

Kiowa Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2022

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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Kiowa Fire Protection District

Opinion

We have audited the financial statements of governmental activities and the general fund of the Kiowa Fire Protection District (the "District"), as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit,
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements,
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed,
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements,
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 through 31 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
May 10, 2023

GOVERNMENT – WIDE FINANCIAL STATEMENTS

Kiowa Fire Protection District
STATEMENT OF NET POSITION

December 31, 2022

ASSETS

Cash and cash equivalents	\$ 839,876
Due from Elbert County	5,896
Property taxes receivable	461,276
Capital assets, net of accumulated depreciation of \$1,676,347	
Capital assets not being depreciated	
Land	55,125
Capital assets being depreciated	
Stations, buildings and grounds	450,251
Furnishings	6,721
Vehicles	272,813
Equipment	119,198
Total capital assets	904,108
Net pension asset	383,160

DEFERRED OUTFLOWS OF RESOURCES

Volunteer firefighters' pension plan	14,759
Total assets and deferred outflows of resources	2,609,075

LIABILITIES

Capital lease payable	
Due within one year	25,210
Due beyond one year	109,172
Total lease payable	134,382

DEFERRED INFLOWS OF RESOURCES

Property taxes	461,276
Volunteer firefighters' pension plan	120,670
Total deferred inflows of resources	581,946

NET POSITION

Invested in capital assets, net of related debt	769,726
Restricted	
TABOR reserve	16,600
Net pension asset	383,160
Unrestricted	723,261
Total net position	\$ 1,892,747

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, 2022

Program expenses	
Public safety	
Administration	\$ 146,257
Firefighting and emergency medical services	295,935
Training	6,280
Repairs and maintenance	25,082
Stations, buildings and grounds	36,290
Durable equipment	15,600
Depreciation	132,838
Debt service	
Interest	5,081
Pension	(47,318)
Total program expenses	616,045
Charges for services	
Emergency medical services	155,366
Permits	600
Total charges for services	155,966
Net program expenses	460,079
General revenue	
Property taxes	457,538
Specific ownership taxes	72,771
Grants and donations	24,471
Impact fees	48,676
Interest	5,452
Other income	5,948
Total general revenue	614,856
CHANGE IN NET POSITION	154,777
NET POSITION - beginning of the year	
	1,737,970
NET POSITION - end of the year	
	\$ 1,892,747

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, 2022

ASSETS	
Cash and cash equivalents	\$ 839,876
Due from Elbert County	5,896
Property taxes receivable	<u>461,276</u>
Total assets	<u><u>\$ 1,307,048</u></u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes	\$ 461,276
FUND BALANCE	
Restricted	16,600
Assigned	780,674
Unassigned	<u>48,498</u>
Total fund balance	<u>845,772</u>
Total deferred inflows of resources and fund balance	<u><u>\$ 1,307,048</u></u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance	\$ 845,772
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,	383,160
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,	(105,911)
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,	(134,382)
Capital assets used in governmental funds are not financial resources and therefore are not reported in the general fund, net of accumulated depreciation of \$1,676,347	<u>904,108</u>
Net position - governmental-wide financial statements	<u><u>\$ 1,892,747</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, 2022

Revenue	
Property taxes	\$ 457,538
Specific ownership taxes	72,771
Emergency medical services	155,366
Permits	600
Impact fees	48,676
Grants and donations	24,471
Interest	5,452
Other	5,948
Total revenue	770,822
Expenditures	
Public safety	
Administration	146,257
Firefighting and emergency medical services	295,935
Training	6,280
Repairs and maintenance	25,082
Stations, buildings and grounds	36,290
Durable equipment	15,600
Capital outlay	
Building improvements	17,098
Equipment	19,562
Debt service	
Principal payments	24,429
Interest	5,081
Total expenditures	591,614
Change in fund balance	179,208
FUND BALANCE - beginning of the year	666,564
FUND BALANCE - end of the year	\$ 845,772

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, 2022

Change in fund balance - general fund	\$ 179,208
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	47,318
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,	24,429
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,	36,660
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>(132,838)</u>
Change in net position - government-wide financial statements	<u><u>\$ 154,777</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, 2022

	Original and Final Budget	Actual	Variance
Revenue			
Property taxes	\$ 455,019	\$ 457,538	\$ 2,519
Specific ownership taxes	70,000	72,771	2,771
Emergency medical services	60,000	155,366	95,366
Training facility	3,000	1000	(2,000)
Permits	250	600	350
Impact fees	45,000	48,676	3,676
Grants and donations	390,000	24,471	(365,529)
Interest income	1,000	5,452	4,452
Other	1,500	4,948	3,448
Total revenue	1,025,769	770,822	(254,947)
Expenditures			
Public safety			
Administration	219,189	146,257	72,932
Firefighting and emergency medical services	269,055	295,935	(26,880)
Training	6,500	6,280	220
Repairs and maintenance	28,000	25,082	2,918
Stations, buildings and grounds	59,500	36,290	23,210
Durable equipment	357,000	15,600	341,400
Contingency and emergencies	336,777	-	336,777
Capital outlay			
Equipment	100,000	36,660	63,340
Debt service			
Principal payments	24,429	24,429	-
Interest	5,081	5,081	-
Total expenditures	1,405,531	591,614	813,917
Change in fund balance	\$ (379,762)	179,208	\$ 558,970
FUND BALANCE - beginning of the year		666,564	
FUND BALANCE - end of the year		\$ 845,772	

NOTE: The budgeted grant revenue and passthrough pertaining to other agencies is not included in the above budgeted revenue and expenditures for the year ended December 31, 2022.

