

Kiowa Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2012

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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Kiowa Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Kiowa Fire Protection District (the "District"), as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 opinion.

Opinions on the Financial Statements

In our opinion, the financial statements previously referred to, present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Kiowa Fire Protection District, as of December 31, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Kiowa Fire District taken as a whole. The supplementary information on page 26 and 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis

The Board of Directors has omitted the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Marc, James and Associates, PC

Highlands Ranch, Colorado
July 10, 2013

GOVERNMENT – WIDE FINANCIAL STATEMENTS

Kiowa Fire Protection District
STATEMENT OF NET POSITION

December 31, 2012

ASSETS		
Cash and cash equivalents	\$	123,998
Due from Elbert County		2,600
Property taxes receivable		244,600
Capital assets, net of accumulated depreciation of \$1,066,928		
Capital assets not being depreciated		
Land		55,125
Capital assets being depreciated		
Buildings and improvements		68,074
Trucks and accessories		365,154
Equipment		86,341
Total assets		945,892
LIABILITIES		
Accounts payable		1,498
Deferred revenue		244,600
Total liabilities		246,098
NET POSITION		
Invested in capital assets		574,694
Restricted		15,600
Unrestricted		109,500
Total net position	\$	699,794

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

Kiowa Fire Protection District

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

Program expenses	
Public safety	
Administration	\$ 188,542
Firefighting and emergency medical services	154,071
Training	6,273
Equipment repairs	14,224
Stations, buildings and grounds	15,413
Equipment	5,457
Depreciation	<u>63,070</u>
Total program expenses	447,050
Program revenue	
Emergency medical services	<u>68,646</u>
Total program revenue	<u>68,646</u>
Net program expenses	378,404
General revenue	
Property taxes	230,136
Specific ownership taxes	33,274
Interest	706
Other income	<u>29,097</u>
Total general revenue	<u>293,213</u>
CHANGE IN NET POSITION	(85,191)
NET POSITION - beginning of the year	<u>784,985</u>
NET POSITION - end of the year	<u><u>\$ 699,794</u></u>

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

FUND FINANCIAL STATEMENTS

Kiowa Fire Protection District
BALANCE SHEET - GENERAL FUND
December 31, 2012

ASSETS		
Cash and cash equivalents	\$	123,998
Due from Elbert County		2,600
Property taxes receivable		<u>244,600</u>
Total assets	\$	<u><u>371,198</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$	1,498
Deferred revenue		<u>244,600</u>
Total liabilities		<u>246,098</u>
FUND BALANCE		
Restricted		15,600
Assigned		<u>109,500</u>
Total fund balance		<u>125,100</u>
	\$	<u><u>371,198</u></u>
 RECONCILIATION TO STATEMENTS OF NET POSITION		
Total fund balance	\$	125,100
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund, net of accumulated depreciation of \$1,066,928.		
		<u>574,694</u>
Net position - governmental-wide financial statements	\$	<u><u>699,794</u></u>

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

Kiowa Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGE IN FUND BALANCE - GENERAL FUND

For the Year Ended December 31, 2012

Revenue	
Property taxes	\$ 230,136
Specific ownership taxes	33,274
Emergency medical services	68,646
Interest income	706
Other	<u>29,097</u>
Total revenue	361,859
Expenditures	
Operating	
Administration	188,542
Firefighting and emergency medical services	154,071
Training	6,273
Equipment repairs	14,224
Stations, buildings and grounds	15,413
Capital outlay - equipment	<u>5,457</u>
Total expenditures	<u>383,980</u>
NET CHANGE IN FUND BALANCE	(22,121)
FUND BALANCE - beginning of the year	<u>147,221</u>
FUND BALANCE - end of the year	<u>\$ 125,100</u>

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

Kiowa Fire Protection District

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - GENERAL FUND TO THE
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

Net change in fund balance - general fund	\$ (22,121)
Amounts reported for governmental activities in the Statement of Activities are different due to:	
Depreciation expense on capital assets is reported in the Statement of Activities. However, it does not use current financial resources, as such depreciation expense is not reported as an expenditure in the governmental fund.	<u>(63,070)</u>
Change in net position - government-wide financial statements	<u>\$ (85,191)</u>

