

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

**FINANCIAL STATEMENTS**

**With Independent Auditors' Report**

**December 31, 2014**

**Grand Fire Protection District No.1**

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Certified Public Accountants and Business Consultants

## Independent Auditors' 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, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2014, and the respective changes in financial position thereof and the budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VIII 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary 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 supplementary 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.

*Wagner Barnett & Suggs, PC*

Lakewood, Colorado  
May 26, 2015

## 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, 2014. 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 \$6,445,707 (net position). Of this amount, \$3,624,380 (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 \$11,943 over the prior fiscal year.
- Total governmental funds revenue decreased \$119,282 from the prior year, primarily due to a reduction in property tax revenue of \$141,771 caused by a combination of declining property value and large tax abatements at the end of the year.
- General fund operating expenditures increased by \$66,403 from the prior year, primarily due to the replacement of the main server, all computers, and audio/video equipment.
- The general fund ending fund balance was \$3,394,734, a decrease of \$205,456 from the prior year.

### 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.

**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.

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

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

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

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

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

The notes to the financial statements can be found on pages 9-24 of this report.

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

**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 25 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 \$6,445,707 at the close of the most recent fiscal year.

**Net Position**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Current assets	\$ 4,913,333	\$ 5,077,498
Capital assets	7,661,785	7,825,854
Total assets	12,575,118	12,903,352
Deferred outflows of resources	385,347	448,443
Current liabilities	658,788	607,878
Long-term obligations	4,759,480	5,203,504
Total liabilities	5,418,268	5,811,382
Deferred inflows of resources	1,096,490	1,106,649
Net position:		
Invested in capital assets, net of related debt	2,458,118	2,177,757
Restricted	363,209	356,061
Unrestricted	3,624,380	3,899,946
Net position	\$ 6,445,707	\$ 6,433,764

The District has 38.2% 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 (5.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net

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

An additional portion of the District's net position (5.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$3,624,380 (56.2%) 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>2014</b>	<b>2013</b>
Revenues		
Program revenues		
Operating grants and contributions	\$ 14,552	\$ 9,224
General revenues		
Property taxes	1,038,200	1,179,971
Specific ownership taxes	56,354	54,131
Fire impact fees	35,557	11,509
Interest and other	11,465	20,575
Total revenues	1,156,128	1,275,410
Expenses		
General and administrative	343,409	346,987
Pension contribution	110,004	108,000
Firefighting and communications	105,225	64,773
Repairs, maintenance and other	107,116	100,556
South (Red Dirt) Station annual contribution	25,000	25,000
Grant expenditures	1,500	-
Depreciation and amortization	251,904	247,208
Bond interest expense and related debt service costs	200,027	218,247
Total expenses	1,144,185	1,110,771
Change in net position	11,943	164,639
Net position - beginning	6,433,764	6,269,125
Net position - ending	\$ 6,445,707	\$ 6,433,764

**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, 2014, the District's governmental funds reported a combined ending fund balance of \$3,616,998, a decrease of \$206,734 in comparison with the prior year. The general fund balance decreased \$205,456 while the debt service fund balance decreased \$1,278 during 2014.

**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 less than budgeted by \$8,496. General Fund expenditures were less than budgeted by \$1,847,192 primarily related to the amounts budgeted for capital expenditures for District projects not expended during 2014.

**Capital Asset and Debt Administration**

*Capital Assets.* The District's investment in capital assets for governmental activities as of December 31, 2014 amounts to \$7,661,785 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, furniture and equipment.

Capital Assets, net of Depreciation

	December 31,	
	2014	2013
Land and improvements	\$ 1,149,262	\$ 1,149,262
Construction in process	15,303	-
Buildings and improvements	4,798,164	4,883,560
Vehicles	1,557,695	1,668,515
Furniture and fixtures	-	-
Equipment	141,361	124,517
Total	\$ 7,661,785	\$ 7,825,854

## **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, 2014, the District had general obligation bonded debt outstanding of \$5,085,000.

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 2015. Conservative budgeting and spending will continue. The District continues to work on the land purchase and construction for the North Station. The 2015 budget includes capital expenditures to construct the station. General fund revenues budgeted for 2015 will not be sufficient to fund budgeted expenditures. Thus, \$2,083,647 is budgeted to be drawn from the general fund balance in 2015. Bond fund revenues will be sufficient to support debt service requirements in 2015.

