

SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT
Commerce City, Colorado

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT

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South Adams County Fire Protection District Management's Discussion and Analysis

Introduction

The South Adams County Fire Protection District (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.

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 flow 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,

South Adams County Fire Protection District Management's Discussion and Analysis

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 both funds. The general fund and a budgetary comparison statement has been provided to demonstrate compliance with the budget on page 28. The capital fund budgetary comparison is on page 34 as Other Supplementary Information.

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

**South Adams County Fire Protection District
Management's Discussion and Analysis**

outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$23.9 million at the close of 2017.

	<u>2017</u>	<u>2016</u>
Assets:		
Current and other assets	\$ 18,217,568	\$ 20,866,775
Capital assets, net	<u>24,724,115</u>	<u>20,984,574</u>
Total assets	<u>42,941,683</u>	<u>41,851,349</u>
Deferred outflows of resources	<u>1,552,037</u>	<u>1,425,130</u>
Liabilities:		
Current liabilities	405,689	1,472,994
Noncurrent liabilities	<u>9,209,228</u>	<u>10,236,686</u>
Total liabilities	<u>9,614,917</u>	<u>11,709,680</u>
Deferred inflows of resources	<u>10,968,959</u>	<u>9,000,842</u>
Net -position:		
Net investment in capital assets	17,490,038	13,121,336
Restricted	-	-
Unrestricted	<u>6,419,806</u>	<u>9,444,621</u>
Total net position	<u>\$ 23,909,844</u>	<u>\$ 22,565,957</u>

The District's net position is comprised primarily of its \$17,490,038 (73%) 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 \$6,419,806 (27%) which may be used to meet the District's ongoing obligation. Unrestricted funds decreased \$3,024,815 in 2017 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 \$1,343,887.

At December 31, 2017, the District's cash and investments totaled approximately \$7,606,656 which is approximately 17% of total assets. This represents a decrease of approximately \$4,139,360 from the prior year and results mainly from capital

South Adams County Fire Protection District Management's Discussion and Analysis

expenditures.

Net capital assets for 2017 were \$24,724,115 or 58% of total assets. This was an increase of approximately \$3,739,541 from the prior year and is primarily the result of the remodel of a fire station, completion of construction of a new administration building and acquisition of new fire apparatus.

Current liabilities decreased in 2017 due to completion of the new administration building.

Statement of Activities

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for service	\$ 157,554	\$ 154,243
Grants	-	28,500
General revenues:		
Property taxes	8,803,734	8,624,649
Specific ownership	850,811	713,027
Other	146,777	106,349
Total revenues	<u>9,958,876</u>	<u>9,626,768</u>
 Expenditures:		
Public safety – fire protection	<u>8,614,989</u>	<u>7,162,221</u>
Total expenditures	<u>8,614,989</u>	<u>7,162,221</u>
 Change in net position	<u>1,343,887</u>	<u>2,464,547</u>
 Net position beginning of year	22,565,957	20,101,410
Net position end of year	\$ <u>23,909,844</u>	\$ <u>22,565,957</u>

Governmental activities increased the District's net position by \$1,343,887 for 2017 which is a substantial decrease from the prior year. The decrease is mainly attributable to an increase in expenditures most of which is attributable to the increase in number of employees.

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

South Adams County Fire Protection District Management's Discussion and Analysis

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, 2017, the District's governmental funds balance was \$7,607,936, a decrease of \$3,221,180 from the prior year. The decrease is the result of the use of funds for capital projects. Approximately 79% of this amount constitutes an amount assigned for future capital expenditures and compliance of the TABOR emergency reserve requirement. The remaining 21% is unassigned and available for future expenditures.

General Fund Budgetary Highlights

General Fund revenue exceeded budget by \$430,573, approximately 4.5%. The primary contributing factors to this variance is a greater than expected collection of prior year's taxes and less than expected abatements made by the County Treasurer.

