

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT**  
**Commerce City, Colorado**

**BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**



**RECEIVED**

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**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Management's Discussion and Analysis</b>	i - vi
<b>Independent Auditors' Report</b>	1
<b>Statement of Net Position and Governmental Funds Balance Sheet</b>	2
<b>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position</b>	3
<b>Statement of Activities and Governmental Funds Revenue, Expenditures and Changes in Fund Balance</b>	4
<b>Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities</b>	5
<b>Notes to Financial Statements</b>	6 - 27
<b>Required Supplemental Information:</b>	
<b>General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual</b>	28
<b>Volunteer Pension Fund – Historical Data</b>	29 - 30
<b>“Old Hire” Pension Fund – Historical Data</b>	31 - 32
<b>FPPA Defined Benefit Pension Plan Historical Information</b>	33
<b>Other Supplemental Information:</b>	
<b>Capital Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual</b>	34

## Introduction

The South Adams County Fire Protection District's (the District) management's discussion and analysis is intended to provide the reader and user of our financial statements with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budgets, and, (e) an assessment of any future financial or operating issues of the District.

## Financial Highlights

In 2016 the District amended its General Fund budget to create a separate Capital Fund for expenditures related to the purchase of new equipment and construction or major remodel of facilities. The District also entered into 3 long term debt capital leases to finance the construction of a new administration building and purchase of 3 new fire apparatus.

## Overview of the Financial Statements of the District

This discussion and analysis are intended to serve 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) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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*, prepared using the full accrual basis of accounting, provides information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, the comparison of changes in net position may provide a useful method of evaluating 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. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental 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 assessing a government'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 funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the *governmental funds* and *governmental activities*.

The District maintains two funds, the general fund and capital fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance.

The District adopts an annual appropriated budget for the general fund and a budgetary comparison statement has been provided to demonstrate compliance with the budget.

The government-wide and governmental fund financial statements can be found on pages 2-5 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire 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 6-27 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, the report also presents required supplementary information concerning the District's pension benefits to its employees. Required

supplementary information can be found starting on page 28 of this report.

## Government – wide Financial Analysis

### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$22.6 million at the close of 2016.

	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Current and other assets	\$ 20,866,775	\$ 19,290,303
Capital assets, net	<u>20,984,574</u>	<u>12,019,629</u>
Total assets	<u>41,851,349</u>	<u>31,309,932</u>
<b>Deferred outflows of resources</b>	<u>1,425,130</u>	<u>869,323</u>
<b>Liabilities:</b>		
Current liabilities	1,472,994	664,743
Noncurrent liabilities	<u>10,236,686</u>	<u>2,499,866</u>
Total liabilities	<u>11,709,680</u>	<u>3,164,609</u>
<b>Deferred inflows of resources</b>	<u>9,000,842</u>	<u>8,913,236</u>
<b>Net -position:</b>		
Net investment in capital assets	13,121,336	12,019,629
Restricted	-	265,000
Unrestricted	<u>9,444,621</u>	<u>7,816,781</u>
Total net position	<u>\$ 22,565,957</u>	<u>\$ 20,101,410</u>

The District’s net position is comprised primarily of its \$13,121,336 (58%) investment in capital assets which include land, buildings, trucks, and equipment, less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. The second largest component of net position is unrestricted funds of \$9,444,621 (42%) which may be used to meet the District’s ongoing obligation. Unrestricted funds increased \$1,627,840 in 2016 primarily because of an increase in investments in assets.

The remaining portion of the District’s net position represents resources that are subject to Colorado Constitutional restrictions. At the end of the current fiscal year,

the District is able to report positive balances in all three categories of net position. The same situation held true for the prior year. Overall, the District's net position increased \$2,464,547.

At December 31, 2016, the District's cash and investments totaled approximately \$11,746,000 which is approximately 27% of total assets. This represents an increase of approximately \$1,445,000 from the prior year and results mainly from revenue in excess of expenditures.

Net capital assets for 2016 were \$20,984,574 or 50% of total assets. This was an increase of approximately \$8,965,000 from the prior year and is primarily the result of the remodel of a fire station, start of construction of a new administration building and acquisition of new fire apparatus.

Current liabilities increased in 2016 because of the increase in accounts payable resulting from a number of large payments due to contractors related to the construction of a new administration building.

**Statement of Activities**

	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Program revenues:		
Charges for service	\$ 154,243	\$ 157,349
Grants	28,500	358,264
General revenues:		
Property taxes	8,624,649	7,701,362
Specific ownership	713,027	696,184
Other	106,349	50,603
Total revenues	<u>9,626,768</u>	<u>8,963,762</u>
<b>Expenditures:</b>		
Public safety – fire protection	<u>7,162,221</u>	<u>7,780,057</u>
Total expenditures	<u>7,162,221</u>	<u>7,780,057</u>
Change in net position	<u>2,464,547</u>	<u>1,183,705</u>
Net position beginning of year, as originally reported	20,101,410	18,743,511
Cumulative change in accounting principle *	-	174,194
Net position beginning of year, restated	<u>20,101,410</u>	<u>18,917,705</u>
Net position end of year	<u>\$ 22,565,957</u>	<u>\$ 20,101,410</u>

\*The District implemented GASB 68 & 71. See discussion in Financial Highlights.

Governmental activities increased the District's net position by \$2,464,547 for 2016 which is a substantial increase from the prior year. The increase is mainly attributable to increased property tax revenue and a reduction in expenditures.

### **Financial Analysis of Governmental Funds**

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

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual delegated authority to assign resources for use for particular purposes by the District's Board of Directors.

At December 31, 2016, the District's governmental funds balance was \$10,829,116, an increase of \$1,082,991 from the prior year. The increase is the result of revenues exceeding expenditures. Approximately 86% of this amount constitutes an amount assigned for future capital expenditures. Of the remaining fund balance, \$286,440 is restricted for the compliance of the TABOR emergency reserve requirement.

### **General Fund Budgetary Highlights**

The 2016 General Fund budget was amended to create a separate Capital Fund. General Fund Expenditures budgeted for capital expenditures of \$12,450,000 and a contingency of \$1,279,149 were removed from the General Fund and added to the newly created Capital Fund.

General Fund revenue exceeded budget by \$161,143, approximately 1.5%.

