

Kiowa Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2020

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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, 2020, 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.

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 fund of the Kiowa Fire Protection District, as of December 31, 2020, and the respective changes in financial position thereof, and the 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

Omission of the 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 information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, which 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 omitted information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios on page 28 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with US GAAS, which consist of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marc, James and Associates, PC

Highlands Ranch, Colorado
June 9, 2021

GOVERNMENT – WIDE FINANCIAL STATEMENTS

Kiowa Fire Protection District
STATEMENT OF NET POSITION

December 31, 2020

ASSETS

Cash and cash equivalents	\$ 460,185
Due from Elbert County	5,802
Property taxes receivable	411,901
Other receivables	106,302
Capital assets, net of accumulated depreciation of \$1,386,732	
Capital assets not being depreciated	
Land	55,125
Capital assets being depreciated	
Stations, buildings and grounds	481,538
Furnishings	10,855
Vehicles	445,223
Equipment	140,497
Total capital assets	1,133,238
Net pension asset	223,205

DEFERRED OUTFLOWS OF RESOURCES

Volunteer firefighters' pension plan	58,893
Total assets and deferred outflows of resources	2,399,526

LIABILITIES

Accrued liabilities	68,589
Capital lease payable	
Due within one year	23,671
Due beyond one year	158,811
Total lease payable	182,482
Total liabilities	251,071

DEFERRED INFLOWS OF RESOURCES

Property taxes	411,901
Volunteer firefighters' pension plan	73,535
Total deferred inflows of resources	485,436

NET POSITION

Invested in capital assets	1,133,238
Restricted	
TABOR reserve	21,600
Net pension asset	223,205
Unrestricted	284,976
Total net position	\$ 1,663,019

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, 2020

Program expenses	
Public safety	
Administration	\$ 128,477
Firefighting and emergency medical services	375,483
Training	6,324
Repairs and maintenance	28,659
Stations, buildings and grounds	29,660
Durable equipment	30,947
Depreciation	153,585
Debt service	
Interest	6,573
Pension	9,885
Total program expenses	769,593
Charges for services	
Emergency medical services	71,488
Wildfire deployment	191,283
Total charges for services	262,771
Net program expenses	506,822
General revenue	
Property taxes	388,429
Specific ownership taxes	74,536
Grants and donations	44,392
Impact fees	44,952
Interest	2,631
Other income	4,242
Total general revenue	559,182
CHANGE IN NET POSITION	52,360
NET POSITION - beginning of the year	1,610,659
NET POSITION - end of the year	\$ 1,663,019

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, 2020

ASSETS	
Cash and cash equivalents	\$ 460,185
Due from Elbert County	5,802
Other receivables	106,302
Property taxes receivable	411,901
Total assets	\$ 984,190
LIABILITIES	
Accrued liabilities	\$ 68,589
DEFERRED INFLOWS OF RESOURCES	
Property taxes	411,901
FUND BALANCE	
Restricted	21,600
Assigned	332,311
Unassigned	149,789
Total fund balance	503,700
Total liabilities, deferred inflows of resources and fund balance	\$ 984,190
RECONCILIATION TO THE STATEMENT OF NET POSITION	
Total fund balance	\$ 503,700
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,	
	223,205
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,	
	(14,642)
Long-term liabilities, including lease-purchase agreements, are not due and payable in the current period and, therefore, are not reported in the governmental funds,	
	(182,482)
Capital assets used in governmental funds are not financial resources and therefore are not reported in the general fund, net of accumulated depreciation of \$1,386,732	
	1,133,238
Net position - governmental-wide financial statements	\$ 1,663,019

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, 2020

Revenue	
Property taxes	\$ 388,429
Specific ownership taxes	74,536
Emergency medical services	71,488
Wildfire deployment	191,283
Impact fees	44,952
Grants and donations	44,392
Interest	2,631
Other	4,242
Total revenue	821,953
Expenditures	
Public safety	
Administration	128,478
Firefighting and emergency medical services	375,483
Training	6,324
Repairs and maintenance	28,659
Stations, buildings and grounds	29,660
Durable equipment	30,947
Capital outlay	
Vehicles	49,336
Equipment	33,370
Debt service	
Principal payments	22,937
Interest	6,573
Total expenditures	711,767
Change in fund balance	110,186
FUND BALANCE - beginning of the year	393,514
FUND BALANCE - end of the year	\$ 503,700