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

Kiowa Fire Protection District
EXPENDABLE TRUST FUND
STATEMENT OF PLAN NET POSITION -
VOLUNTEERS' PENSION TRUST FUND

December 31, 2012

ASSETS	
Investments - at fair value	<u>\$ 607,875</u>
PLAN NET POSITION	
Restricted for pension benefits	<u>\$ 607,875</u>

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

Kiowa Fire Protection District
EXPENDABLE TRUST FUND
STATEMENT OF CHANGE IN PLAN NET POSITION -
VOLUNTEERS' PENSION TRUST FUND
For the Year Ended December 31, 2012

Additions	
District contribution	\$ 20,000
State of Colorado contribution	13,623
Net investment income	<u>67,803</u>
	101,426
Deductions	
Pension benefits payments	32,580
Administrative expenses	<u>5,235</u>
	<u>37,815</u>
CHANGE IN PLAN NET POSITION	63,611
PLAN NET POSITION - beginning of the year	<u>544,264</u>
PLAN NET POSITION - end of the year	<u><u>\$ 607,875</u></u>

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

Kiowa Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE
IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND

For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
Revenue			
Property taxes	\$ 236,735	\$ 230,136	\$ (6,599)
Specific ownership taxes	30,000	33,274	3,274
Emergency medical services	80,000	68,646	(11,354)
Tuition revenue	2,000	-	(2,000)
Interest income	2,000	706	(1,294)
Other	1,500	29,097	27,597
	<u>352,235</u>	<u>361,859</u>	<u>9,624</u>
Total revenue			
Expenditures			
Operating			
Administration	162,313	188,542	26,229
Firefighting and emergency medical services	201,755	154,071	(47,684)
Training	5,000	6,273	1,273
Equipment repairs	11,000	14,224	3,224
Stations, buildings and grounds	22,500	15,413	(7,087)
Capital outlay	102,000	5,457	(96,543)
Contingency and emergencies	16,562	-	(16,562)
	<u>521,130</u>	<u>383,980</u>	<u>(137,150)</u>
Total expenditures			
NET CHANGE IN FUND BALANCE	<u>\$ (168,895)</u>	(22,121)	<u>\$ 146,774</u>
FUND BALANCE - beginning of the year		<u>147,221</u>	
FUND BALANCE - end of the year		<u>\$ 125,100</u>	

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

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Kiowa Fire Protection District (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was established under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act. The District’s service area is located in Elbert County, Colorado and the District provides firefighting and emergency medical services (“EMS”) to the residents and visitors of the District. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Financial Accounting Framework

The government-wide financial statements, the Statement of Net Assets and the Statement of Activities, report information on the *governmental-type activities* of the District, which rely to a significant extent on property taxes, charges for services and grants for support. The Statement of Activities demonstrates the degree to which expenses of the *governmental-type activities* are supported by property taxes and charges for services.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The governmental fund financial statements are prepared using the current financial 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 if the revenues are collectible within the current period or soon thereafter to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Governmental Funds

For 2012, the District has one Governmental Fund.

General Fund is the general operating fund of the District which accounts for all of the financial resources of the District not accounted for and reported in another fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Fiduciary Funds

Fiduciary funds account for the assets held by the District in a Trustee capacity or as an agent on behalf of others. The District has one Fiduciary Fund.

Expendable Trust Fund – These funds are accounted for in essentially the same manner as the Governmental Funds, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

4. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

5. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and deferred revenue. The District estimates that the fair value of these financial instruments as of December 31, 2012 do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

6. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates. As of December 31, 2012, the District has estimated the useful lives of the District's capital assets.

7. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Elbert County bills and collects the property taxes on behalf of the District and remits the collections, less the Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes. As of December 31, the District has recorded the levied property taxes and the related deferred revenue.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

8. *Restricted Net Assets*

The restriction of net assets represents amounts that may not be appropriated or are legally segregated for a specific purpose.