General fund expenditures, were approximately \$1.5 million, 18%, less than the amended budget mainly because of less than budgeted debt service expenditures, a reduction in general expenditures and a reduced funding requirement for the Volunteer Pension Plan.

See page 28 of this report for details of General Fund revenue and expenditures compared to budget.

Capital Fund revenue exceeded budget because of higher than anticipated proceeds from lease financing and a greater than expected transfer from the General Fund.

Capital expenditures were approximately \$4,197,705 less than the amended budget amount mainly because of the delay in construction of the new administration building.

See page 34 of this report for details of Capital Fund revenue and expenditures compared to budget.

### **Capital Assets and Debt Administration**

Capital assets increased in 2016 by approximately \$ 8,965,000 because of the completion of a major remodel of a fire station, commencement of construction of a new administration building and acquisition of new fire apparatus.

Additional information on the District's capital assets can be found in Note 4 on page 16 of this report.

### **Requests for Information**

This financial report is designed to provide a general overview of the finances for the District. Questions concerning any of the information in this report or requests for additional financial information should be addressed to: South Adams County Fire District No.4, 6050 Syracuse St, Commerce City, Colorado 80022.

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ROBERT R. FEIS, CPA

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
South Adams County Fire Protection District  
Commerce City, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Adams County Fire Protection District (the District) as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

**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 of 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 basic 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 South Adams County Fire Protection District as of December 31, 2016, and the respective changes in financial position, thereof, for the year then ended in conformity 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, General Fund budgetary comparison information, and pension plan historical information on pages i through vi and 28 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on page 34 is presented for purposes of 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 supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Fis : Co., P.C.*

CERTIFIED PUBLIC ACCOUNTANTS  
Brighton, CO

June 20, 2017

SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2016

	General Fund	Capital Fund	Total	Adjustments (Page 3)	Statement of Net Position
<b><u>Assets and deferred outflows of resources</u></b>					
<b>Assets:</b>					
Cash (Note 2)	\$ 440,030	\$ -	\$ 440,030	\$ -	\$ 440,030
Investments (Note 2)	7,803,712	3,502,274	11,305,986	-	11,305,986
Accounts receivable	3,235	-	3,235	-	3,235
Due from County	51,436	-	51,436	-	51,436
Accrued property taxes	8,770,809	-	8,770,809	-	8,770,809
Prepaid expenses	295,279	-	295,279	-	295,279
Land	-	-	-	416,840	416,840
Other capital assets, net of accumulated depreciation	-	-	-	20,567,734	20,567,734
Due from other funds	-	5,848,763	5,848,763	(5,848,763)	-
<b>Total assets</b>	<b>17,364,501</b>	<b>9,351,037</b>	<b>26,715,538</b>	<b>15,135,811</b>	<b>41,851,349</b>
<b>Deferred outflows of resources:</b>					
Deferred outflow - pensions	-	-	-	1,425,130	1,425,130
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,425,130</b>	<b>1,425,130</b>
<b>Total Assets and deferred outflows of resources</b>	<b>\$ 17,364,501</b>	<b>\$ 9,351,037</b>	<b>\$ 26,715,538</b>	<b>\$ 16,560,941</b>	<b>\$ 43,276,479</b>
<b><u>Liabilities and deferred inflows of resources</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,259,853	\$ -	\$ 1,259,853	\$ -	\$ 1,259,853
Accrued liabilities	2,997	-	2,997	-	2,997
Accrued interest	-	-	-	13,979	13,979
Due to other funds	5,848,763	-	5,848,763	(5,848,763)	-
Unearned revenue	4,000	-	4,000	-	4,000
Accrued absences	-	-	-	192,165	192,165
<b>Long-term liabilities:</b>					
Due within one year	-	-	-	629,161	629,161
Due after one year	-	-	-	7,234,077	7,234,077
Net Pension Liability	-	-	-	2,373,448	2,373,448
<b>Total liabilities</b>	<b>7,115,613</b>	<b>-</b>	<b>7,115,613</b>	<b>4,594,067</b>	<b>11,709,680</b>
<b>Deferred inflows of resources:</b>					
Deferred inflow - pensions	-	-	-	230,033	230,033
Deferred property taxes	8,770,809	-	8,770,809	-	8,770,809
<b>Total deferred inflows of resources</b>	<b>8,770,809</b>	<b>-</b>	<b>8,770,809</b>	<b>230,033</b>	<b>9,000,842</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>15,886,422</b>	<b>-</b>	<b>15,886,422</b>	<b>4,824,100</b>	<b>20,710,522</b>
<b><u>Fund Balances/Net Position</u></b>					
<b>Fund Balances:</b>					
Nonspendable	-	-	-	-	-
Restricted (TABOR)	286,440	-	286,440	(286,440)	-
Committed	-	-	-	-	-
Assigned	-	9,351,037	9,351,037	(9,351,037)	-
Unassigned	1,191,639	-	1,191,639	(1,191,639)	-
<b>Total fund balance/ net position</b>	<b>1,478,079</b>	<b>9,351,037</b>	<b>10,829,116</b>	<b>(10,829,116)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 17,364,501</b>	<b>\$ 9,351,037</b>	<b>\$ 26,715,538</b>		
<b>Net position:</b>					
Invested in capital assets, net of related debt				13,121,336	13,121,336
Unrestricted				9,444,621	9,444,621
<b>Total net position</b>				<b>\$ 22,565,957</b>	<b>\$ 22,565,957</b>

See independent auditors' report.  
The accompanying notes on pages 6 to 27 are an  
integral part of the financial statements.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

<b>Fund balance per Statement of Net Position</b>	<b>\$ 10,829,116</b>
<b>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund balance sheet</b>	<b>20,984,574</b>
<b>Net asset or liability resulting from pension plans and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the balance sheet</b>	<b>(1,178,351)</b>
<b>Some liabilities, including compensated absences and capital leases, are not due and payable in the current period and therefore are not reported in the balance sheet</b>	<b><u>(8,069,382)</u></b>
<b>Net position per Statement of Net Position</b>	<b><u>\$ 22,565,957</u></b>

See independent auditors' report.  
The accompanying notes on pages 6 to 27 are an  
integral part of the financial statements.

SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUE,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Capital Fund	Total	Adjustments (Page 5)	Statement of Activities
<b>Revenues:</b>					
General property taxes	\$ 8,624,649	\$ -	\$ 8,624,649	\$ -	\$ 8,624,649
Specific ownership taxes	713,027	-	713,027	-	713,027
Investment earnings	61,627	18,491	80,118	-	80,118
Fire protection	84,858	-	84,858	-	84,858
Grant revenue	-	28,500	28,500	-	28,500
Ambulance	69,385	-	69,385	-	69,385
Other	22,979	3,252	26,231	-	26,231
<b>Total revenues</b>	<u>9,576,525</u>	<u>50,243</u>	<u>9,626,768</u>	<u>-</u>	<u>9,626,768</u>
<b>Expenditures/expenses:</b>					
<b>Fire protection:</b>					
Salaries & benefits	3,844,044	-	3,844,044	144,469	3,988,513
General expenses	1,121,118	-	1,121,118	(438,297)	682,821
Contribution - volunteer pension	267,000	-	267,000	-	267,000
Contribution - old hire pension	255,002	-	255,002	-	255,002
Radio maintenance	100,094	-	100,094	-	100,094
Vehicle maintenance	60,764	-	60,764	-	60,764
Equipment maintenance	25,562	-	25,562	-	25,562
Equipment & supplies	283,730	-	283,730	-	283,730
Building maintenance	225,839	-	225,839	-	225,839
Insurance	335,893	-	335,893	-	335,893
Training	288,835	-	288,835	-	288,835
Depreciation	-	-	-	523,410	523,410
Capital outlay	-	9,488,355	9,488,355	(9,488,355)	-
<b>Debt service:</b>					
Principal	86,000	-	86,000	(86,000)	-
Interest	67,690	-	67,690	13,979	81,669
Debt issuance costs	-	43,089	43,089	-	43,089
<b>Total expenditures/ expenses</b>	<u>6,961,571</u>	<u>9,531,444</u>	<u>16,493,015</u>	<u>(9,330,794)</u>	<u>7,162,221</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,614,954</u>	<u>(9,481,201)</u>	<u>(6,866,247)</u>	<u>9,330,794</u>	<u>2,464,547</u>
<b>Other financing sources/uses:</b>					
Lease proceeds	-	7,949,238	7,949,238	(7,949,238)	-
Transfers-internal activities	(10,883,000)	10,883,000	-	-	-
<b>Total other financing sources/ uses</b>	<u>(10,883,000)</u>	<u>18,832,238</u>	<u>7,949,238</u>	<u>(7,949,238)</u>	<u>-</u>
<b>Excess (deficiency) of revenues and transfers in over expenditures and transfers out</b>	<u>(8,268,046)</u>	<u>9,351,037</u>	<u>1,082,991</u>	<u>(1,082,991)</u>	<u>-</u>
<b>Change in net position</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,464,547</u>	<u>2,464,547</u>
<b>Fund balance/net position, beginning of year</b>	<u>9,746,125</u>	<u>-</u>	<u>9,746,125</u>	<u>10,355,285</u>	<u>20,101,410</u>
<b>Fund balance/net position, end of year</b>	<u>\$ 1,478,079</u>	<u>\$ 9,351,037</u>	<u>\$ 10,829,116</u>	<u>\$ 11,736,841</u>	<u>\$ 22,565,957</u>

See independent auditors' report.  
The accompanying notes on pages 6 to 27 are an  
integral part of the financial statements.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE,  
EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Excess of revenues and transfers in over expenditures and transfers  
out - governmental funds and other funds \$ 1,082,991

Governmental funds report capital outlay as expenditures. However, in the  
statement of activities the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense:

Capital outlay	9,488,355
Depreciation	(523,410)

Repayment of lease principal is reported as an expenditure in governmental  
funds and, thus, has the effect of reducing fund balance because current  
financial resources have been used. The principal payments reduce the  
liabilities in the statement of net assets and do not result in an expense  
in the statement of activities.

Principal payments made	86,000
Lease proceeds	(7,949,238)

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:

Adjustment for increase in compensated absences	(144,469)
Adjustment for changes in pension assets and liabilities	438,297

Interest expense in the statement of activities differs from the amount  
reported in governmental funds. Additional accrued interest was  
calculated for bonds payable and capital lease obligations

Change in accrued interest	<u>(13,979)</u>
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Change in Net Position	<u><u>\$ 2,464,547</u></u>
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See independent auditors' report.  
The accompanying notes on pages 6 to 27 are an  
integral part of the financial statements.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. Summary of Significant Accounting Policies**

The South Adams County Fire Protection District was originally established as a special district to provide fire protection and emergency services in Adams County, Colorado. The District operates under a governing Board of Directors and is a quasi-municipal corporation governed by the Colorado Special District Act of the State of Colorado.

The District's basic financial statements include the accounts and funds of all District operations. The accounting policies of the District conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

**A. Principles Determining Scope of Reporting Entity**

The financial statements of the District consist only of the funds and account groups of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and election of the respective governing board.

**B. Government-Wide and Fund Financial Statements**

The Government-Wide financial statements (i.e. the statement of activities) report information on all of the non-fiduciary activities of the government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

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 flows. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. Summary of Significant Accounting Policies (continued)**

**B. Government-Wide and Fund Financial Statements (continued)**

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary.

The following funds were used by the District during 2016:

**GOVERNMENTAL FUNDS**

**General Fund - To account for all financial resources except those required to be accounted for in another fund.**

**Capital Fund - To account for resources used for the acquisition and/or construction of capital facilities. This fund was established in 2016.**

**C. Measurement Focus and Basis of Accounting**

**Measurement Focus**

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 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 are recorded only when the payment is due. The major source of revenue susceptible to accrual is property tax. All revenue items are considered to be measurable and available only when cash is received by the District.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

**Basis of Accounting**

The modified accrual basis of accounting is used for all governmental fund types. The following are modifications of the accrual basis method:

1. Expenditures other than accrued interest on general long-term debt are recognized at the same time the liabilities are incurred. Interest on long-term debt is recorded only when due.
2. Revenue is recorded when received in cash except for revenue that is not received but is measurable and available and therefore susceptible to accrual.