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

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

For the Year ended December 31, 2020

Change in fund balance - general fund	\$ 110,186
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	(9,884)
Governmental funds report the principal payments from lease-purchase agreements as expenditures. However, in the government-wide statements, the principal payments are reflected as a reduction in the outstanding lease-purchase,	22,937
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,	82,706
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>(153,585)</u>
Change in net position - government-wide financial statements	<u><u>\$ 52,360</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, 2020

	Original and Final Budget	Actual	Variance
Revenue			
Property taxes	\$ 395,323	\$ 388,429	\$ (6,894)
Specific ownership taxes	55,000	74,536	19,536
Emergency medical services	75,000	71,488	(3,512)
Wildfire deployment	-	191,283	191,283
Permits	250	-	(250)
Impact fees	15,000	44,952	29,952
Grants and donations	74,000	44,392	(29,608)
Interest income	4,000	2,631	(1,369)
Other	1,500	4,242	2,742
Total revenue	620,073	821,953	201,880
Expenditures			
Public safety			
Administration	176,044	128,478	47,566
Firefighting and emergency medical services	241,025	375,483	(134,458)
Training	6,500	6,324	176
Repairs and maintenance	22,500	28,659	(6,159)
Stations, buildings and grounds	30,500	29,660	840
Durable equipment	18,000	30,947	(12,947)
Contingency and emergencies	194,944	-	194,944
Capital outlay			
Stations, buildings and grounds	100,000	-	100,000
Vehicles	60,000	49,336	10,664
Equipment	32,000	33,370	(1,370)
Debt service			
Principal payments	22,937	22,937	-
Interest	6,573	6,573	-
Total expenditures	911,023	711,767	199,256
Expenditures over revenue	<u>\$ (290,950)</u>	110,186	<u>\$ 401,136</u>
FUND BALANCE - beginning of the year		<u>393,514</u>	
FUND BALANCE - end of the year		<u>\$ 503,700</u>	

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

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 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 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. Measurement Focus and Financial Accounting Framework

Government-wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported as general revenues.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

2. *Measurement Focus and Financial Accounting Framework - continued*

Property taxes and specific ownership taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period.

For 2020, the District has one Governmental Fund, the *General Fund*, which accounts for all of the financial resources of the District.

3. *Cash and Cash Equivalents*

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

4. *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, 2020, 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.

5. *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. District management has estimated the useful lives of the District's capital assets as reflected in the Statement of Net Position. In addition, the volunteer firefighters' pension plan net pension asset and related deferred outflows and deferred inflows of resources are based upon various estimates further discussed in the accompanying notes.

6. *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, 2020

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

7. *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 Directors' 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.

State of Colorado Statutes requires a balanced budget. For 2020, the District's budgeted expenditures exceeded budgeted revenues by \$290,950. The excess of expenditures over revenue was anticipated to be funded by the use of prior year surpluses and other funding sources to the extent necessary and applicable.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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, 2020, 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, 2020, the District had \$198,790 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.

COLOTRUST determines the net asset value ("NAV") of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with GASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

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 timing of 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, 2020, the balance billed by and outstanding to the District, before third-party payer adjustments was \$40,400. 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, 2020

NOTE E – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2020, are as follows:

	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Capital assets				
Not subject to depreciation				
Land	\$ 55,125	\$ -	\$ -	\$ 55,125
Subject to depreciation				
Stations, buildings and grounds	672,185	-	-	672,185
Furnishings	14,473	-	-	14,473
Vehicles	1,235,283	49,336	-	1,284,619
Equipment	460,198	33,370	-	493,568
Total	2,437,264	82,706	-	2,519,970
Accumulated depreciation				
Stations, buildings and grounds	(166,669)	(23,978)	-	(190,647)
Furnishings	(1,550)	(2,068)	-	(3,618)
Vehicles	(751,412)	(87,984)	-	(839,396)
Equipment	(313,516)	(39,555)	-	(353,071)
Total	(1,233,147)	(153,585)	-	(1,386,732)
Net capital assets	\$ 1,204,117	\$ (70,879)	\$ -	\$ 1,133,238

NOTE F - LEASE-PURCHASE AGREEMENTS

2017 Lease-Purchase Agreement #1

In June 2017, the District entered into a lease-purchase collateralized by equipment as defined in the Series 2017 Lease Purchase Agreement ("2017 Lease Purchase #1"). Under the terms of the 2017 Lease Purchase #1, the lease payments shall constitute a current expenditure/expense of the District payable in the current year and in any other year so as to not be construed as a multiple fiscal year obligation.

