

Kiowa Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2011

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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Kiowa Fire Protection District

We have audited the accompanying financial statements of the governmental activities, the major fund, and aggregate remaining fund information of the Kiowa Fire Protection District (the "District"), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management and Board of Directors. Our responsibility is to express an opinion 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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Kiowa Fire Protection District, as of December 31, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted with the purpose of forming opinions on the basic financial statements of the Kiowa Fire Protection District taken as a whole. The other supplementary information on pages 25 through 26 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, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

District management has elected to not present the Management's Discussion and Analysis information that the Government Accounting Standards Board has determined is required to supplement, although not required to be part of, the basic financial statements.

Marc, James and Associates, PC

Highlands Ranch, Colorado
July 11, 2012

GOVERNMENT – WIDE FINANCIAL STATEMENTS

Kiowa Fire Protection District
STATEMENT OF NET ASSETS

December 31, 2011

| | | |
|---|----|-----------|
| ASSETS | | |
| Cash and cash equivalents | \$ | 151,650 |
| Due from Elbert County | | 2,515 |
| Property taxes receivable | | 231,009 |
| Capital assets, net of accumulated depreciation of \$1,003,858 | | |
| Capital assets not being depreciated | | |
| Land | | 55,125 |
| Capital assets being depreciated | | |
| Buildings and improvements | | 72,830 |
| Trucks and accessories | | 406,692 |
| Equipment | | 103,117 |
| | | 1,022,938 |
| Total assets | | 1,022,938 |
| LIABILITIES | | |
| Accounts payable | | 5,499 |
| Accrued expenses | | 1,444 |
| Deferred revenue | | 231,009 |
| | | 237,952 |
| Total liabilities | | 237,952 |
| NET ASSETS | | |
| Invested in capital assets | | 637,764 |
| Restricted | | 15,600 |
| Unrestricted | | 131,622 |
| | | 784,986 |
| Total net assets | \$ | 784,986 |

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, 2011

| | |
|---|--------------------------|
| Program expenses | |
| Public safety | |
| Administration | \$ 173,557 |
| Firefighting and emergency medical services | 178,450 |
| Training | 5,103 |
| Equipment repairs | 14,836 |
| Stations, buildings and grounds | 22,513 |
| Equipment | 9,847 |
| Interest | 1,861 |
| Depreciation | 90,459 |
| | <hr/> |
| Total program expenses | 496,626 |
| Program revenues | |
| Emergency medical services | 59,625 |
| Tuition revenue | 1,050 |
| | <hr/> |
| Total program revenue | 60,675 |
| | <hr/> |
| Net program expenses | 435,951 |
| General revenue | |
| Property taxes | 236,588 |
| Specific ownership taxes | 30,574 |
| Interest | 900 |
| Other income | 9,870 |
| | <hr/> |
| Total general revenue | 277,932 |
| | <hr/> |
| CHANGE IN NET ASSETS | (158,019) |
| NET ASSETS - beginning of the year (restated) | 943,005 |
| | <hr/> |
| NET ASSETS - end of the year | <u><u>\$ 784,986</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, 2011

| | | |
|---|-----------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ | 151,650 |
| Due from Elbert County | | 2,515 |
| Property taxes receivable | | <u>231,009</u> |
| Total assets | \$ | <u>385,174</u> |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts payable | \$ | 5,499 |
| Accrued expenses | | 1,444 |
| Deferred revenue | | <u>231,009</u> |
| Total liabilities | | <u>237,952</u> |
| FUND BALANCE | | |
| Restricted | | 15,600 |
| Assigned | | <u>131,622</u> |
| Total fund balance | | <u>147,222</u> |
| | \$ | <u>385,174</u> |
| RECONCILIATION TO STATEMENTS OF NET ASSETS | | |
| Total fund balance | \$ | 147,222 |
| Amounts reported for governmental activities in the Statement of Net Assets 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 \$1,003,858. | | |
| | | <u>637,764</u> |
| | \$ | <u>784,986</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, 2011

| | | |
|---|--|-------------|
| Revenue | | |
| Property taxes | | \$ 236,588 |
| Specific ownership taxes | | 30,574 |
| Emergency medical services | | 59,625 |
| Tuition revenue | | 1,050 |
| Interest income | | 900 |
| Other | | 9,869 |
| | | <hr/> |
| Total revenue | | 338,606 |
| Expenditures | | |
| Current | | |
| Administration | | 173,557 |
| Firefighting and emergency medical services | | 178,450 |
| Training | | 5,103 |
| Equipment repairs | | 14,836 |
| Stations, buildings and grounds | | 22,512 |
| Capital outlay - equipment | | 17,250 |
| Debt service | | |
| Principal | | 86,228 |
| Interest | | 3,191 |
| | | <hr/> |
| Total expenditures | | 501,127 |
| | | <hr/> |
| NET CHANGE IN FUND BALANCE | | (162,521) |
| FUND BALANCE - beginning of the year (restated) | | 309,743 |
| | | <hr/> |
| FUND BALANCE - end of the year | | \$ 147,222 |
| | | <hr/> <hr/> |

