

Effective January 1, 2015, the District and all other state and local governments throughout the nation that provide their employees with pension benefits, are required to apply GASB Statement No. 68 to their financial statements. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit pension plan administered by the Colorado Fire and Police Pension Association. It is important to note that the District does not have a responsibility to pay the amount shown as the District's net pension liability. The District's direct liability is limited to the annually required contributions established by the State Legislature. In addition, the District does not have any control over the investment policies associated with FPPA investments. These responsibilities lie solely with the FPPA board and administration. Decisions regarding the plan benefit design and the funding policies lie solely with the State Legislature. Please refer to Note 8 within the Notes to Financial Statements section of this report starting on page 20.

### Overview of the Financial Statements

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Grand Fire Protection District No.1, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 9-30 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information. Budget comparisons for the debt service fund can be found on page 33 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of Grand Fire Protection District No.1, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,760,346 at the close of the most recent fiscal year.

**Net Position**

	<u><b>Governmental Activities</b></u>	
	<u><b>2017</b></u>	<u><b>2016</b></u>
Current assets	\$ 4,282,991	\$ 4,231,530
Capital assets	<u>7,259,734</u>	<u>7,477,791</u>
Total assets	<u>11,542,725</u>	<u>11,709,321</u>
Deferred outflows of resources	<u>505,126</u>	<u>440,408</u>
Current liabilities	538,933	498,166
Long-term obligations	<u>4,603,346</u>	<u>4,995,547</u>
Total liabilities	<u>5,142,279</u>	<u>5,493,713</u>
Deferred inflows of resources	<u>1,145,226</u>	<u>1,050,034</u>
Net position:		
Invested in capital assets, net of related debt	3,424,434	3,176,116
Restricted	382,248	369,662
Unrestricted	<u>1,953,664</u>	<u>2,060,204</u>
Net position	<u><u>\$ 5,760,346</u></u>	<u><u>\$ 5,605,982</u></u>

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

The District has 59% of its net position invested in capital assets (e.g., property, plant, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, this net position is *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,953,664 (35%) may be used to meet the District's ongoing obligations to citizens and creditors.

<b>Activities</b>	<b>For the Years Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Revenues		
Program revenues		
Operating grants and contributions	\$ -	\$ 26,371
General revenues		
Property taxes	1,104,827	1,101,836
Specific ownership taxes	74,481	68,327
Fire impact fees	34,424	24,568
Interest and other	284,354	72,506
Total revenues	1,498,086	1,293,608
Expenses		
General and administrative	420,270	371,975
Pension contribution/expense	15,134	101,360
Operating and communications	232,777	110,427
Repairs, maintenance and other	159,018	95,124
South (Red Dirt) Station annual contribution	25,000	25,000
Grant expenditures	-	25,351
Depreciation and amortization	255,204	282,368
Bond interest expense and related debt service costs	163,493	177,334
Total expenses	1,270,896	1,188,939
Change in net position	227,190	104,669
Net position - beginning	5,605,982	5,501,313
Restatement (related to pension adjustments)	(72,826)	-
Net position - ending	\$5,760,346	\$5,605,982

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

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

As noted earlier, Grand Fire Protection District No.1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of December 31, 2017, the District's governmental funds reported a combined ending fund balance of \$3,067,069, a decrease of \$48,772 in comparison with the prior year. The general fund balance decreased \$43,401 while the debt service fund balance decreased \$5,371 during 2017.

**General Fund Budgetary Highlights**

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

General fund revenues were more than budgeted by \$207,092. General Fund expenditures were less than budgeted by \$261,912 primarily related to the amounts budgeted for capital expenditures for District projects not expended during 2017.

**Capital Asset and Debt Administration**

*Capital Assets.* The District's investment in capital assets for governmental activities as of December 31, 2017 amounts to \$7,259,734 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, furniture and equipment.

Capital Assets, net of Depreciation

	December 31,	
	2017	2016
Land and improvements	\$ 1,149,262	\$ 1,149,262
Construction in process	128,195	103,195
Buildings and improvements	4,549,966	4,648,522
Vehicles	1,259,115	1,382,794
Equipment	173,196	194,018
Total	\$ 7,259,734	\$ 7,477,791

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

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

*Debt Administration.* As of December 31, 2017, the District had general obligation bonded debt outstanding of \$3,770,000.