Provided the District has complied with the terms and conditions of the 2017 Lease Purchase #1, the District shall have the option, upon any payment date as specified in the 2017 Lease Purchase #1, to prepay not less than the amount due on all of the equipment which is subject to the 2017 Lease Purchase #1.

The 2017 Lease Purchase #1 requires annual rental payments of \$29,510 including interest at a rate of 3.1%, with a final payment due May 1, 2027.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE F - LEASE-PURCHASE AGREEMENTS - *continued*

2017 Lease-Purchase Agreement #1- continued

The changes in the 2017 Lease Purchase #1 for the year ended December 31, 2020 are as follows:

Balance December 31, 2019	Borrowings	Payments	Balance December 31, 2020	Balance due within One Year
\$ 205,419	\$ -	\$ 22,937	\$ 182,482	\$ 23,671

As of December 31, 2020, the future minimum payments under the 2017 Lease Purchase #1 are as follows:

Year ended December 31,	Principal	Interest	Total
2021	\$ 23,671	\$ 5,839	\$ 29,510
2022	24,429	5,081	29,510
2023	25,210	4,300	29,510
2024	26,017	3,493	29,510
2025	26,850	2,660	29,510
2026 to 2027	56,305	2,715	59,020
Total	\$ 182,482	\$ 24,088	\$ 206,570

As of December 31, 2020, the optional prepayments are as follows:

May 1,	Optional Prepayment Price
2021	\$ 158,810
2022	134,382
2023	109,171
2024	83,154
2025	56,304
2026	28,595

Under the 2017 Lease-Purchase #1, the District is required to submit the District's audited financial statements upon the first to occur of; two weeks after the final audited financial statements become available for issuance; or 270 days after the District's year end.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE G – 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,

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	\$	21,600
Assigned		
2021 deficit budget		332,311
Unassigned		<u>149,789</u>
Total fund balance	\$	<u><u>503,700</u></u>

Included in the preparation of the 2021 budget, the District's Board of Directors included as a budgetary resource, the use of a portion of the 2020 fund balance to eliminate an excess of budgeted expenditures over budgeted 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 budgeted expenditures over budgeted revenue, should be classified as assigned. The assignment expires at the end of 2021.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

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

NOTE H – PENSION PLANS

Volunteer Firefighters' Pension Plan

Description of the Plan and Benefits Provided

The District, on behalf of its volunteer firefighters, maintains 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.

Effective March 2017, the District elected to close the Volunteer Firefighters' Pension Plan to new members.

Previously, the District made contributions based upon District established benefits and funding requirements based upon an actuarial study. Plan members did not make contributions. The State of Colorado also made an annual contribution to the Plan in an amount established by statute.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE H – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

Description of the Plan and Benefits Provided - continued

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)	\$ 400
Disability Retirement Benefit (monthly)	
Short-term disability for line of duty injury, not to exceed 1 year	225
Long-term disability for line of duty injury, lifetime benefit	450
Survivor Benefits (monthly)	
Death in the line of duty, before retirement eligible	225
Death after normal retirement	200
Death after disability retirement	225
Funeral Benefit, lump sum, one-time only	500

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

Plan Participants Covered by the Plan as of January 1, 2019

Retirees and beneficiaries	13
Inactive, Non-retired	6
Active	11
Total participants	30

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, 2019 with a TPL/TPA measurement date of December 31, 2019. As permitted under GASB 68, the measurement date is within one year of the District's fiscal year-end of December 31, 2020 and may be used to fulfill the December 31, 2020 reporting requirements.