The accrual basis of accounting is used for reporting purposes of the Pension Trust Fund. Revenues are taken into account when they are earned, regardless of when they are collected; expenditures are reflected as soon as the liabilities are incurred, regardless of when they are paid.

**D. Budgets and Budgetary Accounting**

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

1. Prior to October 15, the Fire Chief submits to the Board of Directors a proposed operating budget for each fund for the fiscal year commencing the following January 1. The operating budget for each fund includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the District Board of Directors to obtain taxpayer comments.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. Summary of Significant Accounting Policies (continued)**

**D. Budgets and Budgetary Accounting (continued)**

- 3. Prior to December 15, the budget is legally enacted through passage of a resolution for each fund. The resolutions can be adjusted by the Board for unforeseen circumstances. Equal line item adjustments must be approved by the Board. The appropriation resolutions are reflected in each fund.**
- 4. The Fire Chief is authorized to transfer amounts from contingency accounts, if any, to other accounts within the same fund.**
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.**
- 6. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).**
- 7. The District Board of Directors approves all expenditures, including any revisions that alter the total expenditures of any fund.**
- 8. All appropriations for all funds lapse at year-end.**
- 9. Budgeted line items for the different expenditures are for management use only.**

**E. Encumbrances**

**Encumbrance accounting is not used.**

**F. Accrued Absences**

**The District permits employees to accumulate earned but unused vacation time, subject to certain limits in amount. In the event of termination, an employee is paid for accumulated vacation and compensatory time. Accumulated, unpaid time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.**

**See independent auditors' report.**

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. Summary of Significant Accounting Policies (continued)**

**G. Interfund Transfers**

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved external organizations are accounted for as revenues, expenditures or expenses in the funds involved. All other legally authorized fund transfers are treated as operating transfers and are included in the results of operations of governmental and trust type funds.

**H. Fund Equity**

The District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement 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. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance**—amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance**—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance**—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned fund balance**—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of directors or by an official or body to which the Board delegates the authority.
- **Unassigned fund balance**—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. Summary of Significant Accounting Policies (continued)**

**H. Fund Equity (continued)**

District's Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by District's Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The District considers funds as expended from restricted funds before unrestricted funds are reduced, when an expenditure can come from either category. Within unrestricted funds, the District reduces committed amounts first, followed by assigned, and unassigned last, when an expenditure can come from any of those categories.

**I. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The District believes the techniques and assumptions used in establishing these estimates are appropriate.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**2. Cash Deposits and Investments**

**B. Cash Deposits**

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. 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 collateral must be at least equal to 102% of the uninsured deposits.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits would not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end the District’s bank balance was either insured or collateralized with securities held by the pledging financial institution through PDPA.

At December 31, 2016, the District had cash balances with maturities less than one year stated at cost as follows:

Insured	\$ 437,826
Deposits Collateralized in single institution pool(s)	1,933
Uninsured: Required to be collateralized	<u>---</u>
 Total Cash Deposits	 439,759
 Cash on hand	 <u>271</u>
 Total Cash	 <u>\$ 440,030</u>

The bank balance of the deposits listed above are classified in three categories of credit risk as follows: a) Uncollateralized; b) Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name; c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**2. Cash Deposits and Investments (continued)**

**C. Investments**

The District's investments are categorized as either (1) insured or registered, or for which the securities are held by the District or its agent in the District's name, (2) uninsured and unregistered for which the securities are held by the counterpart's trust department or agent in the District's name or (3) uninsured and unregistered for which the securities are held by the counterpart or by its trust department or agent but not in the District's name. As of December 31, 2016, all investments, other than Pension trust investments, are considered category 1.

As of December 31, 2016, the District has \$8,577,987 invested in Colorado Surplus Asset Fund Trust (CSAFE), a local government investment pool. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. CSAFE invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits collateralized through PDPA. CSAFE operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. CSAFE is rated AAAM by the Standard & Poor's Corporation. U.S. Bank provides banking services and trust custody for securities held on behalf of the participating governments in CSAFE. The custodian's internal records identify the investments owned by the participating governments.

As of December 31, 2016, the District has \$2,727,999 invested in Colorado Statewide Investment Program (CSIP), a local government investment pool, similar to CSAFE. CSIP is rated AAAM by the Standard & Poor's Corporation. U.S. Bank provides banking services and trust custody for securities held on behalf of the participating governments.

<u>Investments</u>	<u>Maturity Year</u>	<u>Fair Value</u>	<u>Credit Ratings</u>
CSAFE	Variable	\$ 8,577,987	AAAM
CSIP	Variable	<u>2,727,999</u>	AAAM
<b>Total Investments</b>		<b>\$ <u>11,305,986</u></b>	

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**2. Cash Deposits and Investments (continued)**

**B. Investments (continued)**

Colorado statutes specify in which instruments the units of local government may invest, which include:

**Repurchase Agreements**

Obligations of the United States or obligations unconditionally guaranteed by the United States, federally insured mortgages and student loans. Participation with other local governments in pooled investment funds (trusts), these trusts are supervised by participating governments, and must comply with the same restrictions on cash deposits and investments.

**Credit Risk** – State law limits investments for fire districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of \$1 billion or the highest credit rating from one or more nationally recognized rating agency.

**Interest Rate Risk** – The District limits its investments to savings accounts, certificates of deposit, and investment pools where each share is equal to one dollar thus limiting interest rate risk. The Colorado revised statute 24-75-601 limits investment maturities to five years or less without governing board approval.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**2. Cash Deposits and Investments (continued)**

**C. Reconciliation of Cash, Cash Equivalents, and Investments**

The following is a reconciliation between the cash and investments recorded in the financial statements and the amounts reported in this footnote:

<b>Financial Statements</b>	
<b>Total Cash</b>	\$ 440,030
<b>Total Investments</b>	<u>11,305,986</u>
<b>Total Cash Deposits and     Investments (Book Balance)</b>	<b>\$ <u>11,746,016</u></b>
<b>Footnote</b>	
<b>Cash</b>	\$ 440,030
<b>Investments</b>	<u>11,305,986</u>
<b>Total Cash Deposits and     Investments (Footnote)</b>	<b>\$ <u>11,746,016</u></b>