Additional revenue sources will be sought in 2015, including, but not limited to 1) response recovery fees, 2) plan review, permit and inspection fees, and 3) state and federal grants. The District anticipates an increase in property tax revenues and impact fee reviews as the economic forecast indicates slow but steady improvement in the County.

### **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, 2014**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 3,414,847
Cash and investments - restricted	381,238
Prepaid expenses	20,758
Property taxes receivable	1,096,490
Capital assets, not being depreciated	1,164,565
Capital assets, being depreciated, net	6,497,220
<b>Total assets</b>	<u>12,575,118</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of refunding	385,347
<b>Total deferred outflows of resources</b>	<u>385,347</u>
 <b>LIABILITIES</b>	
Accounts payable	19,689
Interest payable - bonds	14,756
Due to County	37,868
Funds held in agency-South Station	142,288
Long-term debt, due in more than one year	
Due within one year	444,187
Due in more than one year	4,759,480
<b>Total liabilities</b>	<u>5,418,268</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property taxes	1,096,490
<b>Total deferred inflows of resources</b>	<u>1,096,490</u>
 <b>NET POSITION</b>	
Investment in capital assets, net of related debt	2,458,118
Restricted for:	
Emergencies	18,000
Fire impact expenditures	122,945
Debt service	222,264
Unrestricted	3,624,380
<b>Total net position</b>	<u>\$ 6,445,707</u>

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

**Grand Fire Protection District No.1**  
**STATEMENT OF ACTIVITIES**  
For the year ended December, 31, 2014

	Program Revenues				
<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Total</b>
<b>Primary government</b>					
General	\$ (77,466)	\$ -	\$ -	\$ -	\$ (77,466)
Administration	(265,943)	-	-	-	(265,943)
Pension contribution	(110,004)	-	-	-	(110,004)
Firefighting	(95,636)	-	-	-	(95,636)
Communications	(9,589)	-	-	-	(9,589)
Building repair	(70,962)	-	-	-	(70,962)
Equipment repair	(36,154)	-	-	-	(36,154)
South Station	(25,000)	-	-	-	(25,000)
Grants and contributions	(1,500)	-	14,552	-	13,052
Depreciation expense (unallocated)	(251,904)	-	-	-	(251,904)
Interest on long-term debt and related costs	(200,027)	-	-	-	(200,027)
Total governmental activities	\$ (1,144,185)	\$ -	\$ 14,552	\$ -	(1,129,633)
			<b>General Revenues:</b>		
			Property taxes		1,038,200
			Specific ownership taxes		56,354
			Fire impact fees		35,557
			Interest earnings		9,672
			Other		1,793
			Total general revenues		1,141,576
			<b>Change in net position</b>		11,943
			<b>Net position - beginning</b>		6,433,764
			<b>Net position - ending</b>		\$ 6,445,707

*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, 2014**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 3,414,847	\$ -	\$ 3,414,847
Cash and investments - restricted	140,945	240,293	381,238
Prepaid expenses	20,758	-	20,758
Property taxes receivable	523,529	572,961	1,096,490
<b>Total assets</b>	<b>4,100,079</b>	<b>813,254</b>	<b>4,913,333</b>
<b>LIABILITIES</b>			
Accounts payable	19,689	-	19,689
Due to County	19,839	18,029	37,868
Funds held in agency - South Station	142,288	-	142,288
<b>Total liabilities</b>	<b>181,816</b>	<b>18,029</b>	<b>199,845</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes	523,529	572,961	1,096,490
<b>Total deferred inflows of resources</b>	<b>523,529</b>	<b>572,961</b>	<b>1,096,490</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepays	20,758	-	20,758
Restricted for:			
Debt Service	-	222,264	222,264
Emergency reserves	18,000	-	18,000
Fire impact expenditures	122,945	-	122,945
Assigned for:			
Funds held in Agency	142,288	-	142,288
Unassigned	3,090,743	-	3,090,743
<b>Total fund balances</b>	<b>3,394,734</b>	<b>222,264</b>	<b>3,616,998</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,100,079</b>	<b>\$ 813,254</b>	
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			7,661,785
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			(5,203,667)
Deferred loss on refunding, net			385,347
Accrued interest payable			(14,756)
Net position of governmental activities			<b>\$ 6,445,707</b>

