

**SECURITY FIRE PROTECTION
DISTRICT**

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended December 31, 2016



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SECURITY FIRE PROTECTION DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Security Fire Protection District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Security Fire Protection District, as of and for the year ended December 31, 2016, 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.

Auditors' 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 account 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 the aggregate remaining fund information of the Security Fire Protection District, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents 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.

Hoelting & Company Inc.

Colorado Springs, Colorado
June 22, 2017

**SECURITY FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

As management of Security Fire Protection District (the District) we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the district exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,030,236 (*net position*). Of this amount, \$908,910 (*unrestricted net position*) may be used to meet the District's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the general fund reported an ending fund balance of \$566,829 an increase of \$431,729 in comparison with the prior year. Approximately eighty-two percent of this total amount, \$464,629, is available for spending at the District discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance was 15.74% of total expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances as a whole, in a manner similar to a private-sector business and include two statements:

The *statement of net position* presents information on all of the District's assets and liabilities, and deferred inflows/outflows of resources, with the difference 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 reporting 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. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general and administrative activities and fire and emergency medical services. Currently, the District has no business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has two funds: the General fund, which is a governmental fund; and the Pension fund, which is a fiduciary fund.

Governmental Funds: The District's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the District's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. Also, the District adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, total assets and deferred outflows exceeded liabilities and deferred inflows by \$2,030,236 as of December 31, 2016.

30.3% of the District's assets are its investment in capital assets.

Condensed Statement of Net Position

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 2,802,397	\$ 2,656,440
Capital assets, net depreciation	<u>1,219,616</u>	<u>1,387,829</u>
Total assets	<u>4,022,013</u>	<u>4,044,269</u>
Deferred Outflows of Resources:		
Deferred Pension Outflows	<u>575,045</u>	<u>155,581</u>
Total deferred outflows of Resources	<u>575,045</u>	<u>155,581</u>
Long-term liabilities	200,490	258,110
Other liabilities	<u>137,569</u>	<u>173,570</u>
Total liabilities	<u>338,059</u>	<u>431,680</u>
Deferred Inflows of Resources:		
Deferred pension inflows	84,309	5,581
Unavailable property tax revenue	<u>2,144,454</u>	<u>2,068,552</u>
Total deferred inflows of Resources	<u>2,228,763</u>	<u>2,074,133</u>
Net position:		
Net investment in capital assets	1,019,176	1,129,719
Restricted	102,200	84,220
Unrestricted	<u>908,910</u>	<u>480,118</u>
Total net position	<u>\$ 2,030,236</u>	<u>\$ 1,694,037</u>

Condensed Statement of Activities

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues		
Charges for services	\$ 1,033,219	\$ 711,085
Operating grants and contributions	-	-
General revenues:		
Property and other taxes	2,300,040	2,079,438
Other Income	49,727	14,977
Interest income	<u>1,279</u>	<u>930</u>
Total revenues	<u>3,384,265</u>	<u>2,806,430</u>
Expenses:		
General and administrative	357,091	437,108
Fire and emergency medical services	2,623,362	2,676,068
Interest	<u>7,534</u>	<u>15,640</u>
Total expenses	<u>2,987,987</u>	<u>3,128,816</u>
Change in net position	396,278	(322,386)
Net position, beginning as restated	<u>1,633,958</u>	<u>1,956,344</u>
Net position, ending	<u>\$ 2,030,236</u>	<u>\$ 1,633,958</u>

ANALYSIS OF THE DISTRICT'S FUNDS

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

The general fund is the operating fund of the District. The fund balance for the general fund was \$566,829 at the end of the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's general fund budget is prepared in accordance with state law. No changes were made to the general fund budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities at the end of the year was as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 123,847	\$ 123,847
Fire Stations	1,082,641	1,082,641
Vehicles	1,766,545	2,016,653
Equipment	1,205,470	1,240,951
Accumulated depreciation	<u>(2,958,887)</u>	<u>(3,076,263)</u>
Total capital assets, net	<u>\$ 1,219,616</u>	<u>\$ 1,387,829</u>

Long-term debt

At the end of current fiscal year, the District had \$200,490 loan payable.