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

**Economic Factors and Next Year's Budget**

New growth is expected to be slow throughout the District during 2018. Conservative budgeting and spending will continue. The District continues to work on the construction of a North Station. The 2018 budget includes capital expenditures related to the purchase of a new apparatus. General fund revenues budgeted for 2018 will not be sufficient to fund budgeted expenditures. Thus, \$620,032 is budgeted to be drawn from the general fund balance in 2018. Bond fund revenues will be sufficient to support debt service requirements in 2018.

Additional revenue sources will be sought in 2018, including, but not limited to; 1) code enforcement fees, 2) regional and national wildland fire deployments of apparatus and personnel, 3) response reimbursement, and 4) state and federal grant funding.

**Requests for Information**

This financial report is designed to provide a general overview of Grand Fire Protection District No.1's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

## **BASIC FINANCIAL STATEMENTS**

**Grand Fire Protection District No.1**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 2,768,357
Cash and investments - restricted	382,248
Accounts receivable	813
Prepaid expenses	16,627
Property taxes receivable	1,114,946
Capital assets, not being depreciated	1,252,457
Capital assets, being depreciated, net	6,007,277
<b>Total assets</b>	<b>11,542,725</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related amounts - FPPA volunteer pension fund	224,240
Pension related amounts - FPPA statewide defined benefit plan	68,836
Cost of refunding	212,050
<b>Total deferred outflows of resources</b>	<b>505,126</b>
<b>LIABILITIES</b>	
Accounts payable	7,420
Accrued payroll	11,414
Interest payable - bonds	11,469
Funds held in agency-South Station	82,142
Net pension liability - FPPA volunteer pension fund	1,181,902
Net pension liability - FPPA statewide defined benefit plan	12,632
Long-term debt	
Due within one year	474,912
Due in more than one year	3,360,388
<b>Total liabilities</b>	<b>5,142,279</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related amounts - FPPA volunteer pension fund	11,556
Pension related amounts - FPPA statewide defined benefit plan	18,724
Deferred property taxes	1,114,946
<b>Total deferred inflows of resources</b>	<b>1,145,226</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,424,434
Restricted for:	
Emergencies	28,160
Fire impact expenditures	71,536
Debt service	282,552
Unrestricted	1,953,664
<b>Total net position</b>	<b>\$ 5,760,346</b>

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



**Grand Fire Protection District No.1**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

December 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 2,768,357	\$ -	\$ 2,768,357
Cash and investments - restricted	99,696	282,552	382,248
Interest receivable	-	-	-
Accounts receivable	813	-	813
Prepaid expenses	16,627	-	16,627
Property taxes receivable	552,914	562,032	1,114,946
<b>Total assets</b>	<u>3,438,407</u>	<u>844,584</u>	<u>4,282,991</u>
<b>LIABILITIES</b>			
Accounts payable	7,420	-	7,420
Accrued payroll	11,414	-	11,414
Funds held in agency - South Station	82,142	-	82,142
<b>Total liabilities</b>	<u>100,976</u>	<u>-</u>	<u>100,976</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes	552,914	562,032	1,114,946
<b>Total deferred inflows of resources</b>	<u>552,914</u>	<u>562,032</u>	<u>1,114,946</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepays	16,627	-	16,627
Restricted for:			
Debt Service	-	282,552	282,552
Emergency reserves	28,160	-	28,160
Fire impact expenditures	71,536	-	71,536
Assigned for:			
Funds held in Agency	82,142	-	82,142
Subsequent year expenditures	512,405	-	512,405
Unassigned	2,073,647	-	2,073,647
<b>Total fund balances</b>	<u>2,784,517</u>	<u>282,552</u>	<u>3,067,069</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 3,438,407</u>	<u>\$ 844,584</u>	

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

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:

    Capital assets, net 7,259,734

Deferred outflows and inflows of resources that represent acquisition or consumption of net position that applies to future periods and, therefore, and not reported in the funds.

