

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

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**December 31, 2013**

**Grand Fire Protection District No.1**

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**December 31, 2013**

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Certified Public Accountants and Business Consultants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and fiduciary activities of Grand Fire Protection District No.1 (the District) as of and for the year ended December 31, 2013, 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, each major fund and fiduciary activities of the District, as of December 31, 2013, 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.

I

Wagner Barnes & Griggs, PC

### ***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 Baruch & Griggs, PC*

Lakewood, Colorado  
July 15, 2014

## 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, 2013. 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 \$6,433,764 (net position). Of this amount, \$3,899,946 (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 \$164,639 over the prior fiscal year.
- Total governmental funds revenue decreased \$95,851 from the prior year, primarily due to a reduction in property tax revenue of \$51,320.
- General fund operating expenditures decreased by \$54,035 from the prior year.
- The general fund ending fund balance was \$3,600,190, a decrease of \$25,501 from the prior year.

### Overview of the Financial Statements

The 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.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

*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 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.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary fund of the District is used to account for pension funds provided to the volunteer firefighters.

The basic fiduciary fund financial statements can be found on pages 9-10 of this report.

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

**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 11-27 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information. Budget comparisons for the debt service fund and the fiduciary fund can be found on pages 28-29 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 \$6,433,764 at the close of the most recent fiscal year.

**Net Position**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Current assets	\$ 5,077,498	\$ 5,118,487
Capital assets	7,825,854	8,004,692
Total assets	12,903,352	13,123,179
Deferred outflows of resources	448,443	512,067
Current liabilities	607,878	540,659
Long-term obligations	5,203,504	5,648,097
Total liabilities	5,811,382	6,188,756
Deferred inflows of resources	1,106,649	1,177,365
Net position:		
Invested in capital assets, net of related debt	2,177,757	1,952,002
Restricted	356,061	318,419
Unrestricted	3,899,946	3,998,710
Net position	\$ 6,433,764	\$ 6,269,131

The District has 33.8% of its net position invested in capital assets (e.g., property, plant, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, this net position

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

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

An additional portion of the District's net position (5.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$3,899,946 (60.6%) may be used to meet the District's ongoing obligations to citizens and creditors.

	<b>For the Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues</b>		
Program revenues		
Operating grants and contributions	\$ 9,224	\$ 16,999
General revenues		
Property taxes	1,179,971	1,231,291
Specific ownership taxes	54,131	52,073
Fire impact fees	11,509	17,094
Interest and other	20,575	53,804
Total revenues	1,275,410	1,371,261
<b>Expenses</b>		
General and administrative	346,987	328,719
Pension contribution	108,000	108,000
Fire fighting and communications	64,773	133,650
Repairs, maintenance and other	100,556	94,737
South Station	25,000	25,000
Grants and contributions	-	9,245
Depreciation and amortization	247,208	245,635
Bond interest expense and related debt service costs	218,247	268,163
Total expenses	1,110,771	1,213,149
Change in net position	164,639	158,112
Net position - beginning (restated)	6,269,125	6,111,013
Net position - ending	\$ 6,433,764	\$ 6,269,125



**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, 2013, the District's governmental funds reported a combined ending fund balance of \$3,823,732 an increase of \$3,607 in comparison with the prior year. The general fund balance decreased \$25,501 while the debt service fund balance increased \$29,108 during 2013.

**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 exceeded budget by \$22,920. General Fund expenditures were less than budgeted by \$1,909,879 primarily related to the amounts budgeted for capital expenditures for District projects not expended during 2013.

**Capital Asset and Debt Administration**

*Capital assets.* The District's investment in capital assets for governmental activities as of December 31, 2013 amounts to \$7,825,854 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, furniture and equipment.

Capital Assets, net of Depreciation

	December 31,	
	2013	2012
Land and improvements	\$ 1,149,262	\$ 1,149,262
Buildings and improvements	4,883,560	4,853,250
Vehicles	1,668,515	1,883,078
Furniture and fixtures	-	-
Equipment	124,517	119,102
Total	<u>\$ 7,825,854</u>	<u>\$ 8,004,692</u>

## **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, 2013 the District had general obligation bonded debt outstanding of \$5,510,000.