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
STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2011

| | |
|---|---------------------|
| Net change in fund balance - general fund | \$ (162,521) |
| Amounts reported for governmental activities in the Statement of Activities are different due to: | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current year. | 7,404 |
| 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 funds. | (90,459) |
| Interest expense on the capital leases is accrued in the Statement of Activities but not in the governmental funds. | 1,329 |
| Payments of capital lease principal is an expenditure in the governmental funds, but in the principal payment is a reduction in the capital lease payable in the Statement of Net Assets. | <u>86,228</u> |
| Change in net assets - government-wide financial statements | <u>\$ (158,019)</u> |

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

Kiowa Fire Protection District

EXPENDABLE TRUST FUND

STATEMENT OF PLAN ASSETS AVAILABLE FOR
PENSION BENEFITS - VOLUNTEERS' PENSION TRUST FUND

December 31, 2011

| ASSETS | |
|--|-------------------|
| Investments - at fair value | <u>\$ 544,264</u> |
| PLAN ASSETS AVAILABLE FOR PENSION BENEFITS | |
| Held in trust for pension benefits | <u>\$ 544,264</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 ASSETS AVAILABLE FOR
PENSION BENEFITS - VOLUNTEERS' PENSION TRUST FUND

For the Year Ended December 31, 2011

| | |
|---|--------------------------|
| Additions | |
| District contribution | \$ 20,000 |
| State of Colorado contribution | 14,308 |
| Net investment income | <u>7,015</u> |
| | 41,323 |
| Deductions | |
| Pension benefits payments | 32,580 |
| Administrative expenses | <u>4,249</u> |
| | <u>36,829</u> |
| CHANGE IN NET ASSETS AVAILABLE FOR PENSION BENEFITS | 4,494 |
| NET ASSETS - beginning of the year | <u>539,770</u> |
| NET ASSETS - end of the year | <u><u>\$ 544,264</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, 2011

| | Original and Final Budget | Actual | Variance |
|---|---------------------------------|-------------------|-------------------|
| Revenue | | | |
| Property taxes | \$ 236,735 | \$ 236,588 | \$ (147) |
| Specific ownership taxes | 30,000 | 30,574 | 574 |
| Emergency medical services | 80,000 | 59,625 | (20,375) |
| Tuition revenue | 2,000 | 1,050 | (950) |
| Interest income | 2,000 | 900 | (1,100) |
| Other | 1,500 | 9,869 | 8,369 |
| | <u>352,235</u> | <u>338,606</u> | <u>(13,629)</u> |
| Total revenue | | | |
| Expenditures | | | |
| Current | | | |
| Administration | 199,950 | 173,557 | (26,393) |
| Firefighting and emergency medical services | 197,898 | 178,450 | (19,448) |
| Training | 5,000 | 5,103 | 103 |
| Equipment repairs | 29,000 | 14,836 | (14,164) |
| Stations, buildings and grounds | 22,500 | 22,512 | 12 |
| Capital outlay - equipment | 3,000 | 17,250 | 14,250 |
| Capital outlay - infrastructure | 27,000 | - | (27,000) |
| Debt services | | | |
| Principal | 86,228 | 86,228 | - |
| Interest | 3,772 | 3,191 | (581) |
| Contingency and emergencies | 60,507 | - | (60,507) |
| | <u>634,855</u> | <u>501,127</u> | <u>(133,728)</u> |
| Total expenditures | | | |
| NET CHANGE IN FUND BALANCE | <u>\$ (282,620)</u> | (162,521) | <u>\$ 120,099</u> |
| FUND BALANCE - beginning of the year (restated) | | <u>309,743</u> | |
| FUND BALANCE - end of the year | | <u>\$ 147,222</u> | |

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

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2011

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. Basis of Presentation

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

The District has one Governmental Fund, the *General Fund*, which accounts for all of the financial resources of the District, except for resources required to be accounted for in a separate fund.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2011

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, 2011 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, 2011, 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
Year ended December 31, 2011

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. 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
Year ended December 31, 2011

NOTE B – BUDGET INFORMATION – *continued*

State of Colorado Statutes requires a balanced budget. For 2011, the District's budgeted expenditures exceeded budgeted revenues by \$282,620. The excess of expenditures over revenue was anticipated to be funded by the use of prior year surpluses.

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, 2011, 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, 2011, the District had \$101,032 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. Effective January 1, 2011, 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 changed its method of accounting for the revenue associated with the EMS and EMS support responses services from the accrual basis to the cash basis thereby recognizing the revenue when the payment for EMS and EMS support services is received.

As of December 31, 2011, the balance due to the District, before third-party payer adjustments was \$29,228. The actual revenue to be recognized will be determine at the time of final payment is received by the District.