    Deferred outflows - pension plan 293,076

    Deferred inflows - pension plan (30,280)

    Deferred loss on refunding, net 212,050

Long-term liabilities, including bonds payable and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds:

    Bonds payable, net (3,835,300)

    Net pension liability - pension plan (1,194,534)

    Accrued interest payable (11,469)

Net position of governmental activities \$ 5,760,346

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

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

**For the year ended December, 31, 2017**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
General property taxes	\$ 571,913	\$ 532,914	\$ 1,104,827
Specific ownership taxes	38,459	36,022	74,481
Fire impact fees	34,424	-	34,424
Interest income	36,379	3,339	39,718
Other	245,491	-	245,491
<b>Total revenues</b>	<b>926,666</b>	<b>572,275</b>	<b>1,498,941</b>
<b>EXPENDITURES</b>			
Human Resources	315,235	-	315,235
Administration	105,035	-	105,035
Pension contribution	95,000	-	95,000
Operations	207,993	-	207,993
Grants	-	-	-
Communications	20,934	-	20,934
Facility Expenses	84,596	-	84,596
Equipment Repair and Maintenance	44,666	-	44,666
South Station	25,000	-	25,000
Capital expenditures	83,608	-	83,608
Debt Service			
Principal	-	450,000	450,000
Interest and other	-	127,646	127,646
<b>Total expenditures</b>	<b>982,067</b>	<b>577,646</b>	<b>1,559,713</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(55,401)</b>	<b>(5,371)</b>	<b>(60,772)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	12,000	-	12,000
<b>Total other financing sources (uses)</b>	<b>12,000</b>	<b>-</b>	<b>12,000</b>
<b>Net change in fund balance</b>	<b>(43,401)</b>	<b>(5,371)</b>	<b>(48,772)</b>
<b>FUND BALANCES - Beginning of year</b>	<b>2,827,918</b>	<b>287,923</b>	<b>3,115,841</b>
<b>FUND BALANCES - End of year</b>	<b>\$ 2,784,517</b>	<b>\$ 282,552</b>	<b>\$ 3,067,069</b>

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

**Grand Fire Protection District No.1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended December, 31, 2017**

Net change in fund balance - total governmental funds	\$	(48,772)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital expenditures, net		50,001
Depreciation expense		(255,204)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Bond principal payments		450,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.		
Amortization of bond premium		16,375
Amortization of cost of refunding		(53,174)
Pension expense		79,866
Interest expense - change in accrued interest		952
Proceeds from sale of capital assets are treated as an other financing source in the governmental fund financial statements, but are reduced by the book value of the capital asset sold and reflected as a loss on sale of capital assets on the government-wide financial statements.		
		(12,854)
Change in net position of governmental activities	\$	227,190

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

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

For the year ended December, 31, 2017

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
General property taxes	\$ 541,574	\$ 571,913	\$ 30,339
Specific ownership taxes	30,000	38,459	8,459
Interest income	30,000	36,379	6,379
Fire Impact	25,000	34,424	9,424
Sale of assets	-	12,000	12,000
Other	105,000	245,491	140,491
<b>Total revenues</b>	<b>731,574</b>	<b>938,666</b>	<b>207,092</b>
<b>EXPENDITURES</b>			
<b>Human Resources</b>			
Administration salaries	226,000	231,877	(5,877)
Payroll taxes	7,700	16,772	(9,072)
Payroll benefits	55,000	65,036	(10,036)
Payroll expenses	200	280	(80)
Firefight health and wellness	-	680	(680)
Recruitment and incentives	1,000	590	410
<b>Total general</b>	<b>289,900</b>	<b>315,235</b>	<b>(25,335)</b>
<b>Administration</b>			
Legal, accounting and audit	15,000	7,493	7,507
County Treasurer fees	27,079	28,596	(1,517)
Office and miscellaneous	6,000	6,009	(9)
Dues and subscriptions	5,000	5,717	(717)
Insurance	40,000	38,043	1,957
Outside services and agreements	6,600	7,327	(727)
Professional development	8,000	6,242	1,758
Elections	-	-	-
Directors fees	6,600	5,608	992
<b>Total administration</b>	<b>114,279</b>	<b>105,035</b>	<b>9,244</b>
<b>Contribution to South Station</b>	<b>25,000</b>	<b>25,000</b>	<b>-</b>
<b>Pension Contribution</b>	<b>\$ 95,000</b>	<b>\$ 95,000</b>	<b>\$ -</b>

(continued)