	<u>2016</u>	<u>2015</u>
Loan payable	<u>\$ 200,490</u>	<u>\$ 258,110</u>

BUDGETARY AND ECONOMIC FACTORS

Budgetary Highlights and Outlook- There were no amendments to the 2016 budget during the year. Budgeted 2017 revenues are expected to increase from 2016 due to the growth of EMS services. Certain expenditures for 2017 are expected to increase reflecting increases in salaries, oxygen and medical supplies, and other costs of operations. However, management is developing a plan to reduce expenditures to reverse recent decreases in fund balances.

Economic and Environmental Factors

The housing market in the District has just begun to pick up from the housing declines in recent years. This increased tax base may be somewhat offset by lower property values as El Paso County conducts its bi-annual property valuations.

REQUESTS FOR INFORMATION

This financial report is designed to provide the District's taxpayers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact an official at the District's administration office, 400 Security Blvd. Security, Colorado 80911 or phone (719) 392-3271.

BASIC FINANCIAL STATEMENTS

SECURITY FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS

Cash and cash equivalents	\$	631,425
Cash with County Treasurer		20,680
Property tax receivable		2,144,454
Capital assets not being depreciated		123,847
Capital assets, net of depreciation		1,095,769
Net pension asset		5,838
		4,022,013
Total assets		4,022,013

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows		575,045
		575,045

LIABILITIES

Accounts payable		67,070
Payroll taxes payable		8,301
Payable to pension fund		9,905
Compensated absences		52,293
Long-term liabilities:		
Due within one year		59,452
Due in more than one year		141,038
		338,059
Total liabilities		338,059

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows		84,309
Unavailable property tax revenue		2,144,454
		2,228,763
Total Deferred Inflows of Resources		2,228,763

NET POSITION

Net investment in capital assets		1,019,126
Restricted		102,200
Unrestricted		908,910
		2,030,236
Total net position	\$	2,030,236

The accompanying notes are an integral part of these financial statements.

SECURITY FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net Program Expense
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General and administrative	\$ 357,091	\$ -	\$ -	\$ -	\$ (357,091)
Fire and emergency medical services	2,623,362	1,033,219	-	-	(1,590,143)
Interest and other fiscal charges	7,534	-	-	-	(7,534)
Total governmental activities	\$ 2,987,987	\$ 1,033,219	\$ -	\$ -	(1,954,768)
General revenues:					
General property tax					2,062,177
Specific ownership tax					237,863
Other income					26,470
Gain on sale of capital assets					23,257
Investment earnings					1,279
Total general revenues					2,351,046
Change in net position					396,278
Net position - beginning, as restated					1,633,958
Net position - ending					\$ 2,030,236

The accompanying notes are an integral part of these financial statements.

SECURITY FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
DECEMBER 31, 2016

ASSETS

Cash and cash equivalents	\$ 631,425
Cash with County Treasurer	20,680
Property taxes receivable	<u>2,144,454</u>
Total assets	<u><u>\$ 2,796,559</u></u>

LIABILITIES

Accounts payable	67,070
Payroll taxes payable	8,301
Payable to pension fund	<u>9,905</u>
Total liabilities	<u>85,276</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable property tax revenue	<u>2,144,454</u>
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FUND BALANCE

Restricted	102,200
Unassigned	<u>464,629</u>
Total fund balance	<u>566,829</u>

Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 2,796,559</u></u>
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The accompanying notes are an integral part of these financial statements.