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 2014. Conservative budgeting and spending will continue. The District continues to search for property for the North Station. The 2014 budget includes capital expenditures to construct the station if a suitable site is found. General fund revenues budgeted for 2014 will not be sufficient to fund budgeted expenditures. Thus, \$2,050,492 is budgeted to be drawn from the general fund balance in 2014. Bond fund revenues will be sufficient to support debt service requirements in 2014.

### **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

**BASIC FINANCIAL STATEMENTS**

Grand Fire Protection District No.1

STATEMENT OF NET POSITION

December 31, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 3,602,348
Cash and investments - restricted	356,061
Prepaid expenses	12,440
Property taxes receivable	1,106,649
Capital assets, not being depreciated	1,149,262
Capital assets, being depreciated, net	6,676,592
<b>Total assets</b>	<u>12,903,352</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of refunding	448,443
<b>Total deferred outflows of resources</b>	<u>448,443</u>
<b>LIABILITIES</b>	
Accounts payable	36,913
Interest payable - bonds	16,168
Funds held in agency-South Station	110,204
Long-term debt, due in more than one year	
Due within one year	444,593
Due in more than one year	5,203,504
<b>Total liabilities</b>	<u>5,811,382</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property taxes	1,106,649
<b>Total deferred inflows of resources</b>	<u>1,106,649</u>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	2,177,757
Restricted for:	
Emergencies	21,000
Fire impact expenditures	111,519
Debt service	223,542
Unrestricted	3,899,946
<b>Total net position</b>	<u>\$ 6,433,764</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, 2013

Functions/Programs: Primary government	Program Revenues				Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General	\$ (102,953)	\$ -	\$ -	\$ -	(102,953)
Administration	(244,034)	-	-	-	(244,034)
Pension contribution	(108,000)	-	-	-	(108,000)
Fire fighting	(58,132)	-	-	-	(58,132)
Communications	(6,641)	-	-	-	(6,641)
Building repair	(62,961)	-	-	-	(62,961)
Equipment repair	(37,595)	-	-	-	(37,595)
South Station	(25,000)	-	-	-	(25,000)
Grants and contributions	-	-	9,224	-	9,224
Depreciation expense (unallocated)	(247,208)	-	-	-	(247,208)
Interest on long-term debt and related costs	(218,247)	-	-	-	(218,247)
Total governmental activities	\$ (1,110,771)	\$ -	\$ 9,224	\$ -	(1,101,547)

**General Revenues:**

Property taxes	1,179,971
Specific ownership taxes	54,131
Fire impact fees	11,509
Interest earnings	17,664
Other	2,911
Total general revenues	<u>1,266,186</u>

**Change in net position**

**Net position - beginning**

**Net position - ending**

	164,639
	<u>6,269,125</u>
	<u>\$ 6,433,764</u>

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, 2013**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 3,602,348	\$ -	\$ 3,602,348
Cash and investments - restricted	132,519	223,542	356,061
Prepaid expenses	12,440	-	12,440
Property taxes receivable	521,629	585,020	1,106,649
<b>Total assets</b>	<u>4,268,936</u>	<u>808,562</u>	<u>5,077,498</u>
<b>LIABILITIES</b>			
Accounts payable	36,913	-	36,913
Funds held in agency - South Station	110,204	-	110,204
<b>Total liabilities</b>	<u>147,117</u>	<u>-</u>	<u>147,117</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes	521,629	585,020	1,106,649
<b>Total deferred inflows of resources</b>	<u>521,629</u>	<u>585,020</u>	<u>1,106,649</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepays	12,440	-	12,440
Restricted for:			
Debt Service	-	223,542	223,542
Emergency reserves	21,000	-	21,000
Fire impact expenditures	111,519	-	111,519
Assigned for:			
Funds held in Agency	110,204	-	110,204
Unassigned	3,345,027	-	3,345,027
<b>Total fund balances</b>	<u>3,600,190</u>	<u>223,542</u>	<u>3,823,732</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 4,268,936</u>	<u>\$ 808,562</u>	

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

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

    Capital assets, net 7,825,854

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 (5,648,097)

