

Kiowa Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2015

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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 fund of the Kiowa Fire Protection District (the "District"), as of and for the year ended December 31, 2015, 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 controls 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.

Opinion 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 fund of the Kiowa Fire Protection District, as of December 31, 2015, 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.

Change in Accounting Principle

As discussed in NOTES G and I to the financial statements, for the year ended December 31, 2015, the District adopted the provisions of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of Government Accounting Standards Board Statement No. 27 and Government Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Omission of Required Supplementary Information

The Board of Directors has omitted the Management's Discussion and Analysis and the supplementary 10-year fiscal history of the changes, components and related ratios related to the District's net pension asset, 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 13, 2016

GOVERNMENT – WIDE FINANCIAL STATEMENTS

Kiowa Fire Protection District
STATEMENT OF NET POSITION

December 31, 2015

ASSETS	
Cash and cash equivalents	\$ 169,863
Due from Elbert County	2,973
Property taxes receivable	255,894
Capital assets, net of accumulated depreciation of \$1,204,804	
Capital assets not being depreciated	
Land	55,125
Capital assets being depreciated	
Buildings	53,807
Vehicles	351,444
Equipment	<u>203,273</u>
Total capital assets	663,649
Net pension asset	290,798
DEFERRED OUTFLOWS OF RESOURCES	
Pension	<u>23,617</u>
Total assets and deferred outflows of resources	1,406,794
LIABILITIES	
Accounts payable	9,037
DEFERRED INFLOW OF RESOURCES	
Property taxes	255,894
Pension	<u>17,565</u>
Total deferred inflows of resources	273,459
NET POSITION	
Invested in capital assets	663,649
Restricted	
TABOR reserve	15,600
Net pension asset	290,798
Unrestricted	<u>154,251</u>
Total net position	<u><u>\$ 1,124,298</u></u>

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, 2015

Program expenses	
Public safety	
Administration	\$ 75,250
Firefighting and emergency medical services	183,102
Training	4,244
Equipment repairs	10,009
Stations, buildings and grounds	17,510
Equipment	11,180
Depreciation	<u>90,657</u>
Total program expenses	391,952
Program revenue	
Emergency medical services	<u>72,114</u>
Total program revenue	<u>72,114</u>
Net program expenses	319,838
General revenue	
Property taxes	234,944
Specific ownership taxes	41,362
Grants	1,494
Impact fees	12,630
Interest	726
Other income	<u>9,854</u>
Total general revenue	<u>301,010</u>
CHANGE IN NET POSITION	(18,828)
NET POSITION - beginning of the year - restated	<u>1,143,126</u>
NET POSITION - end of the year	<u><u>\$ 1,124,298</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, 2015

ASSETS	
Cash and cash equivalents	\$ 169,863
Due from Elbert County	2,973
Property taxes receivable	<u>255,894</u>
Total assets	<u><u>\$ 428,730</u></u>
 LIABILITIES	
Accounts payable	\$ 9,037
 DEFERRED INFLOWS OF RESOURCES	
Property taxes	255,894
 FUND BALANCE	
Restricted	15,600
Assigned	119,247
Committed	<u>16,322</u>
Total fund balance	<u>151,169</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 416,100</u></u>
 RECONCILIATION TO THE STATEMENT OF NET POSITION	
Total fund balance	\$ 151,169
Amounts reported for governmental activities in the Statement of Net Position are different due to:	
The net pension asset of the District is a not financial resource available to the District and therefore is not reported in the general fund	290,798
The deferred outflows and deferred inflows of resources associated with the District's net pension asset are not financial resources available or current liabilities of the District and therefore are not reported in the general fund	6,052
Capital assets used in governmental funds are not financial resources and therefore are not reported in the general fund, net of accumulated depreciation of \$1,204,804	<u>663,649</u>
Net position - governmental-wide financial statements	<u><u>\$ 1,111,668</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, 2015