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

**Grand Fire Protection District No.1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**General Fund**  
**(continued)**  
**For the year ended December, 31, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Operations</b>			
Gas and oil	\$ 11,000	\$ 10,927	\$ 73
Supplies	15,000	22,221	(7,221)
Training	18,500	15,669	2,831
Prevention and risk reduction	7,300	7,666	(366)
Resident program	3,000	2,034	966
Uniforms	10,000	4,915	5,085
Wildland deployment	45,000	132,465	(87,465)
Firefighter incentives	10,000	12,096	(2,096)
<b>Total fire fighting</b>	<b>119,800</b>	<b>207,993</b>	<b>(88,193)</b>
<b>Communication</b>			
Telephone	6,000	6,113	(113)
Website and social media	2,000	1,970	30
Dispatch	10,000	9,731	269
Maintenance	4,000	3,120	880
<b>Total communication</b>	<b>22,000</b>	<b>20,934</b>	<b>1,066</b>
<b>Facility Expenses</b>			
Improvements	5,000	592	4,408
Outside service	10,000	15,277	(5,277)
Supplies	8,000	7,920	80
Office equipment	3,000	17,146	(14,146)
Utilities	45,000	43,661	1,339
<b>Total facility expense</b>	<b>71,000</b>	<b>84,596</b>	<b>(13,596)</b>
<b>Equipment Repair and Maintenance</b>			
Outside service	30,000	24,702	5,298
Parts and supplies	12,000	19,964	(7,964)
<b>Total equipment repair and maintenance</b>	<b>\$ 42,000</b>	<b>\$ 44,666</b>	<b>\$ (2,666)</b>

(continued)

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

**Grand Fire Protection District No.1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**General Fund**  
**(continued)**  
**For the year ended December, 31, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Capital Expenditures</b>			
Equipment	\$ 20,000	\$ 14,136	\$ 5,864
Capital improvements	50,000	38,142	11,858
North Station construction	100,000	-	100,000
Building and property	10,000	6,330	3,670
Apparatus	200,000	-	200,000
Disaster reserve fund	10,000	-	10,000
Fire impact fees	25,000	25,000	-
<b>Total capital expenditures</b>	<b>415,000</b>	<b>83,608</b>	<b>331,392</b>
<b>Contingency</b>	<b>50,000</b>	<b>-</b>	<b>50,000</b>
<b>Total expenditures</b>	<b>1,243,979</b>	<b>982,067</b>	<b>261,912</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES (UNDER) EXPENDITURES</b>	<b>(512,405)</b>	<b>(43,401)</b>	<b>469,004</b>
<b>FUND BALANCES - Beginning of year</b>	<b>2,827,918</b>	<b>2,827,918</b>	<b>-</b>
<b>FUND BALANCES - End of year</b>	<b>\$ 2,315,513</b>	<b>\$ 2,784,517</b>	<b>\$ 469,004</b>

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

## Grand Fire Protection District No.1

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017

#### Note 1 – Reporting entity

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

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

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

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

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District except for the fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and inter-governmental revenues.

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

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

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

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

**Measurement focus, basis of accounting and financial statement presentation**

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

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

## **Grand Fire Protection District No.1**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2017**

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

#### **Pooled cash and investments**

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

Investments for the District are reported at fair value.

#### **Property taxes**

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

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

#### **Capital assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities of the government-wide financial statements at cost, net of accumulated depreciation. Capital assets are defined by the District as those assets with a cost of \$1,000 or greater and an estimated life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

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

**Compensated absences**

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

**Long-term debt**

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

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

**Fund Balances**

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

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

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

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

## **Grand Fire Protection District No.1**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2017**

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

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

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

#### **Budgets**

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

The District amended its debt service budget for the year ending December 31, 2017.

#### **Use of estimates**

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

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2017 financial statements as follows:

	<u>Governmental</u>
Cash and investments	\$ 2,768,357
Cash and investments - restricted	<u>382,248</u>
Total cash and investments	<u><u>\$ 3,150,605</u></u>

Cash and investments as of December 31, 2017 consisting of the following:

	<u>Governmental</u>
Deposits with financial institutions	\$ 2,540,208
Investments	<u>610,397</u>
Total cash and investments	<u><u>\$ 3,150,605</u></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 to the aggregate uninsured deposits.

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

At December 31, 2017, the District's cash deposits had bank balances of \$2,559,314 and carrying balances of \$2,540,208.

**Custodial credit risk - deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has adopted a deposit policy, which follows state statutes, for custodial credit risk. As of December 31, 2017, the District's bank balances and carrying balances were insured or collateralized as follows:

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

Bank balances:	
Federally insured	\$2,536,407
Collateralized	<u>22,907</u>
Total bank balances	<u><u>\$2,559,314</u></u>

Carrying balances:	
Federally insured	\$2,536,595
Collateralized	<u>3,613</u>
Total carrying balances	<u><u>\$2,540,208</u></u>

**Investments**

The District's investment policy follows state statutes regarding investments. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the District. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

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

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

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 610,397

**COLOTRUST**

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

At December 31, 2017, \$71,536 of cash and investments in the Governmental Funds were restricted for fire impact expenditures (see Note 10). \$282,552 of Governmental Funds cash and investments were restricted for future payment of bond principal, interest and related costs.