General fund expenditures were approximately \$701,000, or 7.5% less than the amended budget mainly because of less than budgeted salaries and benefits, a reduction in general expenditures and a lower 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 was greater than budgeted because of higher than budgeted interest earned on capital fund deposits.

Capital expenditures were less than the amended budget amount mainly because of lower than expected expenditures for station and headquarters building improvements.

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 2017 by \$3,739,541 because of the completion of construction of the new headquarters 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.

South Adams County Fire Protection District Management's Discussion and Analysis

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, and the respective changes in financial position, thereof, 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, 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.

Feis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
Brighton, CO

June 19, 2018

SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2017

	General Fund	Capital Fund	Total	Adjustments (Page 3)	Statement of Net Position
<u>Assets and deferred outflows of resources</u>					
Assets:					
Cash (Note 2)	\$ 52,221	\$ -	\$ 52,221	\$ -	\$ 52,221
Investments (Note 2)	6,408,160	1,146,275	7,554,435	-	7,554,435
Accounts receivable	21,395	-	21,395	-	21,395
Due from County	70,598	-	70,598	-	70,598
Accrued property taxes	10,216,573	-	10,216,573	-	10,216,573
Prepaid expenses	302,346	-	302,346	-	302,346
Land	-	-	-	478,247	478,247
Other capital assets, net of accumulated depreciation	-	-	-	24,245,868	24,245,868
Due from other funds	-	4,584,729	4,584,729	(4,584,729)	-
Total assets	17,071,293	5,731,004	22,802,297	20,139,386	42,941,683
Deferred outflows of resources:					
Deferred outflow - pensions	-	-	-	1,552,037	1,552,037
Total deferred outflows of resources	-	-	-	1,552,037	1,552,037
Total Assets and deferred outflows of resources	\$ 17,071,293	\$ 5,731,004	\$ 22,802,297	\$ 21,691,423	\$ 44,493,720
<u>Liabilities and deferred inflows of resources</u>					
Liabilities:					
Accounts payable	\$ 331,863	\$ -	\$ 331,863	\$ -	\$ 331,863
Accrued liabilities	61,196	-	61,196	-	61,196
Accrued interest	-	-	-	12,630	12,630
Due to other funds	4,584,729	-	4,584,729	(4,584,729)	-
Unearned revenue	-	-	-	-	-
Accrued absences	-	-	-	39,452	39,452
Long-term liabilities:					
Due within one year	-	-	-	643,852	643,852
Due after one year	-	-	-	6,590,225	6,590,225
Net Pension Liability	-	-	-	1,935,699	1,935,699
Total liabilities	4,977,788	-	4,977,788	4,637,129	9,614,917
Deferred inflows of resources:					
Deferred inflow - pensions	-	-	-	752,386	752,386
Deferred property taxes	10,216,573	-	10,216,573	-	10,216,573
Total deferred inflows of resources	10,216,573	-	10,216,573	752,386	10,968,959
Total liabilities and deferred inflows of resources	15,194,361	-	15,194,361	5,389,515	20,583,876
<u>Fund Balances/Net Position</u>					
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted (TABOR)	282,403	-	282,403	(282,403)	-
Committed	-	-	-	-	-
Assigned	-	5,731,004	5,731,004	(5,731,004)	-
Unassigned	1,594,529	-	1,594,529	(1,594,529)	-
Total fund balance/net position	1,876,932	5,731,004	7,607,936	(7,607,936)	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 17,071,293	\$ 5,731,004	\$ 22,802,297		
Net position:					
Invested in capital assets, net of related debt				17,490,038	17,490,038
Unrestricted				6,419,806	6,419,806
Total net position				\$ 23,909,844	\$ 23,909,844