Revenue		
Property taxes	\$	234,944
Specific ownership taxes		41,362
Emergency medical services		72,114
Grants		1,494
Interest income		726
Other		9,854
		<hr/>
Total revenue		360,494
Expenditures		
Operating		
Administration		120,058
Firefighting and emergency medical services		183,102
Training		4,244
Repairs and maintenance		10,009
Stations, buildings and grounds		17,510
Capital outlay - equipment		11,180
		<hr/>
Total expenditures		346,103
CHANGE IN FUND BALANCE		14,391
FUND BALANCE - beginning of the year		136,778
		<hr/>
FUND BALANCE - end of the year	\$	<u>151,169</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, 2015

Change in fund balance - general fund	\$ 14,391
Amounts reported for governmental activities in the Statement of Activities are different due to:	
Difference in pension expense as reflected in the government-wide financial statements and in the general fund	44,808
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 general fund.	<u>(90,657)</u>
Change in net position - government-wide financial statements	<u>\$ (31,458)</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, 2015

	Original and Final Budget	Actual	Variance
Revenue			
Property taxes	\$ 235,123	\$ 234,944	\$ (179)
Specific ownership taxes	30,000	41,362	11,362
Emergency medical services	65,000	72,114	7,114
Grants	234,659	1,494	(233,165)
Interest income	500	726	226
Other	2,000	9,854	7,854
	<u>567,282</u>	<u>360,494</u>	<u>(206,788)</u>
Total revenue			
Expenditures			
Operating			
Administration	192,013	120,058	(71,955)
Firefighting and emergency medical services	282,950	183,102	(99,848)
Training	4,500	4,244	(256)
Equipment repairs	15,253	10,009	(5,244)
Stations, buildings and grounds	6,000	17,510	11,510
Equipment	104,500	11,180	(93,320)
Contingency and emergencies	31,526	-	(31,526)
	<u>636,742</u>	<u>346,103</u>	<u>(290,639)</u>
Total expenditures			
CHANGE IN FUND BALANCE	<u>\$ (69,460)</u>	14,391	<u>\$ 83,851</u>
FUND BALANCE - beginning of the year		<u>136,778</u>	
FUND BALANCE - end of the year		<u>\$ 151,169</u>	

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

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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 Position 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 expenditures of the *governmental-type activities* are supported primarily 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.

For 2015, 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 required to be accounted for and reported in another fund.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

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 and accounts payable. The District estimates that the fair value of these financial instruments as of December 31, 2015, 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, 2015, District management has estimated the useful lives of the District's capital assets as reflected in the Statement of Net Position.

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 applicable 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 may 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 subsequent year levied property taxes and the related deferred inflow of resources.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

8. *Restricted Net Position*

The restriction of net position 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 the 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. An annual appropriated budget is adopted for the General Fund. 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, 2015

NOTE B – BUDGET INFORMATION – *continued*

State of Colorado Statutes requires a balanced budget. For 2015, the District's budgeted expenditures exceeded budgeted revenues by \$69,460. The excess of expenditures over revenue was anticipated to be funded by the use of prior year surpluses, to the extent necessary and 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, 2015, 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, 2015, the District had \$71,561 on deposit with COLOTRUST Plus+. The carrying value and market value of the COLOTRUST Plus+ are equal. The COLOTRUST Plus+ is rated AAAm by Standard and Poors.

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, 2015, the balance billed by and outstanding to the District, before third-party payer adjustments was \$56,873. 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, 2015

NOTE E – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2015 are as follows:

	Balance December 31, 2014	Additions	Disposals	Balance December 31, 2015
Capital assets				
Land	\$ 55,125	\$ -	\$ -	\$ 55,125
Buildings	190,239	-	-	190,239
Vehicles	1,178,723	-	-	1,178,723
Equipment	444,366	-	-	444,366
Total	1,868,453	-	-	1,868,453
Accumulated depreciation				
Buildings	(131,676)	(4,756)	-	(136,432)
Vehicles	(778,171)	(49,108)	-	(827,279)
Equipment	(204,300)	(36,793)	-	(241,093)
Total	(1,114,147)	(90,657)	-	(1,204,804)
Net capital assets	\$ <u>754,306</u>	\$ <u>(90,657)</u>	\$ <u>-</u>	\$ <u>663,649</u>