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

Service costs	\$ (6,153)
Interest on the TPL	(44,862)
Net Plan investment income	115,520
Plan administrative expenses	(7,533)
Change in the Net Pension Asset	56,972
Net Pension Asset – Beginning of the Year	166,233
Net Pension Asset – End of the Year	\$ 223,205

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE H – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

Net Pension Asset and Change in the Net Pension Asset - continued

As of December 31, 2019, the measurement date, the NPA consisted of the following:

Total Pension Liability	\$	(666,792)
Plan Net Position Available for Benefits		<u>889,997</u>
Net Pension Asset	\$	<u>233,205</u>
Percentage of Plan Net Position to Total Pension Liability		<u>133.47%</u>

The Plan's NPA is calculated using a Single Discount Rate of 7.00%. The Plan's NPA calculated using a Single Discount Rate that is 1% lower or 1% higher is as follows:

1% Discount 6.00%	7.00%	1% Increase 8.00%
\$ <u>145,202</u>	\$ <u>233,205</u>	\$ <u>287,435</u>

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, 2019, determined the contribution amounts for 2019 and 2020. The methods and assumptions used to determine the contribution rates are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
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-2014 Combined Mortality Table with Blue Collar Adjustment, Disability: RP-2014 Disabled Mortality Table

For the year ended December 31, 2019, the actuarial and District contributions were as follows:

Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

The actuarial valuation calculated on January 1, 2021 for the contribution amounts, as applicable, for 2021 and 2022 will have the following assumption changes:

- Reduce investment return from 7.5% to 7.0%
- Update base mortality tables and projection scales
- Increase withdrawal rates by 10%

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE H – PENSION PLANS – *continued*

Volunteer Firefighters' Pension Plan – continued

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	\$ 41,027
Assumption changes	<u>17,866</u>
Total deferred outflows of resources - pension	<u>\$ 58,893</u>
Deferred inflows of Resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPA	\$ (3,383)
Deferred inflow of Resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income	<u>(70,152)</u>
Total deferred outflows of resources - pension	<u>(73,535)</u>
Net deferred outflows and inflows of resources - pension	<u>\$ 14,642</u>

The deferred outflows and inflows of resources, net, by year to be recognized in the future pension expense (income) as of December 31, 2020 are as follows:

Year ended December 31,

2021	\$ (945)
2022	(4,477)
2023	2,680
2024	<u>(11,900)</u>
Total	<u>\$ (14,642)</u>

Statewide Fire and Police Defined Benefit Pension Plan

Description of the Plan and Benefits Provided

The District's full-time employees participate in the Fire and Police Pension Association of Colorado's Statewide Defined Benefit Plan (SWDB). The SWDB plan covers all full-time firefighter and police officer employees of the participating fire and police departments in Colorado hired after April 8, 1978. The SWDB plan is a multi-employer plan administered by the FFPA. Members of the SWDB plan may receive a monthly lifetime benefit upon meeting the eligibility requirements for normal, early, vested or deferred retirement.

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE H – PENSION PLANS - *continued*

Statewide Fire and Police Defined Benefit Pension Plan - continued

Description of the Plan and Benefits Provided - continued

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the SWDB plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0% to the higher of 3% or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the SWDB plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

Contributions

Members of the SWDB plan and employers are contributing at the rate of 10.5% and 8%, respectively, of base salary for a total contribution rate of 18.5% in 2019. In 2014, the members of the SWDB plan voted to increase the member contribution to the SWDB plan beginning in 2015. Member contribution rates will increase by 0.5% annually through 2022 to a total of 12% of base salary. Employer contribution remained at 8% resulting in a combined contribution rate of 20% in 2020. Employer contributions will increase by 0.5% annually starting in 2021 through 2030 to a total of 13% resulting in a combined contribution rate of 25% in 2030.

The District's contribution to the Statewide Defined Benefit Plan for the year ending December 31, 2020, was \$18,806.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The SWDB plan is also subject to the provisions of GASB 68 which provide guidance for the potential recognition of the District's proportionate share of the SWDB plans net pension liability/(asset) and any related deferred outflows or deferred inflows. The District has evaluated the impact of GASB 68 and has determined the District's proportionate share of the SWDB plans net pension liability/(asset) and any related deferred outflows or deferred inflows is immaterial. As such, as permitted under US GAAP, the District's proportionate share of the SWDB plans net pension liability/(asset) and any related deferred outflows or deferred inflows are not reflected.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE H – PENSION PLANS - *continued*

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.

