

Grand Lake Fire Protection District

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2019

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, 2019, 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, 2019, 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 Supplemental 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-related schedules 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 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 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

Greenwood Village, Colorado
September 10, 2020

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, 2019 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 \$5,714,208 (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 \$5,907,680.
- Total net position at December 31, 2019 was comprised of the following:
 1. Net investment in capital assets of \$2,907,741 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 \$25,900 restricted for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado.
 3. Net pension asset – FPPA of \$472,958 representing the net pension asset related to the firefighter pension.
 4. Unrestricted net position of \$2,307,609 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 \$2,113,073 at December 31, 2019. This compares to the prior year ending fund balance of \$2,966,428 showing a decrease of \$853,355 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	
	2019	2018
Current assets	\$ 3,774,601	\$ 4,089,332
Capital assets, net	3,307,741	3,045,594
Net pension asset - FPPA	472,958	673,566
Total assets	<u>7,555,300</u>	<u>7,808,492</u>
Deferred outflows of resources	<u>347,303</u>	<u>113,733</u>
Current liabilities	157,145	32,218
Net pension liability - FPPA	74,587	-
Long-term liabilities	441,986	820,272
Total liabilities	<u>673,718</u>	<u>852,490</u>
Deferred inflows of resources	<u>1,514,677</u>	<u>1,162,055</u>
Net position:		
Net investment in capital assets	2,907,741	2,260,594
Restricted	498,858	697,266
Unrestricted	2,307,609	2,949,820
Net position	<u>\$ 5,714,208</u>	<u>\$ 5,907,680</u>

The District has 51% of its net position invested in capital assets (e.g., property, plant, and equipment); less any related debt used to acquire those assets that is still outstanding. The

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

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

An additional portion of the District's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,511,797 (42%) 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,	
	2019	2018
Revenues		
Program revenues		
Capital grants and contributions	\$ -	\$ 622,977
Charges for services	91,045	144,501
General revenues		
Property taxes	1,092,867	1,069,915
Specific ownership taxes	92,011	77,257
Interest and other	127,558	73,178
Total revenues	<u>1,403,481</u>	<u>1,987,828</u>
Expenses		
General government	241,624	150,327
Public safety	1,328,742	1,208,593
Interest on long-term debt	26,587	24,440
Total expenses	<u>1,596,953</u>	<u>1,383,360</u>
Change in net position	<u>(193,472)</u>	<u>604,468</u>
	-	-
Net position - beginning (restated)	<u>5,907,680</u>	<u>5,303,212</u>
Net position - ending	<u>\$ 5,714,208</u>	<u>\$ 5,907,680</u>

Property tax and specific ownership tax revenues make up 84% of government-wide revenue and increased \$37,706 in 2019 over 2018.

The major expenses of the District's government-wide activities include general government (15%), public safety (83%) and interest on long-term debt (2%). Total expenses increased

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

\$213,593 (15%) in 2019 from 2018, primarily due to higher salary expense, higher wildland fire pay, and personal protective equipment expenses.

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, 2019, the District's general fund reported an ending fund balance of \$2,023,312, a decrease of \$868,796 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 by 201,899.

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, 2019, was \$3,307,741.

Capital assets, net of Depreciation

	December 31,	
	2019	2018
Land, building and improvements	\$ 2,428,695	\$ 2,510,420
Equipment	879,046	535,174
Total	\$ 3,307,741	\$ 3,045,594

**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>2019</u>	<u>2018</u>
General obligation bonds	\$ 400,000	\$ 785,000
Compensated absences	41,986	35,272
Total	<u>\$ 441,986</u>	<u>\$ 820,272</u>

Economic Environment and Next Year's Budgets and Rates

The District is anticipating general fund tax revenue in 2020 that is significantly higher than 2019, due to a 20% increase in assessed valuation, and a 48% increase in the District's mill levy. The District's 2020 operating budget, excluding capital outlay, is also significantly higher than in 2019 with increases in apparatus expenditures and staffing in order to better serve the District's service area.