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish emergency reserves (see Note 13). At December 31, 2017, \$28,160 of Governmental Funds cash and investments were restricted in compliance with this requirement.

**Grand Fire Protection District No.1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2017**

**Note 4 – Capital assets**

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

	Balance at December 31, 2016	Increases	Decreases	Balance at December 31, 2017
Capital assets, not being depreciated				
Land and improvements	\$ 1,149,262	\$ -	\$ -	\$ 1,149,262
Construction in progress	103,195	25,000	-	128,195
	<u>1,252,457</u>	<u>25,000</u>	<u>-</u>	<u>1,277,457</u>
Capital assets being depreciated				
Buildings and improvements	5,772,886	10,865	-	5,783,751
Vehicles	3,120,859	-	31,288	3,089,571
Furniture and fixtures	49,321	-	-	49,321
Equipment	569,208	14,136	-	583,344
Total capital assets being depreciated	<u>9,512,274</u>	<u>25,001</u>	<u>31,288</u>	<u>9,505,987</u>
Less accumulated depreciation for				
Buildings and improvements	1,124,364	109,421	-	1,233,785
Vehicles	1,738,065	110,825	18,434	1,830,456
Furniture and fixtures	45,334	797	-	46,131
Equipment	379,177	34,161	-	413,338
Total accumulated depreciation	<u>3,286,940</u>	<u>255,204</u>	<u>18,434</u>	<u>3,523,710</u>
Total capital assets being depreciated, net	<u>6,225,334</u>	<u>(230,203)</u>	<u>12,854</u>	<u>5,982,277</u>
Capital assets, net	<u>\$ 7,477,791</u>	<u>\$ (205,203)</u>	<u>\$ 12,854</u>	<u>\$ 7,259,734</u>

Depreciation expense of \$255,204 for 2017 was included in the expenses of the primary government on the statement of activities.

**Note 5 – Long-term obligations**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017:

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
General obligation bonds payable					
Series 2012	\$ 4,220,000	\$ -	\$ 450,000	\$ 3,770,000	\$ 460,000
Total bonds payable	<u>4,220,000</u>	<u>-</u>	<u>450,000</u>	<u>3,770,000</u>	<u>460,000</u>
Premium	81,675	-	16,375	65,300	14,912
Total long-term obligations	<u>\$ 4,301,675</u>	<u>\$ -</u>	<u>\$ 466,375</u>	<u>\$ 3,835,300</u>	<u>\$ 474,912</u>

A description of long-term obligations outstanding as of December 31, 2017 is as follows:

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

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

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

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

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

Year Ended December 31	Principal	Interest	Total
2018	\$460,000	\$ 91,750	\$ 551,750
2019	475,000	77,950	552,950
2020	485,000	68,450	553,450
2021	495,000	58,750	553,750
2022	500,000	46,375	546,375
2023-2025	1,355,000	58,500	1,413,500
	<u>\$3,770,000</u>	<u>\$ 401,775</u>	<u>\$4,171,775</u>

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

**Debt authorization**

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

**Note 6 – Net position**

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017, the District had invested in capital assets, net of related debt calculated as follows:

Capital assets, net	\$ 7,259,734
Current portion of outstanding long-term obligations	(474,912)
Noncurrent portion of outstanding long-term obligations	<u>(3,360,388)</u>
Net investment in capital assets	<u>\$ 3,424,434</u>

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2017, the District had restricted net position as follows:

Emergencies (Note 13)	\$ 28,160
Fire impact expenditures (Note 10)	71,536
Debt service (Note 5)	<u>282,552</u>
Total restricted net position	<u>\$ 382,248</u>

The District had unrestricted net position of \$1,953,664 and total net position of \$5,760,346 as of December 31, 2017.

**Note 7 – Related party transactions**

During 2017, the District carried out transactions with companies owned by firefighters/board members totaling \$6,448. In addition, the board also paid vendors that have firefighters/board members as employees with transactions totaling \$29,837 during 2017. The board feels these transactions are priced competitively and are accurately characterized as “arm’s length” transactions.