    Deferred loss on refunding, net 448,443

    Accrued interest payable (16,168)

Net position of governmental activities \$ 6,433,764

*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, 2013

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>			
General property taxes	\$ 618,524	\$ 561,447	\$ 1,179,971
Specific ownership taxes	28,380	25,751	54,131
Fire impact fees	11,509	-	11,509
Contributions	9,224	-	9,224
Interest income	17,637	27	17,664
Other	2,911	-	2,911
<b>Total revenues</b>	<b>688,185</b>	<b>587,225</b>	<b>1,275,410</b>
<b>EXPENDITURES</b>			
General	102,953	-	102,953
Administration	244,034	-	244,034
Pension contribution	108,000	-	108,000
Fire fighting	58,132	-	58,132
Communications	6,641	-	6,641
Building and utilities	62,961	-	62,961
Equipment repair	37,595	-	37,595
South Station	25,000	-	25,000
Capital expenditures	68,370	-	68,370
Debt Service			
Principal	-	385,000	385,000
Interest and other	-	173,117	173,117
<b>Total expenditures</b>	<b>713,686</b>	<b>558,117</b>	<b>1,271,803</b>
<b>Net change in fund balance</b>	<b>(25,501)</b>	<b>29,108</b>	<b>3,607</b>
<b>FUND BALANCES - Beginning of year</b>	<b>3,625,691</b>	<b>194,434</b>	<b>3,820,125</b>
<b>FUND BALANCES - End of year</b>	<b>\$ 3,600,190</b>	<b>\$ 223,542</b>	<b>\$ 3,823,732</b>

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

**Grand Fire Protection District No.1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended December, 31, 2013**

Net change in fund balance - total governmental funds	\$	3,607
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital expenditures		68,370
Depreciation expense		(247,208)
<p>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.</p>		
Bond principal payments		385,000
<p>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.</p>		
Amortization of bond premium		19,593
Amortization of cost of refunding		(63,624)
Interest expense - change in accrued interest		(1,099)
		(1,099)
Change in net position of governmental activities	\$	164,639

*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, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
General property taxes	\$ 617,265	\$ 618,524	\$ 1,259
Specific ownership taxes	20,000	28,380	8,380
Interest income	16,000	17,637	1,637
Fire Impact	12,000	11,509	(491)
Contributions	-	9,224	9,224
Other	-	2,911	2,911
<b>Total revenues</b>	<b>665,265</b>	<b>688,185</b>	<b>22,920</b>
<b>EXPENDITURES</b>			
<b>General</b>			
Election fees	1,000	-	1,000
County Treasurer fees	30,865	30,977	(112)
Insurance	38,000	40,036	(2,036)
Office and miscellaneous	7,000	20,297	(13,297)
Office equipment	4,000	2,365	1,635
Dues and subscriptions	3,500	3,387	113
Impact fee study	4,000	5,891	(1,891)
CWPP	2,000	-	2,000
<b>Total general</b>	<b>90,365</b>	<b>102,953</b>	<b>(12,588)</b>
<b>Administration</b>			
Legal, accounting and audit	27,000	37,229	(10,229)
Salaries	185,000	159,697	25,303
Payroll taxes and related expenses	7,200	5,952	1,248
Payroll benefits	50,000	33,556	16,444
Directors fees	8,000	7,600	400
<b>Total administration</b>	<b>277,200</b>	<b>244,034</b>	<b>33,166</b>
<b>Contribution to South Station</b>	<b>25,000</b>	<b>25,000</b>	<b>-</b>
<b>Pension Contribution</b>	<b>\$ 108,000</b>	<b>\$ 108,000</b>	<b>\$ -</b>

(continued)