9. *Capital Assets*

The District's capital assets are recorded at cost if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District's capital assets consist of land, buildings, trucks and other equipment. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items less than \$5,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets. Depreciation is provided under the straight-line method, with estimated service lives of three years to forty years.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund and Fiduciary Fund. An annual appropriated budget is adopted for the Funds. All annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements:

Prior to October 15, the District's Treasurer submits a proposed operating budget for the subsequent fiscal year to the District's Board of Directors. The Board of Directors may change the proposed budget prior to the publication of the notice of budget. Within ten days of the submission, a notice of the proposed budget is published. The operating budget includes proposed expenditures and the means of financing the expenditures.

Public hearings are held at the regular District Board of Director's meetings to obtain taxpayer input on the proposed operating budget.

On or before December 15, the operating budget is legally adopted through passage of a budget resolution. Upon adoption, the District's Treasurer is authorized to transfer the budgeted amounts within the function and objects of the Fund(s). The District's Board of Directors must approve revisions that change the total expenditures of the Fund(s). Appropriations are controlled and the budget can be only amended in accordance with the State of Colorado Revised Statutes that allows the District to amend the budget and adopt a supplemental appropriation, if funds for a specific purpose, other than ad valorem taxes, become available.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE B – BUDGET INFORMATION – *continued*

State of Colorado Statutes requires a balanced budget. For 2012, the District's budgeted expenditures exceeded budgeted revenues by \$168,895. The excess of expenditures over revenue was anticipated to be funded by the use of prior year surpluses, to the extent available.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

As of December 31, 2012, all of the District's deposits were either insured by the FDIC or held in eligible depositories.

In addition, State of Colorado Statute specifies investments that meet defined rating and risk criteria in which local governments may hold. The allowed investments include participation in state regulated investment pools. The District participates in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"). As of December 31, 2012, the District had \$101,258 on deposit with COLOTRUST. The carrying value and market value of the COLOTRUST are equal. The COLOTRUST is rated AAA by all three credit rating agencies.

NOTE D – EMERGENCY MEDICAL SERVICES

The District grants credit to residents, visitors and third party medical payers for EMS and EMS support response services provided by the District. Due to the uncertainty related to the various third-party payer adjustments and the actual collection of the EMS and EMS support response fees, the District recognizes revenue associated with the EMS and EMS support responses services on the cash basis thereby recognizing the revenue when the payment for EMS and EMS support services is received.

As of December 31, 2012, the balance billed by and outstanding to the District, before third-party payer adjustments was \$31,435. The actual revenue to be recognized will be determine at the time final payment is received by the District.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE E – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2012 are as follows:

	Balance December 31, 2011	Additions	Disposals	Balance December 31, 2012
Capital assets				
Land	\$ 55,125	\$ -	\$ -	\$ 55,125
Buildings	190,239	-	-	190,239
Vehicles	1,136,978	-	-	1,136,978
Equipment	259,280	-	-	259,280
Total	1,641,622	-	-	1,641,622
Accumulated depreciation				
Buildings	(117,409)	(4,756)	-	(122,165)
Vehicles	(730,286)	(41,538)	-	(771,824)
Equipment	(156,163)	(16,776)	-	(172,939)
Total	(1,003,858)	(63,070)	-	(1,066,928)
Net capital assets	\$ 637,764	\$ (63,070)	\$ -	\$ 574,694

NOTE F – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes a fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable – represents amounts that cannot be spent because they are either in spendable form or legally required to remain intact,

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

Committed – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose unless the District's Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

Assigned – represents amounts that the District intends to use for specific purposes as expressed by the District's Board of Directors or an official delegated the authority to assign amounts,

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE F – FUND BALANCE/NET POSITION – *continued*

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

Fund balances		
Restricted		
TABOR reserve	\$	15,600
Assigned		
2013 budget		<u>109,500</u>
Total fund balances	\$	<u><u>125,100</u></u>