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 Kevin Ratzmann
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, 2019

	Governmental Activities
Assets	
Cash and investments	\$ 2,045,426
Cash and investments - restricted	125,960
Accounts receivable and other assets	92,775
Receivable - County Treasurer	4,724
Property taxes receivable	1,505,716
Capital assets, net	3,307,741
Net pension asset	472,958
Total assets	7,555,300
Deferred Outflows of Resources	
Pension related amounts	347,303
Total deferred outflows of resources	347,303
Liabilities	
Accounts payable	138,377
Accrued liabilities	17,435
Accrued interest payable	1,333
Noncurrent liabilities	
Net pension liability	74,587
Due within one year	400,000
Due in more than one year	41,986
Total liabilities	673,718
Deferred inflows of resources	
Property tax revenue	1,505,716
Pension related amounts	8,961
Total deferred inflows of resources	1,514,677
Net position	
Net investment in capital assets	2,907,741
Restricted	
Emergency reserve	25,900
Net pension asset	472,958
Unrestricted	2,307,609
Total net position	\$ 5,714,208

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, 2019

	Program Revenues			Net (Expense) Revenue and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:				
Primary government				
General government	\$ (241,624)	\$ -	\$ -	\$ (241,624)
Public safety	(1,328,742)	91,045	-	(1,237,697)
Interest on long-term debt	(26,587)	-	-	(26,587)
Total primary government	\$ (1,596,953)	\$ 91,045	\$ -	\$ (1,505,908)
	General Revenues:			
				1,092,867
				92,011
				67,940
				59,618
				1,312,436
				(193,472)
				5,907,680
				\$ 5,714,208

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

Grand Lake Fire Protection District

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 2,045,426	\$ -	\$ 2,045,426
Cash and investments - restricted	25,900	100,060	125,960
Accounts receivable	92,389	-	92,389
Receivable - County Treasurer	4,724	-	4,724
Due from other fund	10,299	-	
Other assets	386	-	386
Property taxes receivable	1,165,579	340,137	1,505,716
Total assets	<u>\$ 3,344,703</u>	<u>\$ 440,197</u>	<u>\$ 3,774,601</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 138,377	\$ -	\$ 138,377
Accrued liabilities	17,435	-	17,435
Due to other fund	-	10,299	10,299
Total liabilities	<u>155,812</u>	<u>10,299</u>	<u>166,111</u>
Deferred inflows of resources			
Property tax revenue	1,165,579	340,137	1,505,716
Total deferred inflows of resources	<u>1,165,579</u>	<u>340,137</u>	<u>1,505,716</u>
Fund balance			
Restricted for emergencies	25,900	-	25,900
Restricted for debt service	-	89,761	89,761
Unassigned	1,997,412	-	1,997,412
Total fund balances	<u>2,023,312</u>	<u>89,761</u>	<u>2,113,073</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,344,703</u>	<u>\$ 440,197</u>	<u>\$ 3,784,900</u>
Total fund balance			\$ 2,113,073
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			3,307,741
Net pension asset - FPPA statewide defined benefit plan			398,371
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			347,303
Deferred Inflows - pension related			(8,961)
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			(400,000)
Accrued interest payable			(1,333)
Compensated absences			(41,986)
Net position of governmental activities			<u>\$ 5,714,208</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, 2019

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 649,642	\$ 443,225	\$ 1,092,867
Specific ownership tax	92,011	-	92,011
Investment income	60,725	7,215	67,940
Charges for services	91,045	-	91,045
Other income	59,618	-	59,618
Total revenues	953,041	450,440	1,403,481
Expenditures			
Current			
Treasurer's fees	32,553	22,249	54,802
Administration	186,622	-	186,622
Salaries and benefits	892,149	-	892,149
Fire operations	285,482	-	285,482
Capital outlay	425,031	-	425,031
Debt service			
Principal	-	385,000	385,000
Interest	-	27,550	27,550
Paying agent fees	-	200	200
Total expenditures	1,821,837	434,999	2,256,836
Net change in fund balance	(868,796)	15,441	(853,355)
Fund balances - beginning	2,892,108	74,320	2,966,428
Fund balances - ending	\$ 2,023,312	\$ 89,761	\$ 2,113,073