NOTE F – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the 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 nonspendable 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, 2015

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	
2016 budget	131,877
Committed	
District match - ambulance grant	<u>16,322</u>
Total fund balance	<u>\$ 163,799</u>

Included in the preparation of the 2016 budget, the District's Board of Directors included as a budgetary resource, the use of a portion of the 2015 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, 2015

NOTE G – PENSION PLANS

Volunteer Firefighters' Pension Plan

Change in Accounting Principles

In 2015, the District adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Government Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date*.

Description of the Plan and Benefits Provided

The District, on behalf of its volunteer firefighters, contributes to the District's Volunteer Firefighters' Pension Plan, a defined benefit plan (the "Plan") which is affiliated with the Colorado Fire and Police Pension Association ("FPPA").

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 may make an annual contribution to the Plan in an amount established by statute.

The Plan provides retirement benefits for Plan participants and beneficiaries according to the Plan provisions as enacted and governed by the Plan Board of Trustees as follows:

Normal Retirement Benefit at Age 50 with 20 years of service (monthly)	\$	300
Disability Retirement Benefit (monthly)		
Short-term disability for line of duty injury, not to exceed 1 year		150
Long-term disability for line of duty injury, lifetime benefit		150
Survivor Benefits (monthly)		
Death in the line of duty, before retirement eligible		150
Death after normal retirement		150
Death after disability retirement		75
Funeral Benefit, lump sum, one-time only		200

The above benefit provisions were also used to determine the total pension liability(asset), discussed subsequently.

Plan Participants Covered by the Plan

Retirees and beneficiaries	13
Inactive, Non-retired	4
Active	19
	<hr/>
Total participants	36
	<hr/> <hr/>

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

Net Pension Asset and Change in the Net Pension Asset

As defined within GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, ("GASB 68") the Net Pension Liability/(Asset) ("NPL"/"NPA") is the difference between the Total Pension Liability ("TPL") and the Plan's Net Position. This is analogous to the Plan's accrued liability less than the market value of the Plan's assets. The TPL/NPA is based upon an actuarial valuation performed as of January 1, 2015 with a TPL/TPA measurement date of December 31, 2014. As permitted under GASB 68, the measurement date is within one of the District's fiscal year-end of December 31, 2015, and may be used to fulfill the December 31, 2015 reporting requirements.

The change in the Plan's NPA consists of the following:

Service costs	\$	9,466
Interest on the TPL		34,203
Difference between expected and actual experience of the TPL		(21,898)
District contribution		(20,000)
State of Colorado supplemental discretionary contribution		(14,075)
Net Plan investment income		(47,936)
Plan administrative expenses		1,485
		<hr/>
Change in the Net Pension Asset		(58,756)
Net Pension Asset – Beginning of the Year		<hr/> (232,042)
Net Pension Asset – End of the Year	\$	<hr/> <hr/> (290,798)

As of December 31, 2014, the measurement date, the NPA consisted of the following:

Total Pension Liability	\$	456,568
Plan Net Position Available for Benefits		<hr/> 747,366
Net Pension Asset	\$	<hr/> (290,798)
Percentage of Plan Net Position to Total Pension Liability		<hr/> <hr/> 163.69%

The Plan's NPA is calculated using a Single Discount Rate of 7.50%. The Plan's NPA calculated using a Single Discount Rate that is 1% lower or 1% higher is as follows:

1% Discount 6.50%	7.50%	1% Increase 8.50%
<hr/>	<hr/>	<hr/>
\$ <hr/> (240,108)	\$ <hr/> (290,798)	\$ <hr/> (333,113)