Related to the conversion to the cash basis for the recognition of the revenue from EMS and EMS support services, the beginning of the year net assets and general fund balance was restated. The beginning of the year net assets and general fund balance was decreased by \$18,415 representing the EMS receivables, net of the allowance for doubtful accounts as of December 31, 2010.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2011

NOTE E – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2011 are as follows:

| | Balance December 31, 2010 | Additions | Disposals | Balance December 31, 2011 |
|--------------------------|---------------------------------|--------------------|-------------|---------------------------------|
| Capital assets | | | | |
| Land | \$ 55,125 | \$ - | \$ - | \$ 55,125 |
| Buildings | 190,239 | - | - | 190,239 |
| Vehicles | 1,136,978 | - | - | 1,136,978 |
| Equipment | <u>251,876</u> | <u>7,404</u> | <u>-</u> | <u>259,280</u> |
| Total | 1,634,218 | 7,404 | - | 1,641,622 |
| Accumulated depreciation | | | | |
| Buildings | (112,653) | (4,756) | - | (117,409) |
| Vehicles | (672,703) | (57,583) | - | (730,286) |
| Equipment | <u>(128,043)</u> | <u>(28,120)</u> | <u>-</u> | <u>(156,163)</u> |
| Total | <u>(913,399)</u> | <u>(90,459)</u> | <u>-</u> | <u>(1,003,858)</u> |
| Net capital assets | <u>\$ 720,823</u> | <u>\$ (83,055)</u> | <u>\$ -</u> | <u>\$ 637,764</u> |

NOTE F – CAPITAL LEASES

During 2003, the District entered into a Master Lease Agreement with a leasing company for the acquisition of new firefighting vehicles and related equipment. The lease qualified as a capital lease and was paid in full during 2011.

The following is an analysis of the changes in capital leases for the year ended December 31, 2011:

| | December 31, 2010 | Additions | Payments | December 31, 2011 | Due within One Year |
|------------|----------------------|-------------|------------------|----------------------|------------------------|
| 2003 Lease | \$ <u>86,228</u> | \$ <u>-</u> | \$ <u>86,228</u> | \$ <u>-</u> | \$ <u>-</u> |

Kiowa Fire Protection District
 NOTES TO FINANCIAL STATEMENTS
 Year ended December 31, 2011

NOTE G – FUND BALANCES

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,

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 | | |
| 2012 budget | | 131,622 |
| Total fund balances | \$ | <u>147,222</u> |

Included in the preparation of the 2012 budget, the District’s Board of Director’s included as a budgetary resource, the use of a portion of the 2011 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.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2011

NOTE H – 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 five years are as follows:

| | 2011 | 2010 | 2009 |
|--|------------------|------------------|------------------|
| District contribution | \$ 20,000 | \$ 19,000 | \$ 18,000 |
| State of Colorado contributions | 14,308 | 14,781 | 13,634 |
| Total contributions | <u>\$ 34,308</u> | <u>\$ 33,781</u> | <u>\$ 31,634</u> |
| Annual required contributions | <u>\$ 34,308</u> | <u>\$ 33,781</u> | <u>\$ 31,634</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

Year ended December 31, 2011

NOTE H – 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, 2011, 2010, and 2009 were \$10,591, \$10,119, and \$12,013, respectively, equal to the District’s required contributions for each year.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2011

NOTE I – 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 J – 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 K – 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, 2011, 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

Year ended December 31, 2011

NOTE K – COMMITMENTS AND CONTINGENCIES - *continued*

EMS Billing Contract

In 2004, the District entered into a Billing Services Agreement (the “Agreement”) with a contractor to provide billing services for EMS and transport activity. Under the Agreement, the District pays to the contractor 8% of all amounts billed and collected by the District for EMS and transport services.

The Agreement is an annual agreement which automatically renews upon the same terms and conditions upon January 1, of each successive calendar year for a period of one year. The Agreement may be terminated upon written notice ninety days prior to the annual renewal date.

NOTE L – 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 11, 2012, which is the date the financial statements and accompanying footnotes were available for issuance.

SUPPLEMENTARY INFORMATION

Kiowa Fire Protection District

BUDGET TO ACTUAL SCHEDULE - FIDUCIARY FUND

For the Year Ended December 31, 2011

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------------------|--|-------------------|--------------------|
| Additions | | | |
| District contribution | \$ 20,000 | \$ 20,000 | \$ - |
| State of Colorado contribution | 14,781 | 14,308 | (473) |
| Net investment income | <u>50,000</u> | <u>7,015</u> | <u>(42,985)</u> |
| | 84,781 | 41,323 | (43,458) |
| Deductions | | | |
| Pension benefits payments | 50,000 | 32,580 | (17,420) |
| Administrative expenses | <u>7,000</u> | <u>4,249</u> | <u>(2,751)</u> |
| | <u>57,000</u> | <u>36,829</u> | <u>(20,171)</u> |
| CHANGE IN NET ASSETS | <u>\$ 27,781</u> | 4,494 | <u>\$ (23,287)</u> |
| NET ASSETS - beginning of the year | | <u>539,770</u> | |
| NET ASSETS - end of the year | | <u>\$ 544,264</u> | |

Kiowa Fire Protection District

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

December 31, 2011

| <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> |
|---|---|----------------------|----------------------------------|------------------|--|
| 2002 | \$ 22,266,430 | 8.689 | \$ 193,473 | \$ 189,426 | 97.91% |
| 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% |
| Estimated for the year ended December 31, 2012 | \$ 26,586,373 | 8.689 | \$ 231,009 | | |

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.