*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, 2014**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
General property taxes	\$ 486,285	\$ 551,915	\$ 1,038,200
Specific ownership taxes	26,806	29,548	56,354
Fire impact fees	35,557	-	35,557
Grant revenue	1,500	-	1,500
Contributions	13,052	-	13,052
Interest income	9,640	32	9,672
Other	1,793	-	1,793
<b>Total revenues</b>	<u>574,633</u>	<u>581,495</u>	<u>1,156,128</u>
<b>EXPENDITURES</b>			
General	77,466	-	77,466
Administration	265,943	-	265,943
Pension contribution	110,004	-	110,004
Firefighting	95,636	-	95,636
Grants	1,500	-	1,500
Communications	9,589	-	9,589
Building and utilities	70,962	-	70,962
Equipment repair	36,154	-	36,154
South Station	25,000	-	25,000
Capital expenditures	87,835	-	87,835
Debt Service			
Principal	-	425,000	425,000
Interest and other	-	157,773	157,773
<b>Total expenditures</b>	<u>780,089</u>	<u>582,773</u>	<u>1,362,862</u>
<b>Net change in fund balance</b>	(205,456)	(1,278)	(206,734)
<b>FUND BALANCES - Beginning of year</b>	<u>3,600,190</u>	<u>223,542</u>	<u>3,823,732</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 3,394,734</u>	<u>\$ 222,264</u>	<u>\$ 3,616,998</u>

*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, 2014**

Net change in fund balance - total governmental funds	\$ (206,734)
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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	87,835
Depreciation expense	(251,904)

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	425,000
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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	19,430
Amortization of cost of refunding	(63,096)
Interest expense - change in accrued interest	1,412

Change in net position of governmental activities	<u>\$ 11,943</u>
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*The accompanying Notes to Financial Statements are an integral part of these statements.*

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

For the year ended December, 31, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
General property taxes	\$ 521,629	\$ 486,285	\$ (35,344)
Specific ownership taxes	25,000	26,806	1,806
Interest income	16,000	9,640	(6,360)
Fire Impact	15,000	35,557	20,557
Grant revenue	5,500	1,500	(4,000)
Contributions	-	13,052	13,052
Other	-	1,793	1,793
<b>Total revenues</b>	<b>583,129</b>	<b>574,633</b>	<b>(8,496)</b>
<b>EXPENDITURES</b>			
<b>General</b>			
Election fees	4,000	2,555	1,445
County Treasurer fees	26,081	24,666	1,415
Insurance	38,000	25,503	12,497
Office and miscellaneous	7,000	13,647	(6,647)
Office equipment	4,000	2,253	1,747
Dues and subscriptions	3,500	3,202	298
Impact fee study	8,000	5,640	2,360
CWPP	8,000	-	8,000
<b>Total general</b>	<b>98,581</b>	<b>77,466</b>	<b>21,115</b>
<b>Administration</b>			
Legal, accounting and audit	27,000	34,220	(7,220)
Salaries	185,000	173,058	11,942
Payroll taxes and related expenses	7,200	6,347	853
Payroll benefits	50,000	31,670	18,330
Outside services	-	13,114	(13,114)
Maintenance agreements	-	1,734	(1,734)
Directors fees	7,000	5,800	1,200
<b>Total administration</b>	<b>276,200</b>	<b>265,943</b>	<b>10,257</b>
<b>Contribution to South Station</b>	<b>25,000</b>	<b>25,000</b>	<b>-</b>
<b>Pension Contribution</b>	<b>\$ 110,000</b>	<b>\$ 110,004</b>	<b>\$ (4)</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, 2014**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Firefighting</b>			
Gas and oil	\$ 16,000	\$ 11,833	\$ 4,167
Supplies	11,000	14,506	(3,506)
Volunteer training and related expenses	14,000	24,827	(10,827)
Prevention	4,000	4,695	(695)
Resident Program	4,000	3,197	803
Salaries	-	3,800	(3,800)
Grant expenditures	5,500	1,500	4,000
Uniforms	-	10,464	(10,464)
Wildland	-	7,043	(7,043)
Firefighter incentives	15,000	15,271	(271)
<b>Total fire fighting</b>	<b>69,500</b>	<b>97,136</b>	<b>(27,636)</b>
<b>Communication</b>			
Telephone	5,000	5,185	(185)
Dispatch	4,000	4,104	(104)
Radio repair	1,000	300	700
<b>Total communication</b>	<b>10,000</b>	<b>9,589</b>	<b>411</b>
<b>Building Repair and Maintenance</b>			
Outside service	15,000	12,861	2,139
Grounds Maintenance	4,000	3,200	800
Supplies	7,000	10,096	(3,096)
Utilities	50,000	44,805	5,195
<b>Total building repair and maintenance</b>	<b>76,000</b>	<b>70,962</b>	<b>5,038</b>
<b>Equipment Repair and Maintenance</b>			
Outside service	30,000	29,372	628
Parts and supplies	7,000	6,782	218
<b>Total equipment repair and maintenance</b>	<b>\$ 37,000</b>	<b>\$ 36,154</b>	<b>\$ 846</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, 2014**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Capital Expenditures</b>			
Equipment	\$ 50,000	\$ 9,321	\$ 40,679
Trucks	400,000	5,421	394,579
Capital Truck Reserve	100,000	-	100,000
Building and property	1,200,000	36,548	1,163,452
Fire impact fees	75,000	36,545	38,455
<b>Total capital expenditures</b>	<u>1,825,000</u>	<u>87,835</u>	<u>1,737,165</u>
<b>Contingency</b>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>Total expenditures</b>	<u>2,627,281</u>	<u>780,089</u>	<u>1,847,192</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(2,044,152)	(205,456)	1,838,696
<b>FUND BALANCES - Beginning of year</b>	<u>3,371,991</u>	<u>3,600,190</u>	<u>228,199</u>
<b>FUND BALANCES - End of year</b>	<u><u>\$ 1,327,839</u></u>	<u><u>\$ 3,394,734</u></u>	<u><u>\$ 2,066,895</u></u>