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

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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, 2022

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 2022, 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 and accounts receivable. The District estimates that the fair value of these financial instruments as of December 31, 2022, 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 NOTE H.

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, 2022

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 allow 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 require a balanced budget. For 2022, the District's budgeted expenditures exceeded budgeted revenues by \$379,762. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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, 2022, 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, 2022, the District had \$277,457 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, 2022, the balance billed by and outstanding to the District, before third-party payer adjustments, was \$45,463. 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, 2022

NOTE E – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2022, are as follows:

	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022
Capital assets				
Not subject to depreciation				
Land	\$ 55,125	\$ -	\$ -	\$ 55,125
Subject to depreciation				
Stations, buildings and grounds	672,185	17,098	-	689,283
Furnishings	14,473	-	-	14,473
Vehicles	1,284,619	-	-	1,284,619
Equipment	517,393	19,562	-	536,955
Total	2,543,795	36,660	-	2,580,455
Accumulated depreciation				
Stations, buildings and grounds	(214,625)	(24,407)	-	(239,032)
Furnishings	(5,685)	(2,067)	-	(7,752)
Vehicles	(927,380)	(84,426)	-	(1,011,806)
Equipment	(395,819)	(21,938)	-	(417,757)
Total	(1,543,509)	(132,838)	-	(1,676,347)
Net capital assets	\$ 1,000,286	\$ (96,178)	\$ -	\$ 904,108

NOTE F - LEASE-PURCHASE AGREEMENTS

2017 Lease-Purchase Agreement

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"). Under the terms of the 2017 Lease Purchase, 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, the District shall have the option, upon any payment date as specified in the 2017 Lease Purchase, to prepay not less than the amount due on all of the equipment which is subject to the 2017 Lease Purchase.

The 2017 Lease Purchase requires annual rental payments of \$29,510 including interest at a rate of 3.2%, with a final payment due May 1, 2027.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE F - LEASE-PURCHASE AGREEMENTS - *continued*

2017 Lease-Purchase Agreement - continued

The changes in the 2017 Lease Purchase for the year ended December 31, 2022 are as follows:

Balance December 31, 2021	Borrowings	Payments	Balance December 31, 2022	Balance due within One Year
\$ 158,811	\$ -	\$ 24,429	\$ 134,382	\$ 25,210

As of December 31, 2022, the future minimum payments under the 2017 Lease Purchase are as follows:

Year ended December 31,	Principal	Interest	Total
2023	\$ 25,210	\$ 4,300	\$ 29,510
2024	26,017	3,493	29,510
2025	26,850	2,660	29,510
2026	27,709	1,801	29,510
2027	28,596	914	29,510
Total	\$ 134,382	\$ 13,168	\$ 147,550

As of December 31, 2022, the optional prepayments are as follows:

May 1,	Optional Prepayment Price
2023	\$ 109,172
2024	83,154
2025	56,304
2026	28,595

Under the 2017 Lease-Purchase, 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, 2022

NOTE G – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, (“GASB 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	\$	16,600
Assigned		
2023 deficit budget		780,674
Unassigned		<u>48,498</u>
Total fund balance	\$	<u><u>845,772</u></u>

Included in the preparation of the 2023 budget, the District’s Board of Directors included as a budgetary resource, the use of a portion of the 2022 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 2023.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 of 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, 2022

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 asset (liability).

Plan Participants Covered by the Plan as of January 1, 2021

Retirees and beneficiaries	13
Inactive, Non-retired	6
Active	4
Total participants	23

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, 2021 with a TPL/TPA measurement date of December 31, 2021. As permitted under GASB 68, the measurement date is within one year of the District's fiscal year-end of December 31, 2022 and may be used to fulfill the December 31, 2022 reporting requirements.

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

Service costs	\$ (2,437)
Interest on the total pension liability	(44,594)
Net Plan investment income	138,328
Plan administrative expenses	(5,384)
Change in the Net Pension Asset	85,913
Net Pension Asset – Beginning of the Year	297,247
Net Pension Asset – End of the Year	\$ 383,160

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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, 2021 the measurement date, the NPA consisted of the following:

Total Pension Liability	\$ (660,806)
Plan Net Position Available for Benefits	<u>1,043,966</u>
Net Pension Asset	<u>\$ 383,160</u>
Percentage of Plan Net Position to Total Pension Liability	<u>157.98%</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>311,662</u>	\$ <u>383,160</u>	\$ <u>442,702</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 2020 and 2021. The methods and assumptions used to determine the contribution rates for the fiscal year ending December 31, 2021.