SECURITY FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total fund balance of governmental funds	\$ 566,829
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.	
Capital assets	4,178,503
Accumulated depreciation	(2,958,887)
The net pension asset is not available in the current period and, therefore, is not reported as an asset in the funds.	
	5,838
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	
	575,045
Liabilities that are not due and payable in the current period are not reported at the fund level but are reported on the government-wide Statement of Net Position.	
Compensated absences	(52,293)
Loan payable	(200,490)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	
	(84,309)
Net Position of governmental activities in the Statement of Net Position	\$ 2,030,236

The accompanying notes are an integral part of these financial statements.

SECURITY FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES

General property tax	\$ 2,062,177
Specific ownership tax	237,863
Safety service income	994,969
Inspection fees	38,250
Other income	26,470
Investment earnings	<u>1,279</u>
Total revenues	<u>3,361,008</u>

EXPENDITURES

General and administrative	348,300
Fire and emergency medical services	2,539,142
Debt service	<u>65,154</u>
Total expenditures	<u>2,952,596</u>
Excess (deficit) of revenues over expenditures	<u>408,412</u>

OTHER FINANCING SOURCES

Proceeds from the sale of capital assets	<u>23,317</u>
Net change in fund balance	431,729
Fund balance - beginning, as restated	<u>135,100</u>
Fund balance - ending	<u><u>\$ 566,829</u></u>

The accompanying notes are an integral part of these financial statements.

SECURITY FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Total net change in fund balance of governmental funds \$ 431,729

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays 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. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense (168,153)

Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the Statement of Activities based on the amounts earned during the year.

(4,110)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

57,620

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 governmental funds.

79,192

Change in net position of governmental activities

\$ 396,278

The accompanying notes are an integral part of these financial statements.

SECURITY FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
PENSION FUND
DECEMBER 31, 2016

ASSETS

Restricted cash and cash equivalents	\$ 1,702,665
Receiveable from General Fund	<u>9,905</u>
Total assets	<u>1,712,570</u>

LIABILITIES

Accounts payable	<u>-</u>
Total liabilities	<u>-</u>

NET POSITION

Restricted for pensions	<u><u>\$ 1,712,570</u></u>
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The accompanying notes are an integral part of these financial statements.

SECURITY FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN NET POSITION
PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

ADDITIONS

Contributions		
Employer	\$	24,750
State matching funds		22,275
Investment income:		
Interest and dividends		52,714
Net change in the fair value of investments		78,096
Other income		200
Total additions		178,035
Change in net position		178,035

NET POSITION RESTRICTED FOR PENSIONS

Net position - beginning, as restated		1,534,535
Net position - ending	\$	1,712,570

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Security Fire Protection District (the District) was organized under the laws of the State of Colorado to operate and maintain a special district for the purpose of providing fire and emergency paramedical services to its residents.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

The District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide 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 non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. BASIS OF PRESENTATION — FUND FINANCIAL STATEMENTS

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION-FUND FINANCIAL STATEMENTS (CONTINUED)

Additionally, the government reports the following fund types:

The *Pension Fund* accumulates resources for pension benefit payments to qualified employees.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Property taxes, specific ownership taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid expenses

Payments made for expenses that will benefit periods beyond December 31, 2016 are recorded as prepaid expenses.

Capital Assets

Capital assets, which include land, buildings, vehicles, and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE (CONTINUED)

Buildings, vehicles, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Fire stations	40 years
Vehicles	5 to 15 years
Equipment	5 to 15 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

Pensions

Security Fire Protection District participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualifies for reporting in this category.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE (CONTINUED)

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted or committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE (CONTINUED)

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and payable in two installments due February 28 and June 15, or in one installment due April 30. El Paso County Treasurer bills and collects property taxes for the District. District property tax revenues are recognized when levied to the extent that they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The mill levy for general operating expenses for the year ended December 31, 2016 was 10.000 mills. The District's assessed valuation for 2016 was \$206,673,380.

Compensated absences

The District's personnel policy states that employees may earn a total of six to nine shifts or two to four weeks of paid vacation per year depending on the length of employment and employment classification. A maximum of 144 hours of vacation may be carried forward.