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, 2019

Net change in fund balance - total governmental funds	\$ (853,355)
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	425,031
Depreciation expense	(162,885)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension expense	18,488
Increase in compensated absence	(6,714)
Bond principal payments	385,000
Amortization of deferred loss on refunding	-
Amortization of bond premium	-
Change in accrued interest payable	963
	963
Change in net position of governmental activities	\$ (193,472)

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, 2019

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 650,142	\$ 650,142	\$ 649,642	\$ (500)
Specific ownership tax	60,000	60,000	92,011	32,011
Interest income	30,000	30,000	60,725	30,725
Charges for services	-	-	91,045	91,045
Other income	11,000	11,000	59,618	48,618
Total revenues	<u>751,142</u>	<u>751,142</u>	<u>953,041</u>	<u>201,899</u>
EXPENDITURES				
Treasurer's fees	32,305	32,305	32,553	(248)
Administration	56,800	186,800	186,622	178
Salaries and benefits	666,608	892,158	892,149	9
Fire operations	115,331	285,500	285,482	18
Capital outlay/reserves	50,000	425,237	425,031	206
Total expenditures	<u>921,044</u>	<u>1,822,000</u>	<u>1,821,837</u>	<u>163</u>
Net change in fund balance	(169,902)	(1,070,858)	(868,796)	202,062
Fund balance - beginning	<u>2,864,401</u>	<u>2,864,401</u>	<u>2,892,108</u>	<u>27,707</u>
Fund balance - ending	<u>\$ 2,694,499</u>	<u>\$ 1,793,543</u>	<u>\$ 2,023,312</u>	<u>\$ 229,769</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, 2019

Note 1 – Reporting entity

The Grand Lake Fire Protection District (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, 2019

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

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

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.

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

December 31, 2019

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, 2019.

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

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

December 31, 2019

Compensated absences

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

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

December 31, 2019

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:

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. At December 31, 2019, the District had \$25,900 restricted by legislation (for emergencies), and \$89,761 restricted for debt service.

The remaining fund balance is considered by the District to be unassigned. At December 31, 2019, the District had an unassigned fund balance in the general fund of \$1,997,412.

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.

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

December 31, 2019

The District amended its annual budget for the year ended December 31, 2019.

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.

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2019 statement of net position as follows:

Cash and investments	\$ 2,045,426
Cash and investments-restricted	125,960
	<u>\$ 2,171,386</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, 2019, 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, 2019 were exposed to credit risk.

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

December 31, 2019

As of December 31, 2019, the District's bank balances and carrying balances were insured or collateralized as follows:

Bank balances:	
Federally insured	\$ 107,305
Collateralized	-
Total bank balances	\$ 107,305
Carrying balances:	
Federally insured	\$ 104,856
Collateralized	-
Total carrying balances	\$ 104,856

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

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

December 31, 2019

- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	\$ 2,066,530
Total investments		<u>\$ 2,066,530</u>

COLOTRUST

During 2019 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 at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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

December 31, 2019

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 10). At December 31, 2019, \$25,900 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, 2019 are as follows:

	Balance at December 31, 2018	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	173,536	-	2,009,002
Equipment	563,358	251,495	-	814,853
Total capital assets being depreciated	<u>6,193,524</u>	<u>425,031</u>	<u>-</u>	<u>6,618,555</u>
Less accumulated depreciation for				
Building and improvements	1,374,395	81,725	-	1,456,120
Vehicles	1,486,496	47,443	-	1,533,939
Equipment	377,153	33,717	-	410,870
Total accumulated depreciation	<u>3,238,044</u>	<u>162,885</u>	<u>-</u>	<u>3,400,929</u>
Total capital assets being depreciated, net	<u>2,955,480</u>	<u>262,146</u>	<u>-</u>	<u>3,217,626</u>
Total capital assets, net	<u>\$ 3,045,595</u>	<u>\$ 262,146</u>	<u>\$ -</u>	<u>\$ 3,307,741</u>

Depreciation expense of \$162,885 for the year ended December 31, 2019 was charged to the Public Safety function.

