

**DONALD WESCOTT FIRE
PROTECTION DISTRICT**

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended December 31, 2011

DONALD WESCOTT FIRE PROTECTION DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Donald Wescott Fire Protection District
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Donald Wescott Fire Protection District as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, schedule of employer contributions and budgetary comparison information as listed in the table of contents 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, who 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hoelting & Company, Inc.

Colorado Springs, Colorado
July 19, 2012

**DONALD WESCOTT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2011**

As management of Donald Wescott Fire Protection District (the District) we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2011. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The assets of the district exceeded its liabilities by \$3,880,670 (*net assets*). Of this amount, \$1,291,478 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to its citizens and creditors.
- As of the close of the fiscal year, the General Fund reported an ending fund balance of \$1,828,843 a decrease of \$1,209,529 in comparison with the prior year. Approximately seventy-four percent of this total amount, \$1,350,640 is available for spending at the District discretion (*unassigned*).
- At the end of the current fiscal year, unassigned fund balance was 41% of total expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances as a whole, in a manner similar to a private-sector business and include two statements:

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information reporting how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general and administrative activities and fire and emergency medical services. Currently, the District has no business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has two funds: the General fund, which is a governmental fund; and the Pension fund, which is a fiduciary fund.

Governmental Funds: The District's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the District's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District. The District adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, total assets exceeded liabilities by \$3,880,670 as of December 31, 2011.

51% of the District's assets are its investment in capital assets, net.

Condensed Statement of Net Assets

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 3,557,078	\$ 4,939,291
Capital assets, net depreciation	<u>3,697,498</u>	<u>2,182,180</u>
Total assets	<u>\$ 7,254,576</u>	<u>\$ 7,121,471</u>
Long-term liabilities	\$ 1,626,343	\$ 1,724,521
Other liabilities	<u>1,747,563</u>	<u>1,894,094</u>
Total liabilities	<u>3,373,906</u>	<u>3,618,605</u>
Net assets:		
Invested in capital assets, net of related debt	2,525,842	2,149,302
Restricted	63,350	61,434
Unrestricted	<u>1,291,478</u>	<u>1,292,130</u>
Total net assets	<u>3,880,670</u>	<u>3,502,866</u>
Total liabilities and net assets	<u>\$ 7,254,576</u>	<u>\$ 7,121,471</u>

Condensed Statement of Activities

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 128,987	\$ 69,750
General revenues:		
Property and other taxes	1,818,017	1,807,897
Specific Ownership tax	161,778	168,179
Interest income	2,184	1,714
Other income	<u>705</u>	<u>256</u>
Total revenues	<u>2,111,671</u>	<u>2,047,796</u>
Expenses:		
General and administrative	367,224	357,192
Fire and emergency medical services	1,366,643	1,211,017
Interest on long-term debt	<u>-</u>	<u>4,631</u>
Total expenses	<u>1,733,867</u>	<u>1,572,840</u>
Change in net assets	377,804	474,956
Net assets, beginning	<u>3,502,866</u>	<u>3,027,910</u>
Net assets, ending	<u>\$ 3,880,670</u>	<u>\$ 3,502,866</u>

ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general fund is the operating fund of the District. The fund balance for the general fund was \$1,828,843 at the end of the current fiscal year.

BUDGETARY HIGHLIGHTS

In 2011, the District participated in seven (7) wildland deployments resulting in approximately \$61,800 in revenue to the District for the use of equipment and personnel in support of Federal and State wildland fire response teams. By participating in these deployments, our crews gain valuable experience in fighting wildfires and interfacing with various interagencies during a national incident.

The District purchased a new 2011 Navistar International 4400 Model, 4x2 Chassis, Type 3 Engine as a new addition to the fleet. This apparatus is better suited to navigate around tight spaces in rural areas due to trees and narrow driveways.

On October 8, 2010, the District entered into a lease purchase agreement to construct a new fire station. This lease qualifies as a capital lease and has a fixed interest rate of 4.0625% over a 15 year period. Annual payments of \$173,336 began on July 1, 2011. Construction of the fire station will be ongoing through 2012. Any unused proceeds are held in a project disbursement account through Wells Fargo Public Financing and are restricted for the construction of the new fire station.

The District made several major building improvements to Station #1 in 2011, such as the installation of a new building security access system, new pavement for the back parking lot, and a new air conditioning and heating unit.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, buildings and improvements, vehicles and equipment. The District's investment in capital assets for its governmental activities at the end of the year was \$3,697,498.