**Grand Fire Protection District No.1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2017**

**Note 8 – Firefighters pension plan**

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:

Retirees and Beneficiaries	28
Inactive, Nonretired Members	3
Active Members	15
<b>Total</b>	<b>46</b>

Benefits provided

The Plan provides retirement, survivor, death and funeral benefits. Retirement benefit for a member is \$700 a month for 20 or more years of service. Those members with a minimum of 10 years of service receive \$350 per month for every year of service. Survivor's death benefits range from \$350 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

For the year ended December 31, 2017, the District contributed \$95,000 to the plan. The State of Colorado contributed an additional \$31,557.



## **Grand Fire Protection District No.1**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2017**

Mortality rates were based on the following:

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

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.

**Grand Fire Protection District No.1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2017**

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/15	\$ 2,415,831	\$ 1,282,866	\$ 1,132,965
Changes for the Year			
Service Cost	26,299	-	26,299
Interest	174,694	-	174,694
Changes in benefit terms	(5,195)	-	(5,195)
Difference Between Expected and Actual Experience	(15,604)	-	(15,604)
Changes in assumptions	72,370	-	72,370
Contributions - Employer	-	108,333	(108,333)
State of Colorado Supplemental Discretionary Payment	-	31,557	(31,557)
Net Investment Income	-	65,983	(65,983)
Benefit Payments, Including Refunds of Employee Contributions	(202,650)	(202,650)	-
Administrative Expenses	-	(2,246)	2,246
Net Changes	49,914	977	48,937
Balance at 12/31/16	<u>\$ 2,465,745</u>	<u>\$ 1,283,843</u>	<u>\$ 1,181,902</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 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	\$ 1,430,870	\$ 1,181,902

*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 \$121,452 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:

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,381	\$ 11,556
Changes of Assumptions	53,596	-
Net Difference Between Projected and Actual Earnings on Pension Plan		
Investments	70,263	-
Contributions Subsequent tot the Measurement Date	95,000	
<b>Total</b>	<b>\$ 224,240</b>	<b>\$ 11,556</b>

\$95,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease in the pension liability in the year ended December 31, 2018. Other 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	\$ 42,329
2019	36,948
2020	32,840
2021	5,568
<b>Total</b>	<b>\$ 117,684</b>

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

**Note 9 – Statewide Defined Benefit Plan**

Plan Description and Provisions

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

## Grand Fire Protection District No.1

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

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 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 percent and 8 percent, respectively, of base salary for a total contribution rate of 17 percent in 2016. 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

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

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 \$14,832 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 \$12,632 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 0.03496 percent, which was an increase of 0.00075 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of \$16,847. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 11,279	\$ 642
Changes of Assumptions or other Inputs	8,629	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	34,096	-
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
Share of Contributions	-	18,082
Contributions Subsequent to the Measurement Date	14,832	-
Total	<u>\$ 68,836</u>	<u>\$ 18,724</u>

\$14,832 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:

**Grand Fire Protection District No.1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2017**

<u>Year Ended December 31, 2017</u>	<u>Amount</u>
2018	\$ 10,715
2019	10,715
2020	9,937
2021	2,679
2022	(15)
Thereafter	1,249
Total	<u>\$ 35,280</u>

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%

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

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

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 %*
<b>Total</b>	<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 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:

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

	1% Decrease (6.50%)	Current Discount Rate (7.5%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability (Asset)	\$ 107,477	\$ 12,632	\$ (66,142)

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>.

**Note 9 – Deferred compensation plan**

The District established a deferred compensation plan pursuant to Internal Revenue Code Section 457, which is being administered by the FPPA. The District has no administration or trustee responsibilities for this plan. Neither the assets nor corresponding liabilities of this plan are reflected in these financial statements. During 2017, the District and the District’s employees contributed \$13,549 to the Plan.