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

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

*General Fund*  
*(continued)*

For the year ended December, 31, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Fire Fighting</b>			
Gas and oil	\$ 16,000	\$ 11,571	\$ 4,429
Supplies	14,000	13,421	579
Volunteer training and related expenses	20,000	16,622	3,378
Prevention	3,000	4,164	(1,164)
Resident Program	5,000	1,501	3,499
Firefighter incentives	16,000	10,853	5,147
<b>Total fire fighting</b>	<u>74,000</u>	<u>58,132</u>	<u>15,868</u>
<b>Communication</b>			
Telephone	5,000	3,387	1,613
Dispatch	4,000	3,254	746
Radio repair	2,000	-	2,000
<b>Total communication</b>	<u>11,000</u>	<u>6,641</u>	<u>4,359</u>
<b>Building Repair and Maintenance</b>			
Outside service	15,000	13,770	1,230
Grounds Maintenance	4,000	2,640	1,360
Supplies	7,000	4,401	2,599
Utilities	50,000	42,150	7,850
<b>Total building repair and maintenance</b>	<u>76,000</u>	<u>62,961</u>	<u>13,039</u>
<b>Equipment Repair and Maintenance</b>			
Outside service	30,000	30,955	(955)
Parts and supplies	7,000	6,640	360
<b>Total equipment repair and maintenance</b>	<u>\$ 37,000</u>	<u>\$ 37,595</u>	<u>\$ (595)</u>

(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, 2013**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Capital Expenditures</b>			
Equipment	\$ 50,000	\$ 7,486	\$ 42,514
Trucks	400,000	29,974	370,026
Capital Truck Reserve	100,000	-	100,000
Building and property	1,200,000	6,707	1,193,293
Fire impact fees	75,000	24,203	50,797
<b>Total capital expenditures</b>	<b>1,825,000</b>	<b>68,370</b>	<b>1,756,630</b>
<b>Contingency</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>
<b>Total expenditures</b>	<b>2,623,565</b>	<b>713,686</b>	<b>1,909,879</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(1,958,300)</b>	<b>(25,501)</b>	<b>1,932,799</b>
<b>FUND BALANCE - Beginning of year</b>	<b>3,429,022</b>	<b>3,625,691</b>	<b>196,669</b>
<b>FUND BALANCE - End of year</b>	<b>\$ 1,470,722</b>	<b>\$ 3,600,190</b>	<b>\$ 2,129,468</b>

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

**Grand Fire Protection District No.1**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**December 31, 2013**

	<b>Pension Fund</b>
<b>ASSETS</b>	
Investments	<u>\$ 1,322,419</u>
<b>Total assets</b>	<u><u>\$ 1,322,419</u></u>
<b>NET POSITION</b>	
Held in trust for pension benefits	<u>\$ 1,322,419</u>
<b>Total net position</b>	<u><u>\$ 1,322,419</u></u>

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

**Grand Fire Protection District No.1**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the year ended December, 31, 2013**

	<b>Pension Fund</b>
<b>CONTRIBUTIONS</b>	
District contributions	\$ 108,000
State grant	31,557
<b>Total contributions</b>	<b>139,557</b>
<b>INVESTMENT INCOME (EXPENSES)</b>	
Interest and dividends	19,747
Other income (expense)	4,239
Net change in accrued income	83
Realized gains	79,176
Unrealized (loss)	83,460
Investment expense	(13,162)
<b>Net investment income (expense)</b>	<b>173,543</b>
<b>DEDUCTIONS</b>	
Pension payments	202,685
<b>Total deductions</b>	<b>202,685</b>
<b>Change in net position</b>	110,415
<b>NET POSITION - beginning</b>	<b>1,212,004</b>
<b>NET POSITION - ending</b>	<b>\$ 1,322,419</b>

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

## Grand Fire Protection District No.1

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 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, 2013

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District's government-wide financial statements. 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 expenditure for principal and interest, and are being accumulated for principal and interest maturing in future years.

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

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

**December 31, 2013**

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, 2013**

**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.

**Fund Balances**

Beginning with fiscal year 2011 the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement

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

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

**December 31, 2013**

provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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, 2013**

**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, 2013 financial statements as follows:

	<u>Governmental</u>	<u>Pension</u>	<u>Total</u>
Cash and investments	\$ 3,602,348	\$ -	\$ 3,602,348
Cash and investments - restricted	356,061	1,322,419	1,678,480
Total cash and investments	<u>\$ 3,958,409</u>	<u>\$ 1,322,419</u>	<u>\$ 5,280,828</u>

Cash and investments as of December 31, 2013 consisting of the following:

	<u>Governmental</u>	<u>Pension</u>	<u>Total</u>
Deposits with financial institutions	\$ 3,025,570	\$ -	\$ 3,025,570
Investments	932,839	1,322,419	2,255,258
Total cash and investments	<u>\$ 3,958,409</u>	<u>\$ 1,322,419</u>	<u>\$ 5,280,828</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, 2013, 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, 2013, the District's cash deposits had bank balances of \$3,041,037 and carrying balances of \$3,025,570.