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

December 31, 2019

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, 2019:

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
General Obligation Bonds, Series 2011	\$ 785,000	\$ -	\$ (385,000)	\$ 400,000	\$ 400,000
Compensated absences	35,272	6,714	-	41,986	-
	<u>\$ 820,272</u>	<u>\$ 6,714</u>	<u>\$ (385,000)</u>	<u>\$ 441,986</u>	<u>\$ 400,000</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. The Bonds mature on December 1, 2020, with principal payments due December 1, 2020 and interest payments due June 1 and December 1, 2020.

Future long-term debt obligations

The future minimum long-term obligation payments as of December 31, 2019 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 400,000	\$ 16,000	\$ 416,000
Total	\$ 400,000	\$ 16,000	\$ 416,000

Debt authorization

At December 31, 2019 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.

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

December 31, 2019

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, 2019 the District had net investment in capital assets of \$2,907,741.

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, 2019, the District had restricted net position for emergencies (Note 10) of \$25,900 and \$472,958 related to the net pension asset.

The District had unrestricted net position of \$2,307,609 as of December 31, 2019.

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

December 31, 2019

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 with at least five years of credited service 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

Grand Lake Fire Protection District
NOTES TO FINANCIAL STATEMENTS
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December 31, 2019

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 are contributing at the rate of 10.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 18.5 percent in 2019. Members of the SWDB plan and their employers are contributing at the rate of 10 percent and 8 percent, respectively, of base salary for a total contribution rate of 18 percent in 2018. 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 \$39,162 for the year ended December 31, 2019.

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

At December 31, 2019, the District reported a liability of \$74,587 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, 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, 2018, the District's proportion was 0.05900 percent, which was a decrease of 0.00221 percent from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the District recognized pension expense of (\$29,202). At December 31, 2019, 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, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 95,838	\$ 797
Changes of Assumptions or other Inputs	72,235	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	58,674	-
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
Share of Contributions	6,606	2,380
Contributions Subsequent to the Measurement Date	39,162	-
Total	\$ 272,515	\$ 3,177

\$39,162 in total reported as deferred outflows of resources related to pension resulting from District contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2020	\$ 43,459
2021	31,211
2022	26,668
2023	43,732
2024	21,599
Thereafter	63,507

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

December 31, 2019

	<u>Total Pension Liability</u>	<u>Actuarial Determined Contributions</u>
Actuarial Valuation Date	January 1, 2019	January 1, 2018
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-term Investment Rate of Return*	7.0%	7.5%
Projected Salary Increases*	4.25 - 11.25%	4.0 - 14.0%
Cost of Living Adjustments (COLA)	0.0%	0.0%
*Includes Inflation at	2.5%	2.5%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

For determining the actuarial determined contributions, the post-retirement mortality tables for non-disables retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. 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.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by FPPA's actuaries based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019 and were used in the rollforward calculation of the total pension liability as of December 31, 2018. Actuarial assumptions effective for actuarial valuations prior to January 1, 2019 were used in the determination of the actuarially determined contributions as of December 31, 2018. The actuarial assumptions impact actuarial factors for benefit purposes such as the purchases of service credit and other benefits were actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real

Grand Lake Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2019

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, 2018 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	37.00 %	8.03 %
Equity Long/Short	9.00	6.45
Illiquid Alternatives	24.00	10.00
Fixed Income	15.00	2.90
Absolute Return	9.00	5.08
Managed Futures	4.00	5.35
Cash	2.00	2.52
Total	<u>100.00</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 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 (Asset) 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Proportionate Share of the Net Pension Liability (Asset)	\$ 289,239	\$ 74,587	\$ (103,463)

Grand Lake Fire Protection District
NOTES TO FINANCIAL STATEMENTS
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December 31, 2019

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.