**Note 10 – Joint construction and facility use agreement**

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

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

**Note 11 – Risk management**

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

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017**

**Note 12 – Tax, spending and debt limitation**

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

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

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

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

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

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

**Note 13 – Restatement to financial statements**

The District restated the prior year's net position for amounts related to the pension liability in 2016. The restatement is as follows:

Net position – December 31, 2016 (as previously stated)	\$5,605,982
Adjustment related to pension liability	<u>(72,826)</u>
Net position – restated December 31, 2016	<u>\$5,533,156</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Grand Fire Protection District No. 1**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**FPPA Volunteer Plan**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>			
Service Cost	\$ 26,299	\$ 26,299	\$ 27,950
Interest	174,694	174,921	176,988
Changes in Benefit Terms	(5,195)	-	(66,786)
Differences Between Expected and Actual Experience	(15,604)	-	40,896
Changes of Assumptions	72,370	-	-
Benefit Payments, Including Refunds of Employee Contributions	(202,650)	(205,800)	(205,800)
Net Change in Total Pension Liability	49,914	(4,580)	(26,752)
Total Pension Liability - Beginning of Year	2,415,831	2,420,411	2,447,163
Total Pension Liability - End of Year	2,465,745	2,415,831	2,420,411
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	108,333	95,040	110,004
Contributions - Employee	-	-	-
Net Investment Income	65,983	24,181	86,885
Benefit Payments, Including Refunds of Employee Contributions	(202,650)	(205,800)	(205,800)
Administrative Expenses	(2,246)	(4,799)	(2,378)
State of Colorado supplemental discretionary payment	31,557	31,557	31,557
Net Change in Plan Fiduciary Net Position	977	(59,821)	20,268
Plan Fiduciary Net Position - Beginning of Year	1,282,866	1,342,687	1,322,419
Plan Fiduciary Net Position - End of Year	1,283,843	1,282,866	1,342,687
Net Pension Liability - End of Year	\$ 1,181,902	\$ 1,132,965	\$ 1,077,724
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.07%	53.10%	55.47%
Covered 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 Fire Protection District No. 1**  
**Schedule of District Contributions**  
**FPPA Volunteer Plan**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially Determined Contribution	\$ 130,724	\$ 130,724	\$ 141,536	\$ 141,536
Contributions in Relation of the Actuarially Determined Contribution	126,557	139,890	126,597	141,561
Contribution Deficiency (Excess)	\$ 4,167	\$ (9,166)	\$ 14,939	\$ (25)
Covered Payroll	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	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 Amount, open
Remaining Amortization Period	15 Years
Asset Valuation Method	Market Value
Inflation	Implicit
Salary Increases	N/A
Investment Rate of Return	6.00%
Retirement Age	50% rate assumed until age 65 at which 100% retirement is assumed

Mortality	For ages less than 55, RP-2014 Mortality tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 - 64, a blend of previous tables. All tables are generationally projected with Scale BB.
Other information	

**Grand Fire Protection District No. 1**

**Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)  
Last Three Fiscal Years**

	2016	2015	2014
District's proportion of the net pension liability (asset)	0.03496%	0.03420%	0.02654%
District's proportionate share of the net pension liability (asset)	12,632	(603)	(29,952)
District's covered payroll	178,917	165,814	119,350
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.071 %	(0.004)%	(0.251)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.21%	100.10%	106.80%

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

**Schedule of District Contributions  
Last Four Fiscal Years**

	2017	2016	2015	2014
Contractually Required Contribution	\$ 14,832	\$ 14,313	\$ 13,265	\$ 9,548
Contributions in Relation to the Contractually Required Contribution	14,832	14,313	13,265	9,548
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 184,500	\$ 178,917	\$ 165,814	\$ 119,350
Contributions as a Percentage of Covered Payroll	8%	8%	8%	8%

\*The amounts presented for year fiscal year were determined as of December 31. Information for fiscal years 2008 - 2013 was unavailable.

**SUPPLEMENTARY INFORMATION**

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

**For the year ended December, 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 501,571	\$ 501,571	\$ 532,914	\$ 31,343
Specific ownership taxes	-	-	36,022	36,022
Interest income	-	-	3,339	3,339
<b>Total revenues</b>	<u>501,571</u>	<u>501,571</u>	<u>572,275</u>	<u>70,704</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	450,000	450,000	450,000	-
Interest	100,750	100,750	100,750	-
County Treasurer Fees	25,106	26,646	26,646	-
Other	100	250	250	-
<b>Total expenditures</b>	<u>575,956</u>	<u>577,646</u>	<u>577,646</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(74,385)</u>	<u>(76,075)</u>	<u>(5,371)</u>	<u>70,704</u>
<b>FUND BALANCES - Beginning of year</b>	<u>227,186</u>	<u>227,186</u>	<u>287,923</u>	<u>161,511</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 152,801</u>	<u>\$ 151,111</u>	<u>\$ 282,552</u>	<u>\$ 232,215</u>