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

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

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2014**

#### **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 nonfiduciary activities of the District. 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, 2014**

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.

Additionally, the District reports the following fund type:

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

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

**December 31, 2014**

Additionally, the District reports the following fund type:

The pension trust fund accounts for assets held by the District in a trustee capacity, as an agent for individual participants. The pension trust fund uses an economic resources measurement focus. The accounting objectives are the determination of net position available for benefits and changes in net position.

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.

#### **Interfund balances**

The District reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

#### **Property taxes**

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

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

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2014**

**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 \$3,000 or greater and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

**December 31, 2014**

#### **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.

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.

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2014**

**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.

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2014 financial statements as follows:

	<u>Governmental</u>	<u>Pension</u>	<u>Total</u>
Cash and investments	\$ 3,414,847	\$ -	\$ 3,414,847
Cash and investments - restricted	381,238	1,342,687	1,723,925
Total cash and investments	<u>\$ 3,796,085</u>	<u>\$ 1,342,687</u>	<u>\$ 5,138,772</u>

Cash and investments as of December 31, 2014 consisting of the following:

	<u>Governmental</u>	<u>Pension</u>	<u>Total</u>
Deposits with financial institutions	\$ 2,801,593	\$ -	\$ 2,801,593
Investments	994,492	1,342,687	2,337,179
Total cash and investments	<u>\$ 3,796,085</u>	<u>\$ 1,342,687</u>	<u>\$ 5,138,772</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, 2014, 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, 2014, the District's cash deposits had bank balances of \$2,824,517 and carrying balances of \$2,792,771.

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2014**

**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, 2014, the District's bank balances and carrying balances were insured or collateralized as follows:

Bank balances:	
Federally insured	\$ 2,529,741
Collateralized	<u>303,598</u>
Total bank balances	<u>\$ 2,833,339</u>
Carrying balances:	
Federally insured	\$ 2,529,741
Collateralized	<u>271,852</u>
Total carrying balances	<u>\$ 2,801,593</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

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2014**

- 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

As of December 31, 2014, the District had the following investments, recorded at fair value:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ 994,492
FPPA Pension Trust Funds and Agency Funds		<u>1,342,687</u>
Total investments		<u>\$ 2,337,179</u>

**COLOTRUST**

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

**Cash and investments - restricted**

At December 31, 2014, \$122,945 of cash and investments in the Governmental Funds were restricted for fire impact expenditures (see Note 10). \$222,264 of Governmental Funds cash and investments were restricted for future payment of bond principal, interest and related costs.

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2014**

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, 2014, \$18,000 of Governmental Funds cash and investments were restricted in compliance with this requirement.