**3. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are due and payable at that time. All unpaid taxes levied January 1 become delinquent April 30 or June 15 of the current year. The District is permitted to levy taxes for general emergency services, bond retirement and pension payments. The combined tax rate to finance these services for the year ended December 31, 2016 was \$9.900 per \$1,000 of assessed valuation. This raised \$8,624,649 on an assessed valuation of \$885,861,480. Tax revenues for the District are recognized as they become available and are collected the following month.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**4. Capital Assets**

Capital assets are recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which are as follows:

Building/Improvements	15-50
Vehicles and Accessories	15-25
Equipment	5-25

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

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Deletions &amp; Adjustments</u>	<u>Balance 12/31/16</u>
<b>Governmental activities:</b>				
Land	\$ 416,840	\$ ---	\$ ---	\$ 416,840
Buildings/Improvements	7,726,657	41,033	3,824,091	11,591,781
Vehicles & accessories	4,131,243	114,180	(114,547)	4,130,876
Equipment	1,724,571	566,929	---	2,291,500
Construction in progress	<u>1,605,351</u>	<u>8,766,213</u>	<u>(3,824,091)</u>	<u>6,547,473</u>
<b>Totals at Historical</b>				
Cost	<u>15,604,662</u>	<u>9,488,355</u>	<u>(114,547)</u>	<u>24,978,470</u>
<b>Less Accumulated</b>				
<b>Depreciation for:</b>				
Buildings/Improvements	(1,397,904)	(184,289)	---	(1,582,193)
Vehicles & accessories	(1,751,432)	(179,601)	114,547	(1,816,486)
Equipment	<u>(435,697)</u>	<u>(159,520)</u>	<u>---</u>	<u>(595,217)</u>
<b>Total Accumulated</b>				
Depreciation	<u>(3,585,033)</u>	<u>(523,410)</u>	<u>114,547</u>	<u>(3,993,896)</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net of</b>				
<b>Accum. Depreciation</b>	<u>\$ 12,019,629</u>	<u>\$ 8,964,945</u>	<u>\$ ---</u>	<u>\$ 20,984,574</u>

Depreciation expense for the year ended December 31, 2016 was \$523,410.

**5. Long-Term Debt**

**Obligations under Capital Lease**

During 2016, the District entered into three capital lease obligations, two with BOK Financial and one with PNC Equipment Finance, LLC. The terms of the lease agreements are as follows:

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**5. Long-Term Debt (continued)**

**Obligations under Capital Lease (continued)**

On June 29, 2016, the District entered into a capital lease obligation with BOK Financial for the construction costs of a new headquarters building totaling \$5,830,000. The agreement calls for semi-annual payments of interest and annual payments of principal commencing December 1, 2016 through December 1, 2030. Interest accrues at a rate of 2.30%

On June 29, 2016, the District entered into a capital lease obligation with BOK Financial for the purchase of two new fire engines totaling \$1,359,000. The agreement calls for semi-annual payments of principal and interest commencing December 1, 2016 through December 1, 2023. Interest accrues at a rate of 1.93%

On December 23, 2016, the District entered into a capital lease obligation with PNC Equipment Finance, LLC for the purchase of a new fire engine totaling \$760,238. The agreement calls for annual principal and interest payments of \$120,586.03 commencing December 23, 2017 through December 23, 2023. Interest accrues at a rate of 2.687%.

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

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Capital Leases	\$ ---	\$7,949,238	\$ 86,000	\$ 7,863,238	\$ 629,161
Compensated Absences	<u>47,696</u>	<u>144,469</u>	<u>---</u>	<u>192,165</u>	<u>---</u>
<b>Totals</b>	<b>\$ <u>47,696</u></b>	<b>\$ <u>8,093,707</u></b>	<b>\$ <u>86,000</u></b>	<b>\$ <u>8,055,403</u></b>	<b>\$ <u>629,161</u></b>

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**5. Long-Term Debt (continued)**

**Debt Service Requirements**

The annual requirements to amortize long-term debt for Capital Lease Obligations outstanding as of December 31, 2016, including interest payments to maturity, are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 629,161	\$ 178,264	\$ 807,425
2018	643,852	164,019	807,871
2019	658,615	149,441	808,056
2020	672,453	134,537	806,990
2021	688,367	119,301	807,668
2022-26	2,711,790	379,378	3,091,168
2027-30	<u>1,859,000</u>	<u>108,123</u>	<u>1,967,123</u>
Total	\$ <u>7,863,238</u>	\$ <u>1,233,063</u>	\$ <u>9,096,301</u>

Payments on the capital lease obligations are made by the general fund.

**6. Due to/from Other Funds**

As of December 31, 2016, the General Fund owes the Capital Reserve Fund \$5,848,763 for capital purchases.

**7. Risk Management**

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

The District carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**8. Retirement Plans and Commitments**

The District currently maintains three (3) separate pension and retirement plans. The plans cover paid participating firefighters hired prior to associating with Fire and Police Pension Association (FPPA) ("Old Hires" prior to January 1, 1978), new hires, full-time paid administrative personnel and all volunteer firefighters. On January 1, 1978, the District's local volunteer and "old hire" Pension Fund affiliated with the Fire and Police Pension Associations' (FPPA) Fire and Police Members' Benefit Fund under the Colorado Revised Statutes, 31-30-005(1)(k), as amended, at which time all plan assets were transferred to FPPA for administrative purposes. Under the FPPA affiliation agreement, the District is responsible for the collection and transmission of all contributions to the local Pension Fund. The FPPA is responsible for the physical safekeeping and investing of such contributions as well as for making the appropriate and legally authorized payments of pension benefits and other expenses of the plan.