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	7.00%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales
	Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales
	Disabled: 2006 central rates from the RP-2014 Disabled Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales

For the year ended December 31, 2021, the actuarial determined and District contributions were as follows:

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

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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	\$ 12,624
Assumption changes	<u>2,135</u>
Total deferred outflows of resources - pension	<u>\$ 14,759</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	\$ (7,461)
Deferred inflow of Resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income	<u>(113,209)</u>
Total deferred outflows of resources - pension	<u>(120,670)</u>
Net deferred outflows and inflows of resources - pension	<u>\$ (105,911)</u>

The deferred outflows and inflows of resources, net, by year to be recognized in the future pension expense (income) as of December 31, 2022 are as follows:

Year ended December 31,

2023	\$ (27,444)
2024	(38,902)
2025	(24,925)
2026	<u>(14,640)</u>
Total	<u>\$ (105,911)</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, 2022

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 12% and 9%, respectively, of base salary for a total contribution rate of 21% in 2021. 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 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, 2022, was \$13,583.

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 asset/(liability) and any related deferred outflows or deferred inflows are immaterial. As such, as permitted under US GAAP, the District's proportionate share of the SWDB plans net pension asset/(liability) and any related deferred outflows or deferred inflows are not reflected.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 costs of fire protection services from the Fire Districts.

Kiowa Fire Protection District
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE L – 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 May 10, 2023, 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

2014 through 2018

Measurement period ended December 31.	2014	2015	2016	2017	2018
Total Pension Plan Liability					
Service cost	\$ 9,466	\$ 5,480	\$ 5,480	\$ 5,075	\$ 5,075
Interest on the total pension liability	34,202	33,245	33,706	34,337	34,450
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)
Net change in total pension liability	(10,810)	6,145	8,623	6,832	181,049
Total pension plan liability - beginning	467,378	456,568	462,713	471,336	478,168
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>
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
Benefit payments	(32,580)	(32,580)	(32,580)	(32,580)	(43,440)
Pension plan administrative expenses	(1,485)	(2,318)	(1,489)	(6,927)	(7,099)
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)
Pension plan fiduciary net position - beginning	699,420	747,366	759,280	799,902	875,325
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>
Net Pension Asset	<u>\$ 290,798</u>	<u>\$ 296,567</u>	<u>\$ 328,566</u>	<u>\$ 397,157</u>	<u>\$ 166,233</u>
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>

Kiowa Fire Protection District

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

2014 through 2018

Measurement period ended December 31.	2014	2015	2016	2017	2018
Net Pension Plan Liability as % of Covered Payroll	N/A	N/A	N/A	N/A	N/A
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Schedule of Contributions					
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contributions	34,075	33,521	33,530	-	-
Contribution deficiency (excess)	<u>\$ (34,075)</u>	<u>\$ (33,521)</u>	<u>\$ (33,530)</u>	<u>\$ -</u>	<u>\$ -</u>

Kiowa Fire Protection District

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

2019 through 2021

Measurement period ended December 31.	2019	2020	2021
Total Pension Plan Liability			
Service cost	\$ 6,153	\$ 6,153	\$ 2,437
Interest on the total pension liability	44,862	45,392	44,594
Benefit changes	-	-	-
Difference between expected and actual experience of the total pension liability	-	(17,682)	-
Assumption changes	-	-	-
Benefit payments	(43,440)	(43,440)	(43,440)
Net change in total pension liability	7,575	(9,577)	3,591
Total pension plan liability - beginning	659,217	666,792	657,215
Total pension plan liability - ending	<u>\$ 666,792</u>	<u>\$ 657,215</u>	<u>\$ 660,806</u>
Pension Plan Fiduciary Net Position			
District contributions	\$ -	\$ -	\$ -
Pension plan net investment income	115,520	112,083	138,328
Benefit payments	(43,440)	(43,440)	(43,440)
Pension plan administrative expenses	(7,533)	(4,178)	(5,384)
State of Colorado supplemental discretionary contribution	-	-	-
Net change in pension plan fiduciary net position	64,547	64,465	89,504
Pension plan fiduciary net position - beginning	825,450	889,997	954,462
Pension plan fiduciary net position - ending	<u>\$ 889,997</u>	<u>\$ 954,462</u>	<u>\$ 1,043,966</u>
Net Pension Asset	<u>\$ 223,205</u>	<u>\$ 297,247</u>	<u>\$ 383,160</u>
Pension Plan Fiduciary Net Position as a % of Total Pension Plan Liability	<u>133.47%</u>	<u>145.23%</u>	<u>157.98%</u>

Kiowa Fire Protection District

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

2019 through 2021

Measurement period ended December 31.	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net Pension Plan Liability as % of Covered Payroll	N/A	N/A	N/A
Covered Payroll	N/A	N/A	N/A
Schedule of Contributions			
Actuarially determined contribution	\$ -	\$ -	\$ -
Actual contributions	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>