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS

Taxpayer’s Bill of Rights

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 – IMPACT FEES

Under Colorado Revised Statutes, Fire Districts are permitted to impose an impact fee on the construction of new buildings, structures, facilities, or improvements, including oil and gas wells, on previously improved or unimproved real property for reasonable related cost of fire protection services from the Fire Districts. Additional, the County where the Fire District resides must be involved with the assessment and collection of the agreed impact fees. In 2017, the District entered into an Intergovernmental Agreement with Elbert County for the Assessment, Collection and Remittance of Emergency Services Impact Fees establishing an impact fee schedule and authorizing the County to impose and collect the impact fee less a 3% treasurer fee to defray collection cost.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE L – CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread world-wide, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

COVID-19 has adversely affected the economics and financial markets of the United States, including Colorado, resulting in a world-wide economic downturn, operational closures, and social restrictions that impacted the operations of the District during 2020 and beyond.

In response the District declared a Public Health Epidemic Emergency related to COVID-19. The declaration’s intent was to provide the necessary organization, powers and authority to enable the timely and effective use of all available District resources to prepare for, respond to, and recover from the COVID-19 pandemic. The Public Health Epidemic Emergency has subsequently lapsed.

The District continues to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

NOTE M – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying notes 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 June 9, 2021, which is the date the financial statements and accompanying footnotes were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

Kiowa Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS

Year 6 (prospectively since 2014)

Measurement period ended December 31.

Total Pension Plan Liability

	2014	2015	2016	2017	2018	2019
Service cost	\$ 9,466	\$ 5,480	\$ 5,480	\$ 5,075	\$ 5,075	\$ 6,153
Interest on the total pension liability	34,202	33,245	33,706	34,337	34,450	44,862
Benefit changes	-	-	-	-	158,794	-
Difference between expected and actual experience of the total pension liability	(21,898)	-	(9,930)	-	(2,437)	-
Assumption changes	-	-	11,947	-	28,607	-
Benefit payments	(32,580)	(32,580)	(32,580)	(32,580)	(43,440)	(43,440)
Net change in total pension liability	(10,810)	6,145	8,623	6,832	181,049	7,575
Total pension plan liability - beginning	467,378	456,568	462,713	471,336	478,168	659,217
Total pension plan liability - ending	<u>\$ 456,568</u>	<u>\$ 462,713</u>	<u>\$ 471,336</u>	<u>\$ 478,168</u>	<u>\$ 659,217</u>	<u>\$ 666,792</u>

Pension Plan Fiduciary Net Position

District contributions	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ -
Pension plan net investment income	47,936	13,291	41,161	114,930	664	115,520
Benefit payments	(32,580)	(32,580)	(32,580)	(32,580)	(43,440)	(43,440)
Pension plan administrative expenses	(1,485)	(2,318)	(1,489)	(6,927)	(7,099)	(7,533)
State of Colorado supplemental discretionary contribution	14,075	13,521	13,530	-	-	-
Net change in pension plan fiduciary net position	47,946	11,914	40,622	75,423	(49,875)	64,547
Pension plan fiduciary net position - beginning	699,420	747,366	759,280	799,902	875,325	825,450
Pension plan fiduciary net position - ending	<u>\$ 747,366</u>	<u>\$ 759,280</u>	<u>\$ 799,902</u>	<u>\$ 875,325</u>	<u>\$ 825,450</u>	<u>\$ 889,997</u>

Net Pension Asset	<u>\$ 290,798</u>	<u>\$ 296,567</u>	<u>\$ 328,566</u>	<u>\$ 397,157</u>	<u>\$ 166,233</u>	<u>\$ 223,205</u>
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Pension Plan Fiduciary Net Position as a % of Total Pension Plan Liability	<u>163.69%</u>	<u>164.09%</u>	<u>169.71%</u>	<u>183.06%</u>	<u>125.22%</u>	<u>133.47%</u>
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Net Pension Plan Liability as % of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
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Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
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Kiowa Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS

	Year 6 (prospectively since 2014)					
Measurement period ended December 31.	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Schedule of Contributions						
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contributions	<u>34,075</u>	<u>33,521</u>	<u>33,530</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (34,075)</u>	<u>\$ (33,521)</u>	<u>\$ (33,530)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>