	<u>2011</u>	<u>2010</u>
Land & Construction in Progress	\$ 1,766,734	\$ 368,085
Buildings and improvements	1,185,343	1,185,343
Vehicles	1,901,185	1,609,235
Equipment	655,877	605,220
Accumulated depreciation	<u>(1,811,641)</u>	<u>(1,585,703)</u>
Total capital assets, net	<u>\$ 3,697,498</u>	<u>\$ 2,182,180</u>

Long-term debt

At the end of current fiscal year, the District had \$1,586,509 capital lease payable.

	<u>2011</u>	<u>2010</u>
Capital lease payable	<u>\$ 1,586,509</u>	<u>\$ 1,683,000</u>

ECONOMIC FACTORS

The District and the City of Colorado Springs have a mutual agreement to provide dual coverage on specific properties located in the southern boundaries of the District. Property owners are paying dual taxes for their fire protection.

Due to development and an increase in the assessment of property in this area, the dual jurisdiction area is now more than 50% of assessed value of the District. The Donald Wescott Fire Protection District Board is aware of this issue and continues to monitor the situation.

REQUESTS FOR INFORMATION

This financial report is designed to provide the District's taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chief Vinny Burns, Donald Wescott Fire Protection District, 15415 Gleneagle Drive, Colorado Springs, CO 80921.

BASIC FINANCIAL STATEMENTS

DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS

Cash and cash equivalents	\$	1,449,480
Cash with county treasurer		13,126
Property tax receivable		1,649,369
Deferred costs, net of amortization		30,250
Restricted cash and cash equivalents		414,853
Capital assets, net of depreciation		3,697,498
		3,697,498
TOTAL ASSETS	\$	7,254,576

LIABILITIES

Accounts payable	\$	48,616
Accrued interest payable		49,578
Unearned revenue		1,649,369
Long-term liabilities:		
Due within one year		74,180
Due in more than one year		1,552,163
		1,552,163
Total liabilities		3,373,906

NET ASSETS

Invested in capital assets, net of related debt		2,525,842
Restricted		63,350
Unrestricted		1,291,478
		1,291,478
Total net assets		3,880,670
TOTAL LIABILITIES AND NET ASSETS	\$	7,254,576

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

DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Program Expense
Governmental activities:					
General and administrative	\$ 367,224	\$ -	\$ -	\$ -	\$ (367,224)
Fire and emergency medical services	1,366,643	128,987	-	-	(1,237,656)
Total governmental activities	\$ 1,733,867	\$ 128,987	\$ -	\$ -	(1,604,880)
General revenues:					
General property tax					1,818,017
Specific ownership tax					161,778
Investment earnings					2,184
Other income					705
Total general revenues					1,982,684
Change in net assets					377,804
Net assets, beginning					3,502,866
Net assets, ending					\$ 3,880,670

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

DONALD WESCOTT FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
DECEMBER 31, 2011

ASSETS

Cash and cash equivalents	\$ 1,449,480
Cash with County Treasurer	13,126
Property taxes receivable	1,649,369
Restricted cash and cash equivalents	<u>414,853</u>
 TOTAL ASSETS	 <u><u>\$ 3,526,828</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 48,616
Deferred property tax	<u>1,649,369</u>
 TOTAL LIABILITIES	 <u>1,697,985</u>
 Fund Balance:	
Restricted	478,203
Unassigned	<u>1,350,640</u>
 TOTAL FUND BALANCE	 <u>1,828,843</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 3,526,828</u></u>

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

DONALD WESCOTT FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total fund balance - governmental funds	\$ 1,828,843
 Amounts reported for governmental activities in the statement of net assets are different because:	
 Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.	
Capital assets	5,509,139
Accumulated depreciation	(1,811,641)
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Deferred costs	33,000
Accumulated amortization	(2,750)
 Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.	
	(49,578)
 Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Capital lease payable	(1,586,509)
Accrued compensated absences	<u>(39,834)</u>
 Total net assets - governmental activities	 <u><u>\$ 3,880,670</u></u>

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

DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUES

General property tax	\$ 1,818,017
Specific ownership tax	161,778
Response agreement	61,473
Wildland income	61,788
Investment earnings	2,184
Other income	6,431
	<u>2,111,671</u>
TOTAL REVENUES	<u>2,111,671</u>

EXPENDITURES

General and administrative	362,663
Fire and emergency medical services	2,812,096
Debt service	146,441
	<u>3,321,200</u>
TOTAL EXPENDITURES	<u>3,321,200</u>
Net Change in Fund Balance	(1,209,529)
Fund balances - beginning	<u>3,038,372</u>
Fund balances - ending	<u><u>\$ 1,828,843</u></u>

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

DONALD WESCOTT FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Total net change in fund balance - governmental funds \$ (1,209,529)

Amounts reported for governmental activities in the statement of activities are different because:

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 and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.