Included in the preparation of the 2013 budget, the District's Board of Directors included as a budgetary resource, the use of a portion of the 2012 fund balance to eliminate a projected excess of projected expenditures over expected revenue. As required under GASB No. 54, the use of a portion of the fund balance, in an amount no greater than is necessary to eliminate the excess of projected expenditures over expected revenue, should be classified as assigned. The assignment expires at the end of the subsequent year.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE G – PENSION PLANS

Volunteer Firefighters’ Plan

The District, on behalf of its volunteer firefighters, contributes to a defined benefit plan which is affiliated with the Colorado Fire and Police Pension Association (“FPPA”). Assets of the plan are commingled for investment purposes in the Fire and Police Members’ Benefit Fund, an agent multiple-employer defined benefit pension plan administered by FPPA. The plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the Pension Fund Board of Trustees.

Colorado Revised Statutes (“CRS”), as amended, establishes basic benefit provisions under the plan. FPPA issues a publically available annual financial report that includes the assets of the volunteer plan. That report may be obtained through the FPPA website at www.fppaco.org.

Volunteer firefighters who maintain an average training participation in the department of 36 hours per year are eligible to participate in the plan for that year. Volunteers’ rights to benefits fully vest after 20 years of service. Volunteers, who retire at, or after the age of, fifty with ten years of credited service, are entitled to a reduced benefit. In addition, the plan provides death and disability benefits funded by insurance policies.

The District makes contributions based upon District established benefits and funding requirements based upon an actuarial study. Plan members do not make contributions. The State of Colorado also makes contributions to the plan in an amount established by statute.

A summary of the contributions to the Pension Fund and annual required contributions based upon actuarial studies for the current and prior two years are as follows:

	2012	2011	2010
District contribution	\$ 20,000	\$ 19,000	\$ 19,000
State of Colorado contributions	13,623	14,308	14,781
Total contributions	<u>\$ 33,623</u>	<u>\$ 34,308</u>	<u>\$ 33,781</u>
Annual required contributions	<u>\$ 33,623</u>	<u>\$ 34,308</u>	<u>\$ 33,781</u>
Contributions as a percentage of annual required contributions	<u>100%</u>	<u>100%</u>	<u>100%</u>
Net pension obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the years ended December 31 presented above, the contributions were equal to or exceeded the annual required contribution. There were no net pension obligations as of December 31 for the years presented above.

The Annual Required Contribution for the current year was determined by the FPPA actuary, using the “entry age actual cost method” and is as of January 1, 2011. The significant actuarial assumptions used in the valuation as January 1, 2011, were (a) life expectancy of participants obtained from the 1994 Group Annuity Mortality Table loaded for fire and police experience (b) retirement age assumption of age 50 and 20 years of service; and (c) investment return of 8.0% per annum net of operating expenses.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE G – PENSION PLANS - *continued*

Volunteer Firefighters’ Plan - continued

For the purposes of the actuarial study, plan assets were valued at fair value using quoted market process except for real estate which is recorded at estimated fair value based upon periodic appraisals, investments in limited partnerships which are recorded at estimated fair value as derived from the financial statements of the partnerships, and guaranteed investment contracts which are recorded at contract value.

Securities transactions are recorded on a trade dated basis. The study utilized a level dollar amortization over a closed period of twenty years.

A summary of funding progress based upon actuarial studies is as follows.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Excess Actuarial Assets (a)-(b)	Funded Ratio (a)/(b)
1/1/2011	\$ 543,075	\$ 442,551	\$ 100,524	123%
1/1/2009	\$ 478,351	\$ 394,443	\$ 83,908	121%
1/1/2007	\$ 484,835	\$ 339,599	\$ 145,236	143%

State Fire and Police Pension Plan

The District contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined pension plan administered by the FPPA. The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan which is also administered by FPPA. This is a noncontributory plan. All full-time, paid firefighters of the District are members of the Statewide Defined Benefit Plan. 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 Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. That report may be obtained through the FPPA website at www.fppaco.org.