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

Basis for Determining the District and Actuarial Calculated Contributions

The actuarially determined contributions are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, as such, the actuarial valuation as of January 1, 2015, determines the contribution amounts for 2014 and 2015. The methods and assumptions used to determine the contribution rates are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: PR-2000 Combined Mortality Table with Blue Collar Adjustment, Post-retirement :RP-2000 Combined Mortality Table with Blue Collar Adjustment, Disability: RP-2000 Disabled Mortality Table

For the year ended December 31, 2015, the actuarial and District contributions were as follows:

Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Ratio
\$ -	\$ 20,000	\$ (20,000)	100.00%

Deferred Outflows and Inflows of Resources - Pension Plan

The deferred inflows and outflows of resources, as applicable, related to the Plan are amounts used under GASB 68 in developing the annual pension expense. The deferred inflows and outflows of resources arise from differences between expected and actual experiences and changes, as applicable, of assumptions. The portions of these amounts which are not included in the current pension expense (income) are reflected as deferred inflows and outflows of resources and consist of:

Deferred outflow of Resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income	\$ 3,617
District contributions to the Plan subsequent to the NPA measurement date	<u>20,000</u>
Total deferred outflows of resources - pension	<u>\$ 23,617</u>
Deferred inflows of Resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPL	<u>\$ 17,565</u>

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

Deferred Outflows and Inflows of Resources - Pension Plan - continued

The deferred outflows and inflows of resources by year to be recognized in the future pension expense (income) as of December 31, 2015 are as follows:

<u>Year ended December 31,</u>	
2016	\$ 3,429
2017	3,429
2018	3,429
2019	3,429
2020	<u>233</u>
Total	\$ <u>13,949</u>

Fire and Police Pension Association

The Fire and Police Pension Association administers an agent multiple-employer Public Employee Retirement System ("PERS"). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The affiliated pension plans have elected to use FPPA for plan administration investment services only. FPPA issues a publically available comprehensive annual financial report. That report may be obtained through the FPPA website at www.fppaco.org.

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 8.5% of covered salary. The District contributions to the Statewide Defined Benefit Plan for the year ending December 31, 2015, was \$10,844.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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 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, 2015, the District has estimated that the District has collected impact fees since the adoption of the resolution in the amount of approximately \$400,000.

In 2016, House Bill 16-1088, Public Safety Fairness Act, was introduced which defined impact fees and as a condition of issuance of a development fee, permits a local government to impose an impact fee or other similar development charge to fund expenditures by such a local government or a fire and emergency services provider for capital facilities needed to serve the new development.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE J – COMMITMENTS AND CONTINGENCIES - *continued*

Impact Fees - continued

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.

Purchase of New Ambulance

In July 2015, the Board of Directors approved the acquisition of a new ambulance in the amount of \$163,224. The manufacturing of the ambulance was completed and the District took delivery in 2016. Also in 2015, the District was approved to receive a grant, which requires a 10% District match, to fund the acquisition of the new ambulance. The District will receive the grant subsequent to the payment for the ambulance by the District. As discussed in NOTE F, the District has reflected the 10% District match in the amount of \$16,322, as a commitment of the 2015 fund balance.

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 13, 2016, which is the date the financial statements and accompanying footnotes were available for issuance.

- In April 2016, the District obtained a short-term loan from its financial services provider in the amount of \$163,224 to temporally fund the purchase of the new ambulance. The loan was paid in full upon receipt of the grant awarded to the District previously discussed.

NOTE I - RESTATEMENT OF NET POSITION

As discussed in Note G, in 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Government Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date*, which became effective for years beginning after June 15, 2014. Under GASB Statement No. 68, state and local government employers that contribute to defined benefit pension plans are required to recognize the net pension liability (asset) and the pension expense(income) on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources associated with the defined pension plan. The beginning net position of the District as reflected on the government-wide financial statements was increased by \$252,042, which represents the net pension asset as of December 31, 2014, \$232,042, and the beginning deferred outflow of resources associated with contributions by the District, \$20,000, subsequent to the prior measurement of the net pension asset.