Depreciation expense	(236,659)
Capital outlays	1,751,977

Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts earned during the year.

1,687

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of issuance costs	(2,200)
Lease payment (principal)	96,491
Change to accrued interest	(23,963)
	(23,963)

Change in net assets of governmental activities	\$ 377,804
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The accompanying notes are an integral part of these financial statements.

DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
PENSION FUND
DECEMBER 31, 2011

ASSETS

Restricted investments \$ 839,161

TOTAL ASSETS \$ 839,161

LIABILITIES

Total liabilities -

NET ASSETS

Held in trust for pension benefits 839,161

TOTAL LIABILITIES AND NET ASSETS \$ 839,161

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

DONALD WESCOTT FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

ADDITIONS

Contributions	
Employer	\$ 6,000
Investment earnings	
Interest and dividends	18,872
Other	(511)
Net decrease in the fair value of investments	<u>(6,989)</u>
Total additions	<u>17,372</u>

DEDUCTIONS

Benefits paid	33,975
Administrative expenses	<u>6,633</u>
Total deductions	<u>40,608</u>
Change in net assets	(23,236)
Net assets - beginning	<u>862,397</u>
Net assets - ending	<u><u>\$ 839,161</u></u>

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

NOTES TO FINANCIAL STATEMENTS

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Donald Wescott Fire Protection District (the District) was organized under the laws of the State of Colorado to operate and maintain a special district for the purpose of providing fire and emergency paramedical services to its residents.

The accounting policies of the District conform to generally accepted accounting policies (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. FINANCIAL REPORTING ENTITY

The District is a special district governed by an elected five-member board. The District applies the criteria set forth in GASB Statement #14, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units based on the elected officials accountability to their constituents, and the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to: fiscal dependency, imposition of will, legal standing and the primary recipient of services.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and 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 operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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 the related cash flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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 period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government 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. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District considers property taxes as available if they are collected within 30 days after year-end. Property taxes are recognized as revenue in the fiscal period for which they are levied, providing the available criteria are met.

Those revenues susceptible to accrual are property taxes and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The District reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

Additionally, the District reports the following fund type:

The *Pension Fund* accumulates resources for pension benefit payments to qualified employees.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Capital Assets

Capital assets, which include land, buildings, vehicles, and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Buildings, vehicles, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and land improvements	7 to 40 years
Vehicles	5 to 10 years
Equipment	5 to 15 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net assets.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused paid time off. All paid time off is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee resignations and retirements.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted or committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Fund Balance Classification (Continued)

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In the fall, a proposed operation budget is submitted to the Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the District to obtain taxpayer comments.
- 3) Prior to December 31, the budget is legally enacted through passage of a resolution. This authorizes a lump-sum expenditure budget by fund for the District. This aggregate expenditure budget, by fund, then becomes the level of control upon which expenditures cannot legally exceed appropriations. An appropriation ordinance is also adopted which allocates the total budget by fund.
- 4) Any revisions that alter the budget of any fund must be approved by the Board by passage of a resolution.
- 5) Formal budgetary integration is employed as a management control device during the year for the general and pension funds.
- 6) Budgets for the general and pension funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board.
- 7) All annual appropriations lapse at the end of the year.

While a portion of the pension fund budget was accounted for in the general fund budget, there was no separate pension fund adopted by the District.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

BUDGET INFORMATION (CONTINUED)

For the year ended December 31, 2011, expenditures exceeded appropriations in the General fund by \$386,583, which may be a violation of state statutes. These over expenditures, which were primarily related to unbudgeted capital outlays, were funded by available beginning fund balance in the General fund.

NOTE 3 – DEPOSITS AND INVESTMENTS

DEPOSITS

Colorado state statutes govern the entity's deposit of cash. The Public Deposit Protection Acts for banks and savings and loans requires the state regulators to certify eligible depositories with public deposits. The Acts require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the assets in the pool must be at least equal to 102% of uninsured deposits.

At December 31, 2011, the carrying amounts of the District's deposits were \$360,533 and the bank balances were \$372,646. Of the total bank balances at December 31, 2011 \$250,000 was covered by FDIC insurance.