The District has accrued a liability for vacation pay that has been earned, but not used by District employees.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In the fall, a proposed operation budget is submitted to the Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the District to obtain taxpayer comments.
- 3) Prior to December 31, the budget is legally enacted through passage of a resolution. This authorizes a lump-sum expenditure budget by fund for the District. This aggregate expenditure budget, by fund, then becomes the level of control upon which expenditures cannot legally exceed appropriations. An appropriation ordinance is also adopted which allocates the total budget by fund.
- 4) Any revisions that alter the budget of any fund must be approved by the Board by passage of a resolution.
- 5) Formal budgetary integration is employed as a management control device during the year for the general and pension funds.
- 6) Budgets for the general and pension funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board.
- 7) All annual appropriations lapse at the end of the year.

NOTE 3 – DEPOSITS AND INVESTMENTS

CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk-deposits. Colorado state statutes govern the entity's deposit of cash. The Public Deposit Protection Acts for banks and savings and loans requires the state regulators to certify eligible depositories for public deposits. The acts require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the assets in the pool must be at least equal to 102% of uninsured deposits.

At December 31, 2016, the carrying amounts of the District's deposits were \$735,313, and the bank balances were \$854,320. Of the total bank balances, \$250,000 was covered by FDIC insurance and the remaining balance of \$604,320 falls under the provisions of the Colorado Public Deposit Protection Acts which are collateralized in single institution pools.

SECURITY FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

The District is authorized by Colorado State Statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government.
- Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- Bonds which are a direct obligation of the State of Colorado, or of any city, county, or school district therein.
- Notes or bonds issued pursuant to the “National Housing Act”.
- Repurchase agreements.
- Local government investment pools.

At December 31, 2016 the District’s investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Pension Fund:		
Equity Mutual Funds	Less than 60 days	1,597,168
Insurance Annuity	Less than 60 days	<u>1,609</u>
Total Pension Fund		<u>1,598,777</u>
Total Investments		<u>\$ 1,598,777</u>

The mutual funds of \$1,597,168 are in the Pension Fund of the Security Fire Protection District. These funds are administered by the trustee for the Pension Fund.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk: Except for Pension Fund investments, State law limits investments as described above. The District does not have an investment policy that would further limit its investment choices. Under State law, the District has significant discretionary power to invest Pension Fund assets that are not immediately required for the payment of benefits and in certain conditions, Pension Fund assets may also be invested in insurance annuities. The insurance annuity in the Pension Fund is not rated.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation of total deposits and investments to the government-wide financial statements at December 31, 2016:

	<u>Unrestricted</u>	<u>Restricted</u>	
Governmental Activities			
Deposits	\$ 631,425	\$ -	
	<u>631,425</u>	<u>-</u>	
Fiduciary Activities			
Deposits	-	103,888	
Investments	-	1,598,777	
	<u>-</u>	<u>1,598,777</u>	
Total	<u>\$ 631,425</u>	<u>\$ 1,702,665</u>	

NOTE 4 – TAXES RECEIVABLE

Taxes receivable are considered fully collectible due to the ability of the District to lien property; therefore, there is no allowance for uncollectibles.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 123,847	\$ -	\$ -	\$ 123,847
Capital assets, being depreciated:				
Fire Stations	1,082,641	-	-	1,082,641
Vehicles	2,016,653	-	(250,108)	1,766,545
Equipment	<u>1,240,951</u>	<u>-</u>	<u>(35,481)</u>	<u>1,205,470</u>
Total capital assets, being depreciated	4,340,245	-	(285,589)	4,054,656
Less accumulated depreciation	<u>(3,076,263)</u>	<u>(168,153)</u>	<u>285,529</u>	<u>(2,958,887)</u>
Capital assets, being depreciated, net	<u>1,263,982</u>	<u>(168,153)</u>	<u>(60)</u>	<u>1,095,769</u>
Total capital assets, net	<u>\$ 1,387,829</u>	<u>\$ (168,153)</u>	<u>\$ (60)</u>	<u>\$ 1,219,616</u>