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, 2017**

Fund balance per Statement of Net Position	\$ 7,607,936
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund balance sheet	24,724,115
Net pension asset or liability and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the balance sheet	(1,136,048)
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	<u>(7,286,159)</u>
Net position per Statement of Net Position	<u><u>\$ 23,909,844</u></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
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund	Capital Fund	Total	Adjustments (Page 5)	Statement of Activities
Revenues:					
General property taxes	\$ 8,803,734	\$ -	\$ 8,803,734	\$ -	\$ 8,803,734
Specific ownership taxes	850,811	-	850,811	-	850,811
Investment earnings	98,690	18,454	117,144	-	117,144
Fire protection	78,411	-	78,411	-	78,411
Grant revenue	-	-	-	-	-
Ambulance	79,143	-	79,143	-	79,143
Other	29,633	-	29,633	-	29,633
Total revenues	<u>9,940,422</u>	<u>18,454</u>	<u>9,958,876</u>	<u>-</u>	<u>9,958,876</u>
Expenditures/expenses:					
Fire protection:					
Salaries & benefits	5,158,426	-	5,158,426	(152,713)	5,005,713
General expenses	1,223,821	-	1,223,821	(42,303)	1,181,518
Fire prevention	9,204	-	9,204	-	9,204
Contribution - volunteer pension	78,340	-	78,340	-	78,340
Contribution - old hire pension	50,000	-	50,000	-	50,000
Radio maintenance	10,776	-	10,776	-	10,776
Vehicle maintenance	181,353	-	181,353	-	181,353
Equipment maintenance	9,863	-	9,863	-	9,863
Equipment & supplies	214,606	-	214,606	-	214,606
Building maintenance	234,329	-	234,329	-	234,329
Insurance	389,631	-	389,631	-	389,631
Training	173,795	-	173,795	-	173,795
Depreciation	-	-	-	895,900	895,900
Capital outlay	-	4,638,487	4,638,487	(4,635,441)	3,046
Debt service:					
Principal	629,161	-	629,161	(629,161)	-
Interest	178,264	-	178,264	(1,349)	176,915
Total expenditures/ expenses	<u>8,541,569</u>	<u>4,638,487</u>	<u>13,180,056</u>	<u>(4,565,067)</u>	<u>8,614,989</u>
Excess (deficiency) of revenues over expenditures	<u>1,398,853</u>	<u>(4,620,033)</u>	<u>(3,221,180)</u>	<u>4,565,067</u>	<u>1,343,887</u>
Other financing sources/uses:					
Transfers-internal activities	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/ uses	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	398,853	(3,620,033)	(3,221,180)	3,221,180	-
Change in net position	-	-	-	1,343,887	1,343,887
Fund balance/net position, beginning of year	<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>
Fund balance/net position, end of year	<u>\$ 1,876,932</u>	<u>\$ 5,731,004</u>	<u>\$ 7,607,936</u>	<u>\$ 16,301,908</u>	<u>\$ 23,909,844</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, 2017**

Excess of revenues and transfers in over expenditures and transfers
out - governmental funds and other funds \$ (3,221,180)

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	4,635,441
Depreciation	(895,900)

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 position and do not result in an expense in the statement of activities.

Principal payments made	629,161
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Adjustment for decrease in compensated absences	152,713
Adjustment for changes in pension assets and liabilities	42,303

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>1,349</u>
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Change in Net Position	<u><u>\$ 1,343,887</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, 2017**

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, 2017**

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 2017:

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.

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, 2017**

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, 2017**

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, 2017**

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, 2017**

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, 2017**

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, 2017, the District had cash balances with maturities less than one year stated at cost as follows:

Insured	\$ 51,973
Deposits Collateralized in single institution pool(s)	---
Uninsured: Required to be collateralized	<u>---</u>
 Total Cash Deposits	 51,973
 Cash on hand	 <u>248</u>
 Total Cash	 \$ <u>52,221</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, 2017**

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, 2017, all investments, other than Pension trust investments, are considered category 1.

As of December 31, 2017, the District has \$4,805,911 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. The CSAFE investment is valued at amortized cost.