As of December 31, 2016, the assets and liabilities from pension plans are as follows:

	<u>Net Pension Liability/(Asset)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Volunteer Plan	\$ 2,110,475	\$ 547,063	\$ 141,627
Old Hire Plan	269,606	272,340	---
FPPA Plan	<u>(6,633)</u>	<u>605,727</u>	<u>88,406</u>
Total	\$ <u>2,373,448</u>	\$ <u>1,425,130</u>	\$ <u>230,033</u>

As of December 31, 2016, the deferred inflows and outflows of resources resulting from all pension plans are comprised as follows:

<u>Deferred outflows of resources:</u>	
Difference between actual and projected investment earnings	\$ 548,506
Difference between actual and expected experience	47,821
Changes in assumptions	92,873
Contributions received after measurement date	<u>735,930</u>
Total deferred outflows of resources	<u>\$1,425,130</u>
<u>Deferred inflows of resources:</u>	
Difference between actual and expected experience	\$ 148,542
Changes in allocation percentages	<u>81,491</u>
Total deferred inflows of resources	<u>\$ 230,033</u>

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**8. Retirement Plans and Commitments (continued)**

Deferred inflows and outflows of resources will be recognized in pension expense in future years as follows:

December 31, 2017	\$838,843
2018	102,913
2019	118,208
2020	66,250
2021	16,224
Thereafter	<u>52,659</u>
Total	<u>\$1,195,097</u>

**Volunteer Plan** - The District's active volunteer firefighters participate in a non-contributing pension plan administered by a Board of Trustees, which includes District Board members and volunteer firefighters.

The benefit provisions and plan requirements were established by Colorado Revised Statutes and the Board of Trustees has adopted the following schedule of monthly benefits which was in effect at December 31, 2016:

Normal retirement benefit at age 50 with 20 years of service	\$1,000
Vested retirement benefit with 10 to 20 years of service (per year of service)	\$50
Funeral benefit (one time only)	\$2,000

Survivor benefits are 50% of the retirees normal benefit.

Total covered payroll for this plan for 2016 was \$0. In 2016, the District contributions were \$267,000 towards meeting the unfunded liability. In addition, the State of Colorado contributed \$70,506. The plan is closed to new members.

An actuarial valuation is performed every two years to determine the pension benefit obligation. The latest available actuarial valuation was performed as of January 1, 2015. The measurement date was December 31, 2015. The following assumptions were used in computing the pension benefit obligation for this plan:

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**8. Retirement Plans and Commitments (continued)**

- (1) Rate of return on investments and discount rate      7.5%
- (2) Actuarial Method - Entry Age Normal.
- (3) Amortization Method - Level dollar open.  
    Remaining period: 20 years.
- (4) Mortality: RP-2000 Combined Mortality Table with Blue Collar Adjustment.
- (5) Projected earnings increases for all ages due to inflation: 3.00%

Plan membership as of December 31, 2016 was as follows:

Active Members	49
Inactive Members receiving benefits	63
Inactive Members not yet receiving benefits	<u>14</u>
Total	<u>126</u>

The pension plan expense for 2016 was \$184,495 and the money-weighted rate of return on investments was 5.9%. The net pension liability is impacted by a change in the discount rate as follows:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 2,990,357	\$ 2,110,475	\$ 1,373,525

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**8. Retirement Plans and Commitments (continued)**

**Changes in Net Pension Liability for the year ended December 31, 2015:**

**Total Pension Liability:**

Service cost	\$ 80,536
Interest	602,152
Change in benefit terms	---
Difference between actual and expected experience	---
Changes in assumptions	---
Benefit payments	<u>(665,765)</u>
Net change in total pension liability	16,923
Total pension liability – beginning	8,316,020
Total pension liability – ending (a)	\$ 8,332,943

**Plan Fiduciary Net Position:**

Contributions – employer	\$ 660,300
Net investment income	122,986
Benefit payments	(665,765)
Administrative expense	(11,640)
State of Colorado supplemental discretionary payment	<u>70,506</u>
Net change in plan fiduciary net position	176,387
Plan fiduciary net position – beginning	6,046,081
Plan fiduciary net position – ending (b)	\$ 6,222,468
Net pension liability – ending (a)-(b)	\$ 2,110,475
Plan fiduciary net position as a percentage of total pension liability	74.67%

**"Old Hire" Employee Plan** - The District's paid employees, hired prior to associating with FPPA, participate in a contributing pension plan administered by the Board of Trustees. This plan is closed to new participants.

Participants are eligible for retirement benefits upon reaching age 50 with 20 or more years of credit service, including partial credit for volunteer service. Retirement benefits are equal to 50% of the amount of the retiree's monthly regular salary as of the date of retirement. These benefits are established by State statute.

Total covered payroll for this plan for 2016 was \$0. In 2016, the District made a contribution of \$255,002 towards meeting the unfunded liability.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**8. Retirement Plans and Commitments (continued)**

An actuarial valuation is performed every two years to determine the pension benefit obligation. The latest available actuarial valuation was performed as of January 1, 2016. The measurement date was December 31, 2015. The following assumptions were used in computing the pension benefit obligation for this plan:

- (1) Rate of return on investments and discount rate      7.5%
- (2) Actuarial Method - Entry Age Normal.
- (3) Amortization Method - Level dollar, open.  
    Remaining period: 20 years.
- (4) Mortality: RP-2000 Combined Mortality Table with Blue Collar Adjustment.
- (5) Projected earnings increases for all ages due to inflation: 3.00%

Plan membership as of December 31, 2016 was as follows:

Active Members	---
Inactive Members receiving benefits	2
Inactive Members not yet receiving benefits	<u>---</u>
Total	<u><u>2</u></u>

The pension plan expense for 2016 was \$53,093 and the money-weighted rate of return on investments was 4.94%. The net pension liability is impacted by a change in the discount rate as follows:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 321,969	\$ 269,606	\$ 224,444

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**8. Retirement Plans and Commitments (continued)**

**Changes in Net Pension Liability for the year ended December 31, 2015:**

<b>Total Pension Liability:</b>	
Service cost	\$ ---
Interest	41,926
Change in benefit terms	---
Difference between actual and expected experience	8,488
Changes in assumptions	23,386
Benefit payments	<u>(57,177)</u>
Net change in total pension liability	16,623
Total pension liability – beginning	587,081
Total pension liability – ending (a)	\$ 603,704
<b>Plan Fiduciary Net Position:</b>	
Contributions – employer	\$ 19,461
Net investment income	6,476
Benefit payments	(57,177)
Administrative expense	(862)
State of Colorado supplemental discretionary payment	<u>---</u>
Net change in plan fiduciary net position	(32,102)
Plan fiduciary net position – beginning	366,200
Plan fiduciary net position – ending (b)	\$ 334,098
Net pension liability – ending (a)-(b)	\$ 269,606
Plan fiduciary net position as a percentage of total pension liability	55.34%

**Paid Fire Personnel Plan** - The District contributes to the Statewide Defined Benefit Plan, cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Colorado statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan, which is available, by directly contacting the FPPA.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**8. Retirement Plans and Commitments (continued)**

The financial statements of the Statewide Defined Benefit Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Plan investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

Disability and survivor benefits with respect to death and disability are funded by the State and are disbursed by FPPA according to State statute. Participants' contributions are fully refundable with simple interest of 5% upon request or termination of employment. Employer contributions remain with the plan to help provide benefits to remaining participants.