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2013**

**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, 2013, the District's bank balances and carrying balances were insured or collateralized as follows:

Bank balances:	
Federally insured	\$ 2,849,056
Collateralized	191,981
Total bank balances	<u>\$ 3,041,037</u>
Carrying balances:	
Federally insured	\$ 2,849,056
Collateralized	176,514
Total carrying balances	<u>\$ 3,025,570</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, 2013**

- 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, 2013, 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	\$ 932,839
FPPA Pension Trust Funds and Agency Funds		<u>1,322,419</u>
Total investments		<u>\$ 2,255,258</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, 2013, \$111,519 of cash and investments in the Governmental Funds were restricted for fire impact expenditures (see Note 10). \$223,542 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, 2013**

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, 2013, \$21,000 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, 2013 follows:

	Balance at December 31, 2012	Increases	Decreases	Balance at December 31, 2013
Capital assets, not being depreciated				
Land and improvements	\$ 1,149,262	\$ -	\$ -	\$ 1,149,262
	<u>1,149,262</u>	<u>-</u>	<u>-</u>	<u>1,149,262</u>
Capital assets being depreciated				
Buildings and improvements	5,681,294	6,707	-	5,688,00
Vehicles	2,972,069	29,974	-	3,002,04
Furniture and fixtures	45,334	-	-	45,33
Equipment	379,825	31,689	-	411,51
Total capital assets being depreciated	<u>9,078,522</u>	<u>68,370</u>	<u>-</u>	<u>9,146,89</u>
Less accumulated depreciation for				
Buildings and improvements	699,749	104,692	-	804,44
Vehicles	1,217,287	116,241	-	1,333,52
Furniture and fixtures	45,334	-	-	45,33
Equipment	260,722	26,275	-	286,99
Total accumulated depreciation	<u>2,223,092</u>	<u>247,208</u>	<u>-</u>	<u>2,470,30</u>
Total capital assets being depreciated, net	6,855,430	(178,838)	-	6,676,59
Capital assets, net	<u>\$ 8,004,692</u>	<u>\$ (178,838)</u>	<u>\$ -</u>	<u>\$ 7,825,85</u>

Depreciation expense of \$247,208 for 2013 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, 2013**

**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, 2013:

	Balance at December 31, 2012	Additions	Reductions	Balance at December 31, 2013	Due Within One Year
General obligation bonds payable					
Series 2004	\$ 685,000	\$ -	\$ 335,000	\$ 350,000	\$350,000
General obligation refunding bonds					
Series 2012	5,210,000	-	50,000	5,160,000	75,000
Total bonds payable	5,895,000	-	385,000	5,510,000	425,000
Premium	157,690	-	19,593	138,097	19,593
Cost of bond refunding	(512,067)	-	(63,624)	(448,443)	-
Total long-term obligations	\$ 5,540,623	\$ -	\$ 340,969	\$ 5,199,654	\$444,593

A description of long-term obligations outstanding as of December 31, 2013 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 December 2010, Standard and Poor's reduced its rating of MBIA to B with a negative outlook.

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2013**

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.

**\$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</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 425,000	\$ 129,350	\$ 554,350
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
2019-2023	2,475,000	285,400	2,760,400
2024-2025	835,000	24,625	859,625
	<u>\$ 5,510,000</u>	<u>\$ 859,475</u>	<u>\$ 6,369,475</u>

**Debt authorization**

At December 31, 2013, the District had no authorized but unissued debt.