The contribution requirements of plan members and the District are established by statute. The contribution rate for plan members and for the District is 8.0% of covered salary. The District contributions to the Statewide Defined Benefit Plan for the years ending December 31, 2012, 2011, and 2010 were \$10,421, \$10,591, and \$10,119, respectively, equal to the District’s required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE H – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits will require judicial interpretation.

In 1996, the voters of the District voted to allow the District to retain revenues in excess of the limits established by TABOR.

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets; errors or omissions; injuries to volunteers; or acts of God for which the District carries commercial insurance. The District's claims have not exceeded its coverage during the preceding three years.

NOTE J – COMMITMENTS AND CONTINGENCIES

Impact Fees

The District has adopted an "Impact Fee Resolution" establishing the collection of such fees as the official policy for the approval of development or rezoning of real property within the District. Impact Fees are generally defined as one-time assessments used to recover the capital costs associated with new growth and can only be used to finance capital infrastructure. This resolution may be subject to litigation seeking a declaratory judgment as to whether the District has the authority to impose and collect such fees. Should a judgment be rendered against the District, such judgment may have a negative impact on the District's ability to collect such fees in the future and may result in the District being required to refund any such fees it may have collected pursuant to the resolution. Through December 31, 2012, the District has estimated that the District has collected impact fees since the adoption of the resolution in the amount of approximately \$383,000.

In 2009, the District reached an agreement under which the District refunded \$24,726 of impact fees previously paid by a developer on property within the District. In exchange, the District was granted liens on the individual lots within the development for the amount of the impact fees. The District will receive the impact fees upon the sale of the individual lots. Due to uncertainty related to the date of the actual sale and sale amount, the District has not recognized the liens for financial statement purposes.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE K – MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District's financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through July 10, 2013, which is the date the financial statements and accompanying footnotes were available for issuance.

NOTE L – RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources Deferred Inflows of resources and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The provisions of GASB 63 are effective for financial statements for periods beginning after December 15, 2011. The District adopted GASB 63 in 2012 and the impact upon the District was that the Statement of Net Assets was renamed the Statement of Net Position.

SUPPLEMENTARY INFORMATION

Kiowa Fire Protection District

BUDGET TO ACTUAL SCHEDULE - FIDUCIARY FUND

For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
Additions			
District contribution	\$ 20,000	\$ 20,000	\$ -
State of Colorado contribution	14,308	13,623	(685)
Net investment income	<u>50,000</u>	<u>67,803</u>	<u>17,803</u>
	84,308	101,426	17,118
Deductions			
Pension benefits payments	32,580	32,580	-
Administrative expenses	<u>5,000</u>	<u>5,235</u>	<u>235</u>
	<u>37,580</u>	<u>37,815</u>	<u>235</u>
CHANGE IN PLAN NET POSITION	<u><u>\$ 46,728</u></u>	63,611	<u><u>\$ 16,883</u></u>
PLAN NET POSITION - beginning of the year		<u>544,264</u>	
PLAN NET POSITION - end of the year		<u><u>\$ 607,875</u></u>	

Kiowa Fire Protection District

SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND
PROPERTY TAXES COLLECTED

December 31, 2012

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mill Levy</u>	<u>Property Taxes Levied</u>	<u>Collected</u>	<u>Percent Collected to Levied</u>
2003	\$ 22,895,470	8.689	\$ 198,939	\$ 194,099	97.57%
2004	23,316,020	8.689	202,593	202,841	100.12%
2005	24,294,985	8.689	211,099	220,079	104.25%
2006	26,109,520	8.689	226,866	226,961	100.04%
2007	27,407,929	8.689	238,147	239,219	100.45%
2008	27,267,546	8.689	236,787	241,512	102.00%
2009	29,562,805	8.689	256,871	254,807	99.20%
2010	28,615,410	8.689	248,640	247,971	99.73%
2011	27,245,367	8.689	236,735	236,588	99.94%
2012	26,586,410	8.689	231,009	230,136	99.62%
Estimated for the year ended December 31, 2013	\$ 28,150,590	8.689	\$ 244,600		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of the specific year of the levy for receipts.