As of December 31, 2017, the District has \$2,748,524 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.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Cash Deposits and Investments (continued)

B. Investments (continued)

<u>Investments</u>	<u>Maturity</u> <u>Year</u>	<u>Fair</u> <u>Value</u>	<u>Amortized</u> <u>Cost</u>	<u>Credit</u> <u>Ratings</u>
CSAFE	Variable	\$ ---	\$ 4,805,911	AAAm
CSIP	Variable	<u>2,748,524</u>	<u>---</u>	AAAm
Total		\$ <u>2,748,524</u>	\$ <u>4,805,911</u>	
Investments				

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, 2017**

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:

Financial Statements	
Total Cash	\$ 52,221
Total Investments	<u>7,554,435</u>
Total Cash Deposits and Investments (Book Balance)	\$ <u>7,606,656</u>
Footnote	
Cash	\$ 52,221
Investments	<u>7,554,435</u>
Total Cash Deposits and Investments (Footnote)	\$ <u>7,606,656</u>

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, 2017 was \$9.900 per \$1,000 of assessed valuation. This raised \$8,803,734 on an assessed valuation of \$885,940,290. 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, 2017**

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, 2017 was as follows:

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions &</u> <u>Adjustments</u>	<u>Balance</u> <u>12/31/17</u>
Governmental activities:				
Land	\$ 416,840	\$ 61,407	\$ ---	\$ 478,247
Buildings/Improvements	11,591,781	8,032,751	---	19,624,532
Vehicles & accessories	4,130,876	2,872,876	---	7,003,752
Equipment	2,291,500	215,880	---	2,507,380
Construction in progress	<u>6,547,473</u>	<u>3,963,653</u>	<u>(10,511,126)</u>	<u>---</u>
Totals at Historical				
Cost	<u>24,978,470</u>	<u>15,146,567</u>	<u>(10,511,126)</u>	<u>29,613,911</u>
Less Accumulated				
Depreciation for:				
Buildings/Improvements	(1,582,193)	(468,508)	---	(2,050,701)
Vehicles & accessories	(1,816,486)	(248,405)	---	(2,064,891)
Equipment	<u>(595,217)</u>	<u>(178,987)</u>	<u>---</u>	<u>(774,204)</u>
Total Accumulated				
Depreciation	<u>(3,993,896)</u>	<u>(895,900)</u>	<u>---</u>	<u>(4,889,796)</u>
Governmental Activities				
Capital Assets, Net of				
Accum. Depreciation	<u>\$ 20,984,574</u>	<u>\$ 14,250,667</u>	<u>\$(10,511,126)</u>	<u>\$ 24,724,115</u>

Depreciation expense for the year ended December 31, 2017 was \$895,900.

5. Long-Term Debt

Obligations under Capital Lease

The District has 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, 2017**

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%.

As of December 31, 2017, assets under capital leases totaled \$7,871,714 and accumulated depreciation on those assets totaled \$159,377.

Long-term liability activity for the year ended December 31, 2017, was as follows:

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/17</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Capital Leases	\$ 7,863,238	\$ ---	\$629,161	\$ 7,234,077	\$ 643,852
Compensated Absences	<u>192,165</u>	<u>---</u>	<u>152,713</u>	<u>39,452</u>	<u>---</u>
Totals	\$ <u>8,055,403</u>	\$ <u>---</u>	\$ <u>781,874</u>	\$ <u>7,273,529</u>	\$ <u>643,852</u>

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, including interest payments to maturity, are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 643,852	\$ 164,019	\$ 807,871
2019	658,615	149,441	808,056
2020	672,453	134,537	806,990
2021	688,367	119,302	807,669
2022	704,359	103,704	808,063
2023-27	2,456,431	318,431	2,774,862
2028-30	<u>1,410,000</u>	<u>65,366</u>	<u>1,475,366</u>
Total	\$ <u>7,234,077</u>	\$ <u>1,054,800</u>	\$ <u>8,288,877</u>