**Note 4 – Capital assets**

An analysis of the changes in capital assets for the year ended December 31, 2014 follows:

	Balance at December 31, 2013	Increases	Decreases	Balance at December 31, 2014
Capital assets, not being depreciated				
Land and improvements	\$ 1,149,262	\$ -	\$ -	\$ 1,149,262
Construction in progress	-	15,303	-	15,303
	<u>1,149,262</u>	<u>15,303</u>	<u>-</u>	<u>1,164,565</u>
Capital assets being depreciated				
Buildings and improvements	5,688,001	21,245	-	5,709,246
Vehicles	3,002,043	5,421	-	3,007,464
Furniture and fixtures	45,334	-	-	45,334
Equipment	411,514	45,866	-	457,380
Total capital assets being depreciated	<u>9,146,892</u>	<u>72,532</u>	<u>-</u>	<u>9,219,424</u>
Less accumulated depreciation for				
Buildings and improvements	804,441	106,641	-	911,082
Vehicles	1,333,528	116,241	-	1,449,769
Furniture and fixtures	45,334	-	-	45,334
Equipment	286,997	29,022	-	316,019
Total accumulated depreciation	<u>2,470,300</u>	<u>251,904</u>	<u>-</u>	<u>2,722,204</u>
Total capital assets being depreciated, net	<u>6,676,592</u>	<u>(179,372)</u>	<u>-</u>	<u>6,497,220</u>
Capital assets, net	<u>\$ 7,825,854</u>	<u>\$ (164,069)</u>	<u>\$ -</u>	<u>\$ 7,661,785</u>

Depreciation expense of \$251,904 for 2014 was included in the expenses of the primary government on the statement of activities.

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

**December 31, 2014**

**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, 2014:

	Balance at December 31, 2013	Additions	Reductions	Balance at December 31, 2014	Due Within One Year
General obligation bonds payable					
Series 2004	\$ 350,000	\$ -	\$ 350,000	\$ -	\$ -
General obligation refunding bonds					
Series 2012	5,160,000	-	75,000	5,085,000	425,000
Total bonds payable	<u>5,510,000</u>	<u>-</u>	<u>425,000</u>	<u>5,085,000</u>	<u>425,000</u>
Premium	138,097	-	19,430	118,667	19,187
Cost of bond refunding	(448,443)	-	(63,096)	(385,347)	-
Total long-term obligations	<u>\$ 5,199,654</u>	<u>\$ -</u>	<u>\$ 381,334</u>	<u>\$ 4,818,320</u>	<u>\$444,187</u>

A description of long-term obligations outstanding as of December 31, 2014 is as follows:

**\$7,635,000 of General Obligation Bonds, Series 2004, dated June 15, 2004.**

The bonds were originally issued in the total amount of \$7,635,000 consisting of serial bonds issued in the aggregate amount of \$2,810,000 due through November 15, 2014, with interest of 3.0% to 4.0%, and term bonds issued in the original aggregate amount of \$4,825,000 due through May 15, 2025, with interest of 4.125% to 5.0%. Principal and interest are payable semi-annually on November 15 and May 15. The term bonds are subject to mandatory redemption. Additionally, bonds maturing on and after November 15, 2015 are subject to redemption prior to maturity at the option of the District on November 15, 2014 and on any date thereafter, without redemption premium.

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 bonds are insured as to principal and interest by a financial guarantee insurance policy issued by MBIA Insurance Corporation. In March 2014, Standard and Poor's upgraded its rating of MBIA to A-.

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2014**

During 2012, the District partially refunded and defeased the Series 2004 bonds. Bonds payable after November 2014 were refunded. The defeased bonds are not considered a liability of the District since sufficient funds (\$5,350,788) were deposited with a trustee and invested for the purpose of paying the principal and interest of the defeased bonds when due. During 2014, the final payment was made on the Series 2004 bonds and the defeased bonds were eliminated.

**\$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:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 425,000	\$ 118,050	\$ 543,050
2016	440,000	109,550	549,550
2017	450,000	100,750	550,750
2018	460,000	91,750	551,750
2019	475,000	77,950	552,950
2020-2024	2,535,000	68,450	2,603,450
2025	300,000	163,625	463,625
	<u>\$ 5,085,000</u>	<u>\$ 730,125</u>	<u>\$ 5,815,125</u>

**Debt authorization**

At December 31, 2014, the District had no authorized but unissued debt.

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

**December 31, 2014**

**Note 6 – Net position**

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2014, the District had invested in capital assets, net of related debt calculated as follows:

Capital assets, net	\$ 7,661,785
Current portion of outstanding long-term obligations	(444,187)
Noncurrent portion of outstanding long-term obligations	<u>(4,759,480)</u>
Net investment in capital assets	<u>\$ 2,458,118</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, 2014, the District had restricted net position as follows:

Emergencies (Note 13)	\$ 18,000
Fire impact expenditures (Note 10)	122,945
Debt service (Note 5)	<u>222,264</u>
Total restricted net position	<u>\$ 363,209</u>

The District had unrestricted net position of \$3,624,380 and total net position of \$6,445,707 as of December 31, 2014.