INVESTMENTS

The District is authorized by Colorado State Statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government.
- Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- Bonds which are a direct obligation of the State of Colorado, or of any city, county, or school district therein.
- Notes or bonds issued pursuant to the "National Housing Act".
- Repurchase agreements.
- Local government investment pools.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, 2011 the District's investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
General Fund:		
COLOTRUST	Less than 60 days	\$ 1,088,947
Money market	Less than 60 days	<u>414,853</u>
Total General Fund		<u>1,503,800</u>
Pension Fund:		
Pooled investments	Less than 60 days	<u>839,161</u>
Total Pension Fund		<u>839,161</u>
Total Investments		<u>\$ 2,342,961</u>

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk: State law limits investments as described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2011, the District's investments in COLOTRUST were rated AAA by Standard & Poor's.

Colorado Surplus Asset Fund Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation of total deposits and investments to the government-wide financial statements at December 31, 2011:

	<u>Unrestricted</u>	<u>Restricted</u>
Governmental Activities		
Deposits	\$ 360,533	\$ -
Money market	-	414,853
ColoTrust	<u>1,088,947</u>	<u>-</u>
Total	<u>\$ 1,449,480</u>	<u>\$ 414,853</u>

NOTE 4 - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and payable in two installments due February 28 and June 15, or in one installment due April 30. El Paso County Treasurer bills and collects property taxes for the District. District property tax revenues are recognized when levied to the extent that they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended December 31, 2011 was 7.00 mills. The District's assessed valuation for 2011 was \$263,783,160.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 113,500	\$ -	\$ -	\$ 113,500
Construction in progress	<u>254,585</u>	<u>1,489,329</u>	<u>(90,680)</u>	<u>1,653,234</u>
Total capital assets, not being depreciated	<u>368,085</u>	<u>1,489,329</u>	<u>(90,680)</u>	<u>1,766,734</u>
Capital assets, being depreciated:				
Buildings	1,139,958	-	-	1,139,958
Land improvements	45,385	-	-	45,385
Vehicles	1,609,235	291,950	-	1,901,185
Equipment	<u>605,220</u>	<u>61,378</u>	<u>(10,721)</u>	<u>655,877</u>
Total capital assets, being depreciated	3,399,798	353,328	(10,721)	3,742,405
Less accumulated depreciation	<u>(1,585,703)</u>	<u>(236,659)</u>	<u>10,721</u>	<u>(1,811,641)</u>
Capital assets, being depreciated, net	<u>1,814,095</u>	<u>116,669</u>	<u>-</u>	<u>1,930,764</u>
Total capital assets, net	<u>\$ 2,182,180</u>	<u>\$ 1,605,998</u>	<u>\$ (90,680)</u>	<u>\$ 3,697,498</u>

Depreciation expense was charged to functions/programs of as follows:

General and administrative	\$ 4,561
Fire and emergency medical services	<u>232,098</u>
Total	<u>\$ 236,659</u>

Capitalized interest

Interest costs relating to the financing of the fire station, in progress at year-end, were capitalized in the amount of \$73,913.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 6 – LONG-TERM LIABILITIES

Capital lease – fire station

The District entered into a lease purchase agreement on October 8, 2010 to construct a new fire station. The lease qualifies as a capital lease. The lease agreement provides for a fixed interest rate of 4.0625% and requires 15 annual payments of \$173,336 beginning July 1, 2011. Upon full satisfaction of the lease, the District will have the option to purchase the fire station for \$1.

Construction of the fire station was in progress as of December 31, 2011. Unspent proceeds are held in a project disbursement account and are restricted for the construction of the fire station.

The assets acquired through capital leases are as follows:

Asset:	
Construction in progress	\$ 1,489,329
Less: Accumulated depreciation	<u> -</u>
Total	<u>\$ 1,489,329</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows :

<u>Year Ending</u>	<u>Total</u>
<u>December 31</u>	
2012	\$ 173,336
2013	173,336
2014	173,336
2015	173,336
2016	173,336
2017 – 2021	866,680
2022 – 2025	<u>693,344</u>
Total minimum lease payments	2,426,704
Less: amount representing interest	<u>840,195</u>
Present value of minimum lease payments	<u>\$ 1,586,509</u>

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Changes in long-term liabilities for the year ended December 31, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ 1,683,000	\$ -	\$ 96,491	\$ 1,586,509	\$ 74,180
Compensated absences	<u>41,521</u>	<u>-</u>	<u>1,687</u>	<u>39,834</u>	<u>-</u>
	<u>\$ 1,724,521</u>	<u>\$ -</u>	<u>\$ 98,178</u>	<u>\$ 1,626,343</u>	<u>\$ 74,180</u>

NOTE 7 – NET ASSETS

The District has net assets consisting of three components—Invested in capital assets; Restricted; and Unrestricted.