SECURITY FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of as follows:

General and administrative	\$ 13,926
Fire and emergency medical services	<u>154,227</u>
 Total	 <u>\$ 168,153</u>

NOTE 6 - LONG-TERM DEBT

On March 4, 2015, the District entered a loan agreement in the amount of \$300,000 to finance the purchase of two fire trucks. Monthly payments of \$5,424 are due through March 31, 2020 and bear interest at 3.250%. The loan is collateralized by the fire trucks.

Debt service requirements to maturity are as follows:

Year	Principal	Interest
2017	59,452	5,636
2018	61,414	3,674
2019	63,440	1,648
2020	<u>16,184</u>	<u>88</u>
 Total	 <u>\$ 200,490</u>	 <u>\$ 11,046</u>

Long-term debt activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One year
2015 Loan	<u>\$ 258,110</u>	<u>\$ -</u>	<u>\$ 57,620</u>	<u>\$ 200,490</u>	<u>\$ 59,452</u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Security Fire Protection District are provided with pensions through the Statewide Defined Benefit Plan (SWDB) – a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). Plan benefits are specified in Title 31, Article 30 of the Colorado Revised Statutes (C.R.S.). FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits provided. The SWDB provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan which is also administered by FPPA.

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions. The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB plan and their employers are contributing at the rate of 8.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 16.5 percent in 2015. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20.5 percent of base salary in 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4.25 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.25 percent in 2015. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employer contributions are recognized by the SWDB in the period in which the compensation becomes payable to the member and the Security Fire Protection District is statutorily committed to pay the contributions to the SWDB. Employer contributions recognized by the SWDB from Security Fire Protection District were \$139,007 for the year ended December 31, 2016.

Actuarial assumptions. The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2015. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability	Actuarially Determined Contributions
Actuarial Valuation Date	January 1, 2016	January 1, 2015
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Payroll, Open	Level % of Payroll, Open
Amortization Period	30 Years	30 Years
Long-term Investment Rate of Return*	7.5%	7.5%
Projected Salary Increases*	4.0% - 14.0%	4.0% -14.0%
Cost of Living Adjustments (COLA)	0.0%	0.0%
*Includes Inflation at	2.5%	3.0%

For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

For determining the actuarially determined contributions, the RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every five years the FPPA’s Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA’s actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

SECURITY FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-term rate of return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%*
Total	100.0%	

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

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Security Fire Protection District proportionate share of the net pension liability (asset) to changes in the Discount Rate. The following presents the proportionate share of the net pension liability (asset), calculated using the Discount Rate of 7.50 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a Discount Rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

1% Decrease 6.50%	Single Discount Rate Assumption 7.50%	1% Increase 8.50%
\$ 817,813	\$ (5,838)	\$ (689,028)

Pension plan fiduciary net position. Detailed information about the SWDB’s fiduciary net position is available in FPPA’s comprehensive annual financial report which can be obtained at www.fppaco.org.

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

At December 31, 2016, the Security Fire Protection District reported an asset of \$5,838 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Security Fire Protection District proportion of the net pension liability was based on Security Fire Protection District contributions to the SWDB for the calendar year 2015 relative to the total contributions of participating employers to the SWDB.

At December 31, 2015, the Security Fire Protection District’s proportion was 0.331165675 percent, which was an increase of 0.062994992 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Security Fire Protection District recognized pension expense of (\$79,252). At December 31, 2016, the Security Fire Protection District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 47,216	\$ 6,892
Changes of assumptions or other inputs	91,698	-
Net difference between projected and actual earnings on pension plan investments	297,124	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	77,417
Contributions subsequent to the measurement date	139,007	-
Total	\$ 575,045	\$ 84,309

SECURITY FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$139,007 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	61,109
2018	61,109
2019	71,572
2020	83,035
2021	14,279
Thereafter	60,625

NOTE 8 - PENSION PLAN, VOLUNTEER FIREMEN

Plan Description. The retirement plan for the volunteers of the Security Fire Protection District is a single-employer non-contribution defined benefit plan administered by a seven member Board of Trustees, which includes District officials and volunteer firemen. This plan provides retirement and disability benefits to plan members and beneficiaries. The district has acquired life insurance for active volunteers which will be paid to their survivors as a monthly benefit upon the death of the volunteers.