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

6. Due to/from Other Funds

As of December 31, 2017, the General Fund owes the Capital Reserve Fund \$4,584,729 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, 2017**

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, 2017, 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	\$ 1,514,339	\$ 555,346	\$ 680,249
Old Hire Plan	225,024	73,563	---
FPPA Plan	<u>196,336</u>	<u>923,128</u>	<u>72,137</u>
Total	<u>\$ 1,935,699</u>	<u>\$ 1,552,037</u>	<u>\$ 752,386</u>

As of December 31, 2017, 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	\$ 707,828
Difference between actual and expected experience	154,756
Changes in assumptions	273,735
Contributions received after measurement date	<u>415,718</u>
Total deferred outflows of resources	<u>\$1,552,037</u>

<u>Deferred inflows of resources:</u>	
Difference between actual and expected experience	\$ 688,911
Changes in allocation percentages	<u>63,475</u>
Total deferred inflows of resources	<u>\$ 752,386</u>

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2018	\$ 447,767
2019	43,626
2020	120,953
2021	65,694
2022	35,564
Thereafter	<u>86,047</u>
Total	<u>\$ 799,651</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, 2017:

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 2017 was \$0. In 2017, the District contributions were \$78,340 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, 2017. The measurement date was December 31, 2016. 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, 2017**

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-2014 Mortality Table for Blue Collar Employees.
- (5) Projected earnings increases for all ages due to inflation: 2.50%

Plan membership as of December 31, 2017 was as follows:

Active Members	8
Inactive Members receiving benefits	64
Inactive Members not yet receiving benefits	<u>9</u>
Total	<u>81</u>

The pension plan expense for 2017 was \$12,544 and the money-weighted rate of return on investments was 13.6%. 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	\$ 2,269,604	\$ 1,514,339	\$ 876,283

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

8. Retirement Plans and Commitments (continued)

Changes in Net Pension Liability for the year ended December 31, 2016:

Total Pension Liability:

Service cost	\$ 80,536
Interest	603,035
Change in benefit terms	---
Difference between actual and expected experience	(865,756)
Changes in assumptions	227,419
Benefit payments	<u>(676,250)</u>
Net change in total pension liability	631,016
Total pension liability – beginning	<u>8,332,943</u>
Total pension liability – ending (a)	\$ <u>7,701,927</u>

Plan Fiduciary Net Position:

Contributions – employer	\$ 267,000
Net investment income	313,633
Benefit payments	(676,250)
Administrative expense	(9,769)
State of Colorado supplemental discretionary payment	<u>70,506</u>
Net change in plan fiduciary net position	(34,880)
Plan fiduciary net position – beginning	<u>6,222,468</u>
Plan fiduciary net position – ending (b)	\$ <u>6,187,588</u>
Net pension liability – ending (a)-(b)	\$ <u>1,514,339</u>

Plan fiduciary net position as a percentage of total pension liability 80.34%

"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 2017 was \$0. In 2017, the District made a contribution of \$50,000 towards meeting the unfunded liability.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2016. 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, 2017 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 2017 was \$239,193 and the money-weighted rate of return on investments was 13.4%. 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	\$ 273,264	\$ 225,024	\$ 183,552

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

8. Retirement Plans and Commitments (continued)

Changes in Net Pension Liability for the year ended December 31, 2016:

Total Pension Liability:

Service cost	\$	---
Interest		56,383
Change in benefit terms		203,330
Difference between actual and expected experience		---
Changes in assumptions		---
Benefit payments		<u>(112,566)</u>
Net change in total pension liability		147,147
Total pension liability – beginning		<u>603,704</u>
Total pension liability – ending (a)	\$	<u><u>750,851</u></u>

Plan Fiduciary Net Position:

Contributions – employer	\$	290,000
Net investment income		18,077
Benefit payments		(112,566)
Administrative expense		(3,782)
State of Colorado supplemental discretionary payment		<u>---</u>
Net change in plan fiduciary net position		191,729
Plan fiduciary net position – beginning		<u>334,098</u>
Plan fiduciary net position – ending (b)	\$	<u><u>525,827</u></u>
Net pension liability – ending (a)-(b)	\$	<u><u>225,024</u></u>

Plan fiduciary net position as a percentage of total pension liability	70.03%
--	--------

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, 2017**

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 9.5% 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, 2017, covered employees contributed \$341,281 on a base salary of \$3,592,436. The District contributed an additional \$287,619 to the plan on covered employees' behalf.

The following is based on an actuarial study completed as of January 1, 2017. The measurement date is December 31, 2016. 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 % of payroll, 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, 2016 was \$196,336. The employer portion was 0.54% based on Employer Contributions. The employer portion increased from 2015, when it was 0.38%. The pension expense for 2016 was 303,045.

See independent auditors' report.

**SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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	\$ 307,440,992	\$ 36,133,840	\$ (189,200,101)

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 \$282,403 as designated for the TABOR's three percent reserved for emergency for 2017.

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 2017.

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, 2017**

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. Supplemental Budget

During 2017, the District passed a resolution appropriating additional sums of money for the Capital Fund in the amount of \$253,000 for contingencies.

12. Subsequent Events

For the year ended December 31, 2017, the District has evaluated subsequent events for potential recognition and disclosure through the date of the Independent Auditors' Report, 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, 2017

	2017				Actual 2016 Memorandum only
	Budget		Actual	Variance favorable (unfavorable)	
	Original	Final			
Revenues:					
General property taxes	\$ 8,703,101	\$ 8,703,101	\$ 8,803,734	\$ 100,633	\$ 8,624,649
Specific ownership taxes	694,648	694,648	850,811	156,163	713,027
Investment earnings	17,000	17,000	98,690	81,690	61,627
Fire protection	42,100	42,100	78,411	36,311	84,858
Grant revenue	-	-	-	-	-
Ambulance	30,000	30,000	79,143	49,143	69,385
Other	23,000	23,000	29,633	6,633	22,979
Total revenues	<u>9,509,849</u>	<u>9,509,849</u>	<u>9,940,422</u>	<u>430,573</u>	<u>9,576,525</u>
Expenditures:					
Salaries & benefits	5,377,623	5,377,623	5,158,426	219,197	3,844,044
General expenses	1,241,862	1,241,862	1,223,821	18,041	1,121,118
Fire prevention	15,000	15,000	9,204	5,796	-
Contribution - volunteer pension	267,100	267,100	78,340	188,760	267,000
Contribution - old hire pension	50,000	50,000	50,000	-	255,002
Radio maintenance	15,000	15,000	10,776	4,224	100,094
Vehicle maintenance	234,912	234,912	181,353	53,559	60,764
Equipment maintenance	24,158	24,158	9,863	14,295	25,562
Equipment & supplies	328,257	328,257	214,606	113,651	283,730
Building maintenance	253,750	253,750	234,329	19,421	225,839
Insurance	388,565	388,565	389,631	(1,066)	335,893
Training	232,000	232,000	173,795	58,205	288,835
Capital outlay	-	-	-	-	-
Debt service	814,780	814,780	807,425	7,355	153,690
Total expenditures/expenses	<u>9,243,007</u>	<u>9,243,007</u>	<u>8,541,569</u>	<u>701,438</u>	<u>6,961,571</u>
Excess (deficiency) of revenues over expenditures	<u>266,842</u>	<u>266,842</u>	<u>1,398,853</u>	<u>1,132,011</u>	<u>2,614,954</u>
Other financing sources/uses:					
Transfers-internal activities	<u>(305,000)</u>	<u>(305,000)</u>	<u>(1,000,000)</u>	<u>(695,000)</u>	<u>(10,883,000)</u>
Total other sources (uses):	<u>(305,000)</u>	<u>(305,000)</u>	<u>(1,000,000)</u>	<u>(695,000)</u>	<u>(10,883,000)</u>
Excess (deficiency) of revenues and and other financing sources over expenditures	<u>(38,158)</u>	<u>(38,158)</u>	<u>398,853</u>	<u>437,011</u>	<u>(8,268,046)</u>
Fund balance, beginning of year	<u>1,538,969</u>	<u>1,538,969</u>	<u>1,478,079</u>	<u>(60,890)</u>	<u>9,746,125</u>
Fund balance, end of year	<u>\$ 1,500,811</u>	<u>\$ 1,500,811</u>	<u>\$ 1,876,932</u>	<u>\$ 376,121</u>	<u>\$ 1,478,079</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, 2017
(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%	
2015	8,332,943	6,222,468	2,110,475	74.67%	6.84%
2016	7,701,927	6,187,588	1,514,339	80.34%	2.90%