**Note 7 – Related party transactions**

During 2014, the District carried out transactions with companies owned by firefighters/board members totaling \$2,686. In addition, the board also paid vendors that have firefighters/board members as employees with transactions totaling \$28,476 during 2014. The board feels these transactions are priced competitively and are accurately characterized as “arms length” transactions.

## Grand Fire Protection District No.1

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014

#### Note 8 – Firefighters pension plan

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

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

Plan members are not required to contribute. The District's required contributions are established by the FPPA based on the retirement benefits determined by the District. The State of Colorado contributes a minimum of 90% of the District's contribution or 1/2 of one mill of the District's assessed valuation, up to a maximum of their matching contribution in 2001. During 2014, the District contributed \$110,004 to the plan. The State contributed an additional \$31,557.

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

During 2014, the District paid \$205,800 in pension payments. As of January 1, 2013 (the date of the latest actuarial valuation), there were 24 active members. In addition there were 24 retired members, 4 terminated vested members, and 3 beneficiaries receiving benefits.

The District obtained an actuarial valuation of the Pension Fund as of January 1, 2013. The valuation determined that the then-current annual level dollar contribution of \$139,577 was not adequate to support the current benefit levels. The annual required contribution (ARC) of \$141,536 determined by the valuation was effective January 1, 2014, and the determination of the ARC reflects this deferral. The ARC was calculated using the entry age normal actuarial cost method. The actuarial assumptions used in the valuation included: (a) 7.5% investment rate of return (net of operating expenses), compounded annually; (b) inflation at 3.0%; and (c) no cost of living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of

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

**December 31, 2014**

short-term volatility in the market value of investments over a three-year period. The unfunded actuarial accrued liability is being amortized as a level dollar over an open period of 20 years.

The following is a summary of some of the key results of the actuarial valuation of the plan. The full report is available for review at the District's office:

Estimated employer ARC	\$ 120,357
Net pension obligation:	
Net pension obligation January 1, 2013	\$ -
ARC	120,357
Contribution	120,357
Net pension obligation as of December 31, 2013	\$ -

	As of January 1,		
	2013	2011	2009
Actuarial value of assets	\$ 1,246,919	\$ 1,183,396	\$ 1,143,461
Actuarial accrued liability (AAL)	2,444,960	2,203,065	2,095,298
Excess/(shortfall) of assets over AAL	\$ (1,198,041)	\$ (1,019,669)	\$ (951,837)
Funded ratio	51%	54%	55%
	Year Ended December 31,		
	2013	2011	2009
ARC	\$ 139,557	\$ 120,357	\$ 109,557
Percent contributed	100%	100%	100%

**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.

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2014**

**Note 10 – Intergovernmental agreement**

In the fall of 2003, Grand Fire Protection District No. 1 entered into intergovernmental agreements with Grand County and the Town of Granby. The agreements allow the District to collect an impact fee from new developments within the Town of Granby and Grand County, which will require fire protection services from the District.

The impact fees are to be used by the District for the purpose of constructing or expanding the District's facilities and purchasing new equipment made necessary by new developments of the Town or County. The District is required to establish and maintain a separate accounting system to ensure that all funds provided by the impact fees are expended for the purpose set forth in the agreements. As of December 31, 2014, \$725,466 has been collected for fire impact fee expenditures, of which \$122,945 in investments remains restricted for such expenditures.

**Note 11 – 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 (South Station) in Grand County. The Districts plan to offer firefighting and emergency services to property located near the facility, currently served by both Districts.

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 12 – Risk management**

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

**Note 13 – 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.

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2014**

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.

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**SUPPLEMENTAL INFORMATION**

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

For the year ended December, 31, 2014

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
General property taxes	\$ 585,020	\$ 551,915	\$ (33,105)
Specific ownership taxes	-	29,548	29,548
Interest income	-	32	32
<b>Total revenues</b>	<u>585,020</u>	<u>581,495</u>	<u>(3,525)</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	425,000	425,000	-
Interest	129,350	129,350	-
County Treasurer Fees	29,251	27,923	1,328
Other	500	500	-
<b>Total expenditures</b>	<u>584,101</u>	<u>582,773</u>	<u>1,328</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>919</u>	<u>(1,278)</u>	<u>(2,197)</u>
<b>FUND BALANCES - Beginning of year</b>	<u>191,988</u>	<u>223,542</u>	<u>97,130</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 192,907</u>	<u>\$ 222,264</u>	<u>\$ 94,933</u>