Benefits Provided. Volunteers are 50% vested after 10 years of service plus graded vesting for the next 10 years resulting in 100% vesting after 20 years of service. The Board of Trustees has adopted the following schedule of monthly benefits which was in effect at December 31, 2016:

Retirement - \$19.50 per month per year of volunteer service. This normal retirement benefit is increased by a Bonus Retirement Benefit of one-cent (.01) for each service point earned by the fire fighter. The maximum points earned per year is 450.

Supplemental Retirement – additional retirement benefits may be paid provided the actuarial review indicates a supplemental monthly pension is actuarially sound.

Form of Benefit – Single Life Annuity

Temporary Disability – Greater of \$225 per month or half of normal retirement benefit for up to one year.

Permanent Disability – Greater of \$450 per month or 100% of the firefighter’s normal pension provided the actuarial review indicates a supplemental monthly pension is actuarially sound.

Death before Retirement – 100% of the member’s benefit payable to surviving spouse or named beneficiary.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - PENSION PLAN, VOLUNTEER FIREMEN (CONTINUED)

Increases in retirement benefits are provided to members and beneficiaries at the discretion of the Board. Colorado Revised Statutes 31-30-1101 assigns the authority to establish benefit provisions to the State Legislature. The plan does not issue a separate financial report. The plan is included in the financial statements of the Security Fire Protection District. That report may be obtained from the District at PO Box 5096, Security, Colorado 80911.

Contributions. The funding policy provides for periodic employer contributions, based on actuarially determined amounts that are adequate to accumulate sufficient assets to pay pension benefits when due, subject to an increase limitation. Actuarial analysis is performed every two years.

The pension fund for the Volunteer Firefighter Pension Plan uses the accrual basis of accounting. Plan contributions are recognized when they are received. Benefits and expenses are recognized when they are incurred in accordance with the terms of the plan.

Actuarial Information. The required contributions for the plan were determined as part of the January 1, 2016 actuarial valuations. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Amounts determined for the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks did not exceed commercial insurance coverage during the last three fiscal years.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

On May 2, 2006, voters of the district approved the following ballot question: "Shall the Security Fire Protection District be permitted to collect and spend, as a voter approved revenue change and property tax revenue change under Article X, Section 20, of the Colorado Constitution, any and all revenues raised annually in 2006 and each year thereafter from the district's mill levy at the rate of 6.675 mills and from any and all other sources; with such authority to collect and spend all such amounts to constitute an exception to all limits which may otherwise apply, without limiting or affecting the collection or expenditures of other revenues; and shall the district be authorized to collect and spend from the district's mill levy and all other sources annually all amounts that may exceed the provisions of 5.5% limit of Section 29-1-301 of the Colorado Revised Statutes; such revenues to be used for public safety, fire protection, emergency medical services, fire code enforcement, and any other lawful purpose of a fire protection district?"

On November 6, 2012, voters of the district approved the following ballot question: "Shall the Security Fire Protection District taxes be increased \$549,345 annually in the first fiscal year (2013) and by whatever amounts as are received each year thereafter by the imposition of this mill levy increase of 3.325 mills upon taxable property within the district, commencing with the tax collection year 2013 and continuing thereafter, with such revenues, together with any and all other revenues to be collected, retained and spent by the district for the purposes of defraying salaries, other operating expenses of the district, and/or other lawful purposes, as a voter approved revenue changed and an exception of the spending, revenue raising, and other limits which would otherwise apply under Article X, Section 20, of the Colorado Constitution, C.R.S., 29-1-301(1), or any other laws?"