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

Grand Lake Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2019

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, 2019, the District contributed \$12,230 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:

Retirees and Beneficiaries	12
Inactive, Nonretired Members	2
Active Members	1
Total	15

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.

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

December 31, 2019

Net Pension Liability

The total pension liability is based on an actuarial valuation performed as of January 1, 2017 and a measurement date of December 31, 2018. This measurement date is within two years of the plan sponsor's fiscal year-end of December 31, 2019 and may be used for December 31, 2019 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:

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	2.50%
Salary Increases	N/A
Investment Rate of Return	7.50%
Mortality	50% per year of eligibility until 100% at age 65.

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.
- 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 were projected and based on Scale BB.

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

The assumptions shown above pertain to the actuarial valuation as of January 1, 2017 and the associated Actuarially Determined Contribution for the year ending December 31, 2018. Following an experience study in 2018, the Board adopted a new assumption set for first use in the January 1, 2019 valuations. The primary changes, which can be observed in the January 1, 2019 valuation, as compared to the assumptions shown are as follows:

Investment Rate of Return 7.00%

Grand Lake Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2019

Mortality: **Pre-retirement:** 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality.

Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.71% (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 7.00%.

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 7.00% was used as the discount rate.

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

December 31, 2019

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 12/31/17	\$ 1,135,427	\$ 1,720,945	\$ (585,518)
Changes for the Year			
Service Cost	9,223	-	9,223
Interest	81,739	-	81,739
Changes in benefit terms	-	-	-
Difference Between Expected and Actual Experience	(22,175)	-	(22,175)
Changes in assumptions	41,105	-	41,105
Net Investment Income	-	1,420	(1,420)
Benefit Payments, Including Refunds of Employee Contributions	(102,060)	(102,060)	-
Administrative Expenses	-	(4,088)	4,088
Net Changes	7,832	(104,728)	112,560
Balance at 12/31/18	<u>\$ 1,143,259</u>	<u>\$ 1,616,217</u>	<u>\$ (472,958)</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 7.0% 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 (6.0%) or one percentage point higher (8.0%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's Net Pension Liability (Asset)	\$(365,867)	\$(472,958)	\$(564,068)

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

For the year ended December 31, 2019, the district recognized pension expense of \$10,712 for the Volunteer Pension Plan. At December 31, 2019, 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, 2019

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 5,784
Changes of Assumptions	10,721	-
Net Difference Between Projected and Actual Earnings on Pension Plan		
Investments	64,068	
Total	\$ 74,789	\$ 5,784

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 December 31	Deferred Amounts
2020	\$ 32,592
2021	9,207
2022	2,457
2023	24,750
Total	\$ 69,007

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 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 – Related parties

Individuals related to the District's Fire Chief were employed by the District during 2019. The District paid a total of \$43,599 to those individuals in 2019.

Note 10 – 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.

Grand Lake Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2019

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.

Note 11 – Subsequent event

In February of 2020, the District entered into two lease-purchase agreements, which are subject to annual appropriation or renewal, for emergency-response apparatus, as follows.

A lease-purchase for a rescue pumper and ascendant apparatus, in the principal amount of \$2,060,136, with 15 annual payments of \$172,691, commencing February 18, 2021.

A lease-purchase for an ambulance in the amount of \$197,655, with 10 semi-annual payments of \$21,426, commencing in 2021, on a date based on delivery of the ambulance.