**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2013**

**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, 2013, the District had invested in capital assets, net of related debt calculated as follows:

Capital assets, net	\$ 7,825,854
Current portion of outstanding long-term obligations	(444,593)
Noncurrent portion of outstanding long-term obligations	<u>(5,203,504)</u>
Net investment in capital assets	<u>\$ 2,177,757</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, 2013, the District had restricted net position as follows:

Emergencies (Note 13)	\$ 21,000
Fire impact expenditures (Note 10)	111,519
Debt service (Note 5)	<u>223,542</u>
Total restricted net position	<u>\$ 356,061</u>

The District had unrestricted net position of \$3,899,946 and total net position of \$6,433,764 as of December 31, 2013.

**Note 7 – Related party transactions**

During 2013, the District paid a family member of the former fire chief \$4,000 to provide janitorial services. In addition, the District had transactions with companies owned by board members totaling \$3,814. 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, 2013

#### **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 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 2013, the District contributed \$108,000 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 2013, the District paid \$202,685 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 short-term volatility in the market value of investments over a three-year period. The

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2013**

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	<u>\$ 120,357</u>
Net pension obligation:	
Net pension obligation January 1, 2011	\$ -
ARC	120,357
Contribution	<u>120,357</u>
Net pension obligation as of December 31, 2011	<u>\$ -</u>

	As of January 1,		
	<u>2013</u>	<u>2011</u>	<u>2009</u>
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	<u>\$ (1,198,041)</u>	<u>\$ (1,019,669)</u>	<u>\$ (951,837)</u>
Funded ratio	51%	54%	55%
	Year Ended December 31,		
	<u>2013</u>	<u>2011</u>	<u>2009</u>
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.

**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.

## Grand Fire Protection District No.1

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013

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 insure that all funds provided by the impact fees are expended for the purpose set forth in the agreements. As of December 31, 2013, \$689,909 has been collected for fire impact fee expenditures, of which \$111,519 in investments remains reserved 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 fire fighting 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.

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.

**Grand Fire Protection District No.1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2013**

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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 612,000	\$ 560,100	\$ 561,447	\$ 1,347
Specific ownership taxes	-	-	25,751	25,751
Interest income	100	100	27	(73)
<b>Total revenues</b>	<u>612,100</u>	<u>560,200</u>	<u>587,225</u>	<u>27,025</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	260,652	385,000	385,000	-
Interest	325,000	144,325	144,325	-
County Treasurer Fees	30,600	28,005	28,117	(112)
Other	500	500	675	(175)
<b>Total expenditures</b>	<u>616,752</u>	<u>557,830</u>	<u>558,117</u>	<u>(287)</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(4,652)</u>	<u>2,370</u>	<u>29,108</u>	<u>26,738</u>
<b>FUND BALANCE - Beginning of year</b>	<u>131,064</u>	<u>131,064</u>	<u>194,434</u>	<u>63,370</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 126,412</u>	<u>\$ 133,434</u>	<u>\$ 223,542</u>	<u>\$ 90,108</u>

**Grand Fire Protection District No.1**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -**  
**BUDGET AND ACTUAL**  
**Fiduciary Fund**

**For the year ended December, 31, 2013**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>CONTRIBUTIONS</b>			
District contributions	\$ 108,000	\$ 108,000	\$ -
State grant	31,557	31,557	-
<b>Total contributions</b>	<u>139,557</u>	<u>139,557</u>	<u>-</u>
<b>INVESTMENT INCOME (EXPENSES)</b>			
Investment earnings	-	19,747	19,747
Other income (expense)	-	4,239	4,239
Net change in accrued income	-	83	83
Realized gains	-	79,176	79,176
Unrealized gain	-	83,460	83,460
Investment expense	(500)	(13,162)	(12,662)
<b>Net investment income</b>	<u>(500)</u>	<u>173,543</u>	<u>174,043</u>
<b>DEDUCTIONS</b>			
Pension payments	197,260	202,685	(5,425)
Contingency	30,000	-	30,000
<b>Total deductions</b>	<u>227,260</u>	<u>202,685</u>	<u>24,575</u>
<b>CHANGE IN ASSETS</b>	(88,203)	110,415	198,618
<b>NET POSITION - Beginning of year</b>	<u>1,107,526</u>	<u>1,212,004</u>	<u>104,478</u>
<b>NET POSITION - End of year</b>	<u>\$ 1,019,323</u>	<u>\$ 1,322,419</u>	<u>\$ 303,096</u>