The entity levied 10.000 mills for property taxes collected in 2016 and 2015 to be used for general operating expenses.

SECURITY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 - AMENDMENT TO COLORADO CONSTITUTION (CONTINUED)

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

The Amendment requires the emergency reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service). Emergency reserves, as of December 31, 2016 totaling \$102,200 have been presented as a reservation of fund balance in the General Fund. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations in the amendment's language in order to determine its compliance.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

During the year, it was determined that certain pension deferred outflows and inflows totaling \$35,329 were not included in the statement of net position. To correct this oversight, the beginning net position for governmental activities as originally stated, has been decreased and restated.

During the year, it was determined that certain prior year pension payments totaling \$24,750 were not recorded between the General Fund and the Pension Fund.

The above restatements had the following impact on previously reported balances:

	Governmental <u>Activities</u>	
Net Position, December 31, 2015, as Originally Stated	\$ 1,694,037	
Restatement to correct pension inflows/outflows	(35,329)	
Restatement for to record pension payment	<u>(24,750)</u>	
Net Position, June 30, 2015, as Restated	<u>\$ 1,633,958</u>	
	<u>General</u>	<u>Pension</u>
	<u>Fund</u>	<u>Fund</u>
Fund Balance, December 31, 2015, as Originally Stated	\$ 159,850	\$ 1,509,785
Restatement for to record pension payment	<u>(24,750)</u>	<u>24,750</u>
Fund Balance, December 31, 2015, as Restated	<u>\$ 135,100</u>	<u>\$ 1,534,535</u>

REQUIRED SUPPLEMENTARY INFORMATION

SECURITY FIRE PROTECTION DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property tax	\$ 2,066,734	\$ 2,066,734	2,062,177	\$ (4,557)
Specific ownership tax	140,000	140,000	237,863	97,863
Safety services	815,000	815,000	994,969	179,969
Inspection fees	15,000	15,000	38,250	23,250
Other income	-	-	49,787	49,787
Investment earnings	2,000	2,000	1,279	(721)
Total revenues	<u>3,038,734</u>	<u>3,038,734</u>	<u>3,384,325</u>	<u>345,591</u>
EXPENDITURES				
General and administrative:				
Administration	183,000	183,000	227,310	(44,310)
Insurance	75,000	75,000	52,312	22,688
Office	40,000	40,000	19,075	20,925
Professional services	70,000	70,000	13,255	56,745
Other	132,952	132,952	36,348	96,604
Total general and administrative	<u>500,952</u>	<u>500,952</u>	<u>348,300</u>	<u>152,652</u>
Fire and emergency medical services:				
Paid staff	2,214,500	2,214,500	1,997,374	217,126
Volunteers	196,000	196,000	191,002	4,998
Vehicles	197,000	197,000	163,349	33,651
Stations	249,000	249,000	187,417	61,583
Capital outlay	41,282	41,282	-	41,282
Total fire and emergency medical	<u>2,897,782</u>	<u>2,897,782</u>	<u>2,539,142</u>	<u>358,640</u>
Debt service	-	-	65,154	(65,154)
Total expenditures	<u>3,398,734</u>	<u>3,398,734</u>	<u>2,952,596</u>	<u>446,138</u>
EXCESS OF REVENUE OVER EXPENDITURES				
	(360,000)	(360,000)	431,729	791,729
Fund balances - beginning	360,000	360,000	159,850	(200,150)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 591,579</u>	<u>\$ 591,579</u>

See the accompanying independent auditors' report

SECURITY FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.231087650%	0.268170683%	0.331165675%
District's proportionate share of the net pension liability (asset)	\$ (206,635)	\$ (302,651)	\$ (5,838)
District's covered-employee payroll	\$ 1,003,708	\$ 1,205,970	\$ 1,605,400
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-20.59%	-25.10%	-0.36%
Plan fiduciary net position as a percentage of the total pension liability	105.8%	106.8%	100.1%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