REQUIRED SUPPLEMENTAL INFORMATION

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

Schedule of Changes in Net Pension Liability and Related Ratios

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 9,223	\$ 9,223	\$ 7,752	\$ 7,752	\$ 6,213
Interest	81,739	82,379	85,833	85,797	68,349
Differences Between Expected and Actual Experience	(22,175)	-	(76,044)	-	(17,946)
Changes of Assumptions	41,105	-	36,401	-	-
Benefit Payments, Including Refunds of Employee Contributions	(102,060)	(98,301)	(103,050)	(83,420)	(87,780)
Net Change in Total Pension Liability	7,832	(6,699)	(49,108)	10,129	(31,164)
Total Pension Liability - Beginning of Year	1,135,427	1,142,126	1,191,234	1,181,105	1,212,269
Total Pension Liability - End of Year	1,143,259	1,135,427	1,142,126	1,191,234	1,181,105
Plan Fiduciary Net Position					
Net Investment Income	1,420	227,386	83,709	30,228	110,504
Benefit Payments, Including Refunds of Employee Contributions	(102,060)	(98,301)	(103,050)	(83,420)	(87,780)
Administrative Expenses	(4,088)	(4,209)	(2,775)	(4,707)	(2,905)
Net Change in Plan Fiduciary Net Position	(104,728)	124,876	(22,116)	(57,899)	19,819
Plan Fiduciary Net Position - Beginning of Year	1,720,945	1,596,069	1,618,185	1,676,084	1,656,265
Plan Fiduciary Net Position - End of Year	1,616,217	1,720,945	1,596,069	1,618,185	1,676,084
Net Pension Liability (Asset) - End of Year	\$ (472,958)	\$ (585,518)	\$ (453,943)	\$ (426,951)	\$ (494,979)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	141.37%	151.57%	139.75%	135.84%	141.91%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
District's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

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

Schedule of District Contributions

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,780	\$ 63,360
Contributions in Relation of the Actuarially Determined Contribution	-	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,780	\$ 63,360
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Schedule of District's Proportionate Share of the Net Pension Liability (Asset)

Fiscal Year	2019	2018	2017	2016	2015	2014
Plan Measurement Date	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
(Entity)'s Proportion of the Net Pension Liability (Asset)	0.058995776%	0.061201811%	0.058752983%	0.058702798%	0.058599472%	0.063449633%
(Entity)'s Proportionate Share of the Net Pension Liability (Asset)	\$ 74,587	\$ (88,048)	\$ 21,230	\$ (1,035)	\$ (66,134)	\$ (56,736)
(Entity)'s Covered Payroll	\$ 395,191	\$ 316,588	\$ 260,296	\$ 274,113	\$ 263,550	\$ 275,588
(Entity)'s Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	18.9%	(27.8%)	8.2%	(0.4%)	(25.1%)	(20.6%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.2%	106.3%	98.2%	100.1%	106.8%	105.8%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Covered payroll is presented based on the fiscal year. Information earlier than 2014 was not available.

Schedule of District's Contributions

Fiscal Year	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 39,162	\$ 31,615	\$ 25,327	\$ 20,824	\$ 21,929	\$ 21,084	\$ 22,047
Contributions in Relation to the Contractually Required Contribution	<u>39,162</u>	<u>31,615</u>	<u>25,327</u>	<u>20,824</u>	<u>21,929</u>	<u>21,084</u>	<u>22,047</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(Entity)'s Covered Payroll	\$ 489,530	\$ 395,191	\$ 316,588	\$ 260,296	\$ 274,113	\$ 263,550	\$ 275,588
Contributions as a Percentage of Covered Payroll	8%	8%	8%	8%	8%	8%	8%

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, 2019

	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 443,272	\$ 443,225	\$ (47)
Specific ownership tax	25,000	-	(25,000)
Interest income	-	7,215	7,215
Total revenues	<u>468,272</u>	<u>450,440</u>	<u>(17,832)</u>
EXPENDITURES			
Treasurer's fees	26,596	22,249	4,347
Bond principal	385,000	385,000	-
Bond interest	27,550	27,550	-
Paying agent fees	200	200	-
Total expenditures	<u>439,346</u>	<u>434,999</u>	<u>4,347</u>
Net change in fund balance	28,926	15,441	(13,485)
Fund balance - beginning	<u>165,032</u>	<u>74,320</u>	<u>(90,712)</u>
Fund balance - ending	<u><u>\$ 193,958</u></u>	<u><u>\$ 89,761</u></u>	<u><u>\$ (104,197)</u></u>