Covered employees are required by State statute to contribute 9.0% of their salary (excluding paid overtime and comp time) to the plan. The District is required to contribute an additional or matching 8.0% of covered salary. For the year ended December 31, 2016, covered employees contributed \$241,744 on a base salary of \$2,674,100. The District contributed an additional \$213,928 to the plan on covered employees' behalf.

The following is based on an actuarial study completed as of January 1, 2016. The measurement date is December 31, 2015. The following assumptions were used in computing the pension benefit obligation for this plan:

- (1) Rate of return on investments and discount rate      7.5%
- (2) Actuarial Method - Entry Age Normal.
- (3) Amortization Method - Level amount open.  
    Remaining period: 5 years, up to a maximum of 30 years.
- (4) Mortality: RP-2014 Combined Mortality Table with Blue Collar Adjustment.
- (5) Projected earnings increases for all ages due to  
    inflation and merit or seniority:              4%-14%

The employer share of net pension liability/(asset) as of December 31, 2015 was \$(6,633). The employer portion was 0.38% based on Employer Contributions. The employer portion increased from 2014, when it was 0.29%. The pension expense for 2015 was 101,179.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**8. Retirement Plans and Commitments (continued)**

The net pension liability is impacted by a change in the discount rate as follows:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 246,949,671	\$ (1,762,854)	\$ (208,061,345)

**9. Tax, Spending and Debt Limitations**

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 District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth. 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 District considers \$286,440 as designated for the TABOR's three percent reserved for emergency for 2016.

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.

The District levied 9.900 mills for property taxes to be collected in 2016.

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 irrevocably pledging present cash reserves for all future payments.

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

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**10. Gallagher Amendment**

The Gallagher Amendment in the Colorado Constitution requires adjustment to the Residential Adjustment Rate in order to maintain a constant relationship between the statewide share of residential taxable value and the statewide share of non-residential taxable value. The Amendment prevents the share of residential property tax from increasing relative to the other classes of property due to an increase in home sales. The effects of this Amendment may result in a reduction of property tax revenue collections to the District in 2018 and beyond.

**11. Subsequent Events**

For the year ended December 31, 2016, the District has evaluated subsequent events for potential recognition and disclosure through June 20, 2017, the date of the financial statements issuance. No events that would require adjustment to or disclosure in the financial statements were identified.

See independent auditors' report.

**REQUIRED  
SUPPLEMENTAL INFORMATION**

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

2016

	Budget		Actual	Variance
	Original	Final		favorable (unfavorable)
<b>Revenues:</b>				
General property taxes	\$ 8,615,724	\$ 8,615,724	\$ 8,624,649	\$ 8,925
Specific ownership taxes	687,658	687,658	713,027	25,369
Investment earnings	17,000	17,000	61,627	44,627
Fire protection	42,000	42,000	84,858	42,858
Grant revenue	-	-	-	-
Ambulance	30,000	30,000	69,385	39,385
Other	23,000	23,000	22,979	(21)
Total revenues	<u>9,415,382</u>	<u>9,415,382</u>	<u>9,576,525</u>	<u>161,143</u>
<b>Expenditures:</b>				
Salaries & benefits	3,840,519	3,840,519	3,844,044	(3,525)
General expenses	2,725,452	1,446,303	1,121,118	325,185
Contribution - volunteer pension	721,500	721,500	267,000	454,500
Contribution - old hire pension	50,000	50,000	255,002	(205,002)
Radio maintenance	195,000	195,000	100,094	94,906
Vehicle maintenance	86,200	86,200	60,764	25,436
Equipment maintenance	29,000	29,000	25,562	3,438
Equipment & supplies	445,690	445,690	283,730	161,960
Building maintenance	305,100	305,100	225,839	79,261
Insurance	264,465	264,465	335,893	(71,428)
Training	377,880	377,880	288,835	89,045
Capital outlay	12,450,000	-	-	-
Debt service	766,000	766,000	153,690	612,310
Total expenditures/expenses	<u>22,256,806</u>	<u>8,527,657</u>	<u>6,961,571</u>	<u>1,566,086</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(12,841,424)</u>	<u>887,725</u>	<u>2,614,954</u>	<u>1,727,229</u>
<b>Other financing sources/uses:</b>				
Lease proceeds	7,400,000	-	-	-
Transfers-internal activities	-	(9,850,000)	(10,883,000)	(1,033,000)
Total other sources (uses):	<u>7,400,000</u>	<u>(9,850,000)</u>	<u>(10,883,000)</u>	<u>(1,033,000)</u>
<b>Excess (deficiency) of revenues and and other financing sources over expenditures</b>	<u>(5,441,424)</u>	<u>(8,962,275)</u>	<u>(8,268,046)</u>	<u>694,229</u>
<b>Fund balance, beginning of year</b>	<u>9,746,125</u>	<u>9,746,125</u>	<u>9,746,125</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 4,304,701</u>	<u>\$ 783,850</u>	<u>\$ 1,478,079</u>	<u>\$ 694,229</u>

See independent auditors' report.  
The accompanying notes on pages 6 to 27 are an  
integral part of the financial statements.

SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
HISTORICAL INFORMATION  
VOLUNTEER FIREFIGHTERS PENSION PLAN  
DECEMBER 31, 2016  
(Unaudited)

Measurement Date December 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Net Position as a % of Total Liability	Money-weighted Rate of Return
2013	\$ 6,092,977	\$ 5,572,906	\$ 520,071	91.46%	
2014	8,316,020	6,046,081	2,269,939	72.70%	6.84%
2015	8,332,943	6,222,468	2,110,475	74.67%	2.90%

Year	Actuarially Determined Contribution	Actual Contribution	Contribution Shortfall/(Excess)
2014	\$ 162,943	\$ 757,506	\$ (594,563)
2015	162,943	730,806	(567,863)
2016	162,943	337,506	(174,563)

See independent auditors' report.  
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integral part of the financial statements.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
HISTORICAL INFORMATION  
VOLUNTEER FIREFIGHTERS PENSION PLAN  
DECEMBER 31, 2016  
(Unaudited)**

	<u>2015</u>	<u>2014</u>
<b>Change in Net Pension Liability:</b>		
<b>Total Pension Liability:</b>		
Service Cost	\$ 80,536	\$ 86,605
Interest	602,152	436,518
Change in Benefit Terms	-	2,593,866
Difference Between Actual and Expected Experience	-	(251,821)
Change in Assumptions	-	-
Benefit Payments	<u>(665,765)</u>	<u>(642,125)</u>
Net Change in Total Pension Liability	16,923	2,223,043
Total Pension Liability - Beginning	8,316,020	6,092,977
Total Pension Liability - Ending	\$ 8,332,943	\$ 8,316,020
<b>Plan Fiduciary Net Position:</b>		
Contributions - Employer	\$ 660,300	\$ 657,000
Net Investment Income	122,986	397,240
Benefit Payments	(665,765)	(642,125)
Administrative Expenses	(11,640)	(9,446)
State of Colorado supplemental discretionary payment	<u>70,506</u>	<u>70,506</u>
Net Change in Plan Fiduciary Net Position	176,387	473,175
Plan Fiduciary Net Position - Beginning	6,046,081	5,572,906
Plan Fiduciary Net Position - Ending	6,222,468	6,046,081
Net Pension Liability - Ending	\$ 2,110,475	\$ 2,269,939
Plan Fiduciary Net Position as a % of Total Pension Liability	74.67%	72.70%

See independent auditors' report.  
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integral part of the financial statements.

SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
HISTORICAL INFORMATION  
"OLD HIRE" PENSION PLAN  
DECEMBER 31, 2016  
(Unaudited)

Measurement Date December 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Net Position as a % of Total Liability	Money-weighted Rate of Return
2013	\$ 601,268	\$ 393,249	\$ 208,019	65.40%	
2014	587,081	366,200	220,881	62.38%	6.53%
2015	603,704	334,098	269,606	55.34%	4.94%

Year	Actuarially Determined Contribution	Actual Contribution	Contribution Shortfall/(Excess)
2014	\$ 17,594	\$ 10,000	\$ 7,594
2015	19,461	19,461	-
2016	19,461	255,002	(235,541)

See independent auditors' report.  
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integral part of the financial statements.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
HISTORICAL INFORMATION  
"OLD HIRE" PENSION PLAN  
DECEMBER 31, 2016  
(Unaudited)**

	<u>2015</u>	<u>2014</u>
<b>Change in Net Pension Liability:</b>		
<b>Total Pension Liability:</b>		
Service Cost	\$ -	\$ -
Interest	41,926	42,990
Change in Benefit Terms	-	-
Difference Between Actual and Expected Experience	8,488	-
Change in Assumptions	23,386	-
Benefit Payments	<u>(57,177)</u>	<u>(57,177)</u>
Net Change in Total Pension Liability	16,623	(14,187)
Total Pension Liability - Beginning	587,081	601,268
Total Pension Liability - Ending	\$ 603,704	\$ 587,081
 <b>Plan Fiduciary Net Position:</b>		
Contributions - Employer	\$ 19,461	\$ 10,000
Net Investment Income	6,476	24,779
Benefit Payments	(57,177)	(57,177)
Administrative Expenses	<u>(862)</u>	<u>(4,651)</u>
Net Change in Plan Fiduciary Net Position	(32,102)	(27,049)
Plan Fiduciary Net Position - Beginning	366,200	393,249
Plan Fiduciary Net Position - Ending	334,098	366,200
Net Pension Liability - Ending	\$ 269,606	\$ 220,881
Plan Fiduciary Net Position as a % of Total Pension Liability	55.34%	62.38%

See independent auditors' report.  
The accompanying notes on pages 6 to 27 are an  
integral part of the financial statements.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
HISTORICAL INFORMATION  
FPPA DEFINED BENEFIT PENSION PLAN  
DECEMBER 31, 2016  
(Unaudited)**

<b>Year</b>	<b>Employer's Portion of Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of Net Pension Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Net Pension Liability as a % of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a % of Total Pension Liability</b>
2014	0.29%	\$ (322,790)	\$ 1,326,263	-24.34%	106.80%
2015	0.38%	(6,633)	2,674,100	-0.25%	100.10%

<b>Year</b>	<b>Required Employer Contribution</b>	<b>Contributions in Relation to Required</b>	<b>Contribution Shortfall</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
2014	\$ 147,509	\$ 147,509	\$ -	\$ 1,843,863	8.00%
2015	213,928	213,928	-	2,674,100	8.00%

See independent auditors' report.  
The accompanying notes on pages 6 to 27 are an  
integral part of the financial statements.

**OTHER  
SUPPLEMENTAL INFORMATION**

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT  
CAPITAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016			
	Budget		Actual	Variance favorable (unfavorable)
	Original	Final		
<b>Revenues:</b>				
Earnings on investments	\$ -	\$ -	\$ 18,491	\$ 18,491
Grant revenue	-	-	28,500	28,500
Miscellaneous revenues	-	-	3,252	3,252
Total revenues	-	-	50,243	50,243
<b>Expenditures:</b>				
Administrative	-	-	-	-
Capital outlay	-	13,684,149	9,488,355	4,195,794
Debt issuance cost	-	45,000	43,089	1,911
Total expenditures/expenses	-	13,729,149	9,531,444	4,197,705
Excess (deficiency) of revenues over expenditures	-	(13,729,149)	(9,481,201)	4,247,948
<b>Other financing sources/uses:</b>				
Lease proceeds	-	7,400,000	7,949,238	549,238
Transfers-internal activities	-	9,850,000	10,883,000	1,033,000
Total other sources:	-	17,250,000	18,832,238	1,582,238
Excess (deficiency) of revenues and and other financing sources over expenditures	-	3,520,851	9,351,037	5,830,186
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 3,520,851	\$ 9,351,037	\$ 5,830,186

See independent auditors' report.  
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integral part of the financial statements.