SECURITY FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Statutorily required contribution	\$ 80,297	\$ 96,478	\$ 128,432
Contributions in relation to the statutorily required contribution	<u>(80,297)</u>	<u>(96,478)</u>	<u>(128,432)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,003,708	\$ 1,205,970	\$ 1,605,400
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

SECURITY FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY FOR VOLUNTEER FIREMEN PENSION PLAN
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 81,229	\$ 171,527	\$ 171,527
Interest	-	-	-
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	-	(51,485)	(178,680)
Net change in total pension liability	81,229	120,042	(7,153)
Total pension liability—beginning	<u>1,003,683</u>	<u>883,641</u>	<u>890,794</u>
Total pension liability—ending (a)	<u>\$ 1,084,912</u>	<u>\$ 1,003,683</u>	<u>\$ 883,641</u>
Plan fiduciary net position			
Contributions—employer	\$ 24,750	\$ 24,750	\$ 126,500
Contributions—State matching	22,275	-	49,500
Net investment income	130,810	(7,274)	(35,778)
Benefit payments, including refunds of member contributions	-	(51,485)	(178,680)
Administrative expense	-	-	-
Other	200	-	-
Net change in plan fiduciary net position	178,035	(34,009)	(38,458)
Plan fiduciary net position—beginning	<u>1,534,535</u>	<u>1,568,544</u>	<u>1,607,002</u>
Plan fiduciary net position—ending (b)	<u>\$ 1,712,570</u>	<u>\$ 1,534,535</u>	<u>\$ 1,568,544</u>
Net pension liability (asset)—ending (a) – (b)	<u>\$ (627,658)</u>	<u>\$ (530,852)</u>	<u>\$ (684,903)</u>
Plan fiduciary net position as a percentage of the total pension liability	157.85%	152.89%	177.51%

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

SECURITY FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR VOLUNTEER FIREMEN PENSION PLAN
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>47,025</u>	<u>24,750</u>	<u>176,000</u>	<u>27,500</u>	<u>52,250</u>	<u>52,250</u>	<u>52,250</u>	<u>52,250</u>	<u>46,400</u>	<u>39,362</u>
Contribution deficiency (excess)	<u>\$ (47,025)</u>	<u>\$ (24,750)</u>	<u>\$ (176,000)</u>	<u>\$ (27,500)</u>	<u>\$ (52,250)</u>	<u>\$ (52,250)</u>	<u>\$ (52,250)</u>	<u>\$ (52,250)</u>	<u>\$ (46,400)</u>	<u>\$ (39,362)</u>
Contributions as a percentage of covered-employee payroll	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, of every even numbered year.

Methods and assumptions used to determine contribution rates:

Investment return	6% pre-retirement
Mortality	Actives: RP-2000 projected to 2014 by Scale aa Disabled: Mortality per Revenue Ruling 96-7
Turnover	Crocker Sarason T-4 Table
Disability	1964 OASDI Disability
Retirement	Age 50 and completion of 10 years of service
Actuarial Cost Method	Entry Age Normal
Expenses	Investment return is assumed to be net of expenses
Marriage	90% of firefighters are assumed to be married. Wives are assumed to be 3 years younger than their husbands.

See the accompanying independent auditors' report.

**SECURITY FIRE PROTECTION DISTRICT
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN
ON PENSION INVESTMENTS
JUNE 30, 2016**

The annual money-weighted rate of return for the volunteer pension plan investments is as follows:

<u>As of December 31</u>	<u>Annual Money-Weighted Rate of Return</u>
2016	5.22%
2015	-5.30%
2014	-7.35%
2013	17.58%
2012	12.22%
2011	-4.87%
2010	7.55%
2009	24.37%
2008	-37.59%

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.