Reporting Date December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Shortfall/(Excess)
2014	\$ 162,943	\$ 757,506	\$ (594,563)
2015	162,943	730,806	(567,863)
2016	267,024	337,506	(70,482)
2017	267,024	148,846	118,178

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, 2017
(Unaudited)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Change in Net Pension Liability:			
Total Pension Liability:			
Service Cost	\$ 80,536	\$ 80,536	\$ 86,605
Interest	603,035	602,152	436,518
Change in Benefit Terms	-	-	2,593,866
Difference Between Actual and Expected Experience	(865,756)	-	(251,821)
Change in Assumptions	227,419	-	-
Benefit Payments	(676,250)	(665,765)	(642,125)
Net Change in Total Pension Liability	<u>(631,016)</u>	<u>16,923</u>	<u>2,223,043</u>
Total Pension Liability - Beginning	8,332,943	8,316,020	6,092,977
Total Pension Liability - Ending	<u>\$ 7,701,927</u>	<u>\$ 8,332,943</u>	<u>\$ 8,316,020</u>
Plan Fiduciary Net Position:			
Contributions - Employer	\$ 267,000	\$ 660,300	\$ 657,000
Net Investment Income	313,633	122,986	397,240
Benefit Payments	(676,250)	(665,765)	(642,125)
Administrative Expenses	(9,769)	(11,640)	(9,446)
State of Colorado supplemental discretionary payment	70,506	70,506	70,506
Net Change in Plan Fiduciary Net Position	<u>(34,880)</u>	<u>176,387</u>	<u>473,175</u>
Plan Fiduciary Net Position - Beginning	6,222,468	6,046,081	5,572,906
Plan Fiduciary Net Position - Ending	<u>6,187,588</u>	<u>6,222,468</u>	<u>6,046,081</u>
Net Pension Liability - Ending	<u>\$ 1,514,339</u>	<u>\$ 2,110,475</u>	<u>\$ 2,269,939</u>
Plan Fiduciary Net Position as a % of Total Pension Liability	80.34%	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, 2017
(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%	
2015	603,704	334,098	269,606	55.34%	6.53%
2016	750,851	525,827	225,024	70.03%	4.94%

Reporting Date December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Shortfall/(Excess)
2014	\$ 17,594	\$ 10,000	\$ 7,594
2015	19,461	19,461	-
2016	19,461	290,000	(270,539)
2017	19,461	50,000	(30,539)

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
"OLD HIRE" PENSION PLAN
DECEMBER 31, 2017
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Change in Net Pension Liability:			
Total Pension Liability:			
Service Cost	\$ -	\$ -	\$ -
Interest	56,383	41,926	42,990
Change in Benefit Terms	203,330	-	-
Difference Between Actual and Expected Experience	-	8,488	-
Change in Assumptions	-	23,386	-
Benefit Payments	(112,566)	(57,177)	(57,177)
Net Change in Total Pension Liability	<u>147,147</u>	<u>16,623</u>	<u>(14,187)</u>
Total Pension Liability - Beginning	603,704	587,081	601,268
Total Pension Liability - Ending	<u>\$ 750,851</u>	<u>\$ 603,704</u>	<u>\$ 587,081</u>
Plan Fiduciary Net Position:			
Contributions - Employer	\$ 290,000	\$ 19,461	\$ 10,000
Net Investment Income	18,077	6,476	24,779
Benefit Payments	(112,566)	(57,177)	(57,177)
Administrative Expenses	(3,782)	(862)	(4,651)
Net Change in Plan Fiduciary Net Position	<u>191,729</u>	<u>(32,102)</u>	<u>(27,049)</u>
Plan Fiduciary Net Position - Beginning	334,098	366,200	393,249
Plan Fiduciary Net Position - Ending	<u>525,827</u>	<u>334,098</u>	<u>366,200</u>
Net Pension Liability - Ending	<u>\$ 225,024</u>	<u>\$ 269,606</u>	<u>\$ 220,881</u>
Plan Fiduciary Net Position as a % of Total Pension Liability	70.03%	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, 2017
(Unaudited)**

Year	Employer's Portion of Net Pension Liability (Asset)	Employer's Proportionate Share of Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability as a % of Covered Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2014	0.29%	\$ (322,790)	\$ 1,326,263	-24.34%	106.80%
2015	0.38%	(6,633)	2,674,100	-0.25%	100.10%
2016	0.54%	196,336	3,592,436	5.47%	98.21%

Year	Required Employer Contribution	Contributions in Relation to Required	Contribution Shortfall	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2014	\$ 147,509	\$ 147,509	\$ -	\$ 1,843,863	8.00%
2015	213,928	213,928	-	2,674,100	8.00%
2016	287,379	287,379	-	3,592,436	8.00%

See independent auditors' report.
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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, 2017

	2017				
	Budget		Actual	Variance favorable (unfavorable)	Actual 2016 Memorandum only
	Original	Final			
Revenues:					
Earnings on investments	\$ -	\$ -	\$ 18,454	\$ 18,454	\$ 18,491
Grant revenue	-	-	-	-	28,500
Miscellaneous revenues	-	-	-	-	3,252
Total revenues	<u>-</u>	<u>-</u>	<u>18,454</u>	<u>18,454</u>	<u>50,243</u>
Expenditures:					
Administrative	-	-	-	-	-
Capital outlay	4,846,072	5,099,072	4,638,487	460,585	9,488,355
Debt issuance cost	-	-	-	-	43,089
Total expenditures/expenses	<u>4,846,072</u>	<u>5,099,072</u>	<u>4,638,487</u>	<u>460,585</u>	<u>9,531,444</u>
Excess (deficiency) of revenues over expenditures	<u>(4,846,072)</u>	<u>(5,099,072)</u>	<u>(4,620,033)</u>	<u>479,039</u>	<u>(9,481,201)</u>
Other financing sources/uses:					
Lease proceeds	-	-	-	-	7,949,238
Transfers-internal activities	305,000	305,000	1,000,000	695,000	10,883,000
Total other sources:	<u>305,000</u>	<u>305,000</u>	<u>1,000,000</u>	<u>695,000</u>	<u>18,832,238</u>
Excess (deficiency) of revenues and and other financing sources over expenditures	<u>(4,541,072)</u>	<u>(4,794,072)</u>	<u>(3,620,033)</u>	<u>1,174,039</u>	<u>9,351,037</u>
Fund balance, beginning of year	<u>7,701,216</u>	<u>7,701,216</u>	<u>9,351,037</u>	<u>1,649,821</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,160,144</u>	<u>\$ 2,907,144</u>	<u>\$ 5,731,004</u>	<u>\$ 2,823,860</u>	<u>\$ 9,351,037</u>

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