Invested in capital assets consists of capital assets net of accumulated depreciation reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2011, the District had invested in capital assets, net of related debt as follows:

Invested in Capital Assets:	
Capital assets, net of depreciation	\$ 3,697,498
Less: capital lease obligations	(1,586,509)
Add: unspent lease proceeds	<u>414,853</u>
Total	<u>\$ 2,525,842</u>

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2011, the District had restricted net assets as follows:

Restricted:	
TABOR emergency reserve	<u>\$ 63,350</u>

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, or restricted net assets. The District utilizes unrestricted net assets before using restricted net assets. As of December 31, 2011, the District had unrestricted net assets of \$1,291,478.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description. Donald Wescott Fire Protection District contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association. The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan which is also administered by the Colorado Fire and Police Pension Association. This is a non-contributory plan. All full-time, paid police officers/firefighters of the Donald Wescott Fire Protection District are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado 80111 or by calling FPPA at 770-3772 in the Denver metro area, or 1-800-332-FPPA (3772) from outside the metro area.

Basis of accounting for the Statewide Defined Benefit Plan. The financial statements of the Statewide Defined Benefit Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and are payable in accordance with the terms of the plan. The Statewide Defined Benefit Plan investments are presented at fair value except for short-term investments which are recorded at cost, which approximates fair value.

Funding Policy. Plan members and the Donald Wescott Fire Protection District are required to contribute at a rate set by statute. The contribution requirements of plan members and the Donald Wescott Fire Protection District are established under Title 31, Article 30, Part 10 of the CRS, as amended. The contribution rate for members is 8.0% of covered salary and for Donald Wescott Fire Protection District it is 8.0% of covered salary. The Donald Wescott Fire Protection District contributions to the Statewide Defined Benefit Plan for the years ending December 31, 2011, 2010 and 2009 were \$54,243, \$60,948, and \$52,697, respectively, equal to their required contributions for each year.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 9 - VOLUNTEER FIREFIGHTER PENSION PLAN

Plan Description. Effective January 1, 2002, the District affiliated with the Fire and Police Pension Association of Colorado (FPPA) to administer its Volunteer Firefighter Pension Plan and to manage the plan's assets and activities. The Volunteer Firefighter Pension Plan is included in an agent multiple employer Public Employee Retirement System (PERS) maintained in trust by FPPA. It is accounted for in the Pension Fund and operates under rules consistent with the enabling legislation in Title 31, Article 30, Part 11 of the Colorado Revised Statutes. While the District's plan is pooled with other plans by FPPA, it is a separate plan and is administered by a board of trustees composed of District board members and volunteer firefighters, selected in accordance with Colorado state statutes. As discussed in Note 8, FPPA issues an annual financial report. That report also includes the District's Volunteer Firefighter Pension Plan.

A volunteer firefighter electing to retire on or after the normal retirement date (the date on which he/she has attained fifty years of age and completed twenty years of active service) is eligible for a monthly pension approved by the board, in accordance with state statute. The monthly pension benefit for volunteer retirees is \$300. The plan also provides benefits for short and long term disability, survivors, and a one-time death benefit.

Funding Policy and Basis of Accounting. The funding policy provides for periodic employer contributions, based on actuarially determined amounts that are adequate to accumulate sufficient assets to pay pension benefits when due, subject to an increase limitation. Actuarial analysis is performed every two years.

The pension fund for the Volunteer Firefighter Pension Plan uses the accrual basis of accounting. Plan contributions are recognized when they are received. Benefits and expenses are recognized when they are incurred in accordance with the terms of the plan.

Actuarial Information. The required contributions for the plan were determined as part of the January 1, 2011 actuarial valuations. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Amounts determined for the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 9 - VOLUNTEER FIREFIGHTER PENSION PLAN (CONTINUED)

Actuarial assumptions used in the study to compute both the contribution requirements and pension benefit obligation were as follows:

Valuation interest rate:	8.0% per annum (net of operating expenses), compounded annually
Experience—Active members:	Retirement—Age 50 and 20 years of service; Disability—Graduated rate for all disabilities; Pre-retirement mortality—1994 Group Annuity Mortality Table; Withdrawal—Graduated rates for all withdrawals
Post-retirement mortality:	Healthy retirees—1994 Group Annuity Mortality Table; Disabled retirees—1983 Railroad Retirement Board Totally Disabled Annuitants Mortality Table
Marital status:	Percent married—90% male and female; Age difference—males are considered to be 3 years older than females
Changes in actuarial assumptions:	Aggregate investment income gain or loss base recognition method.
Changes in actuarial methods:	None
Actuarial cost method:	Entry age method
Amortization method:	Level dollar—open
Remaining amortization period:	20 years
Asset valuation method:	3-year smoothed fair market value
Investment rate of return:	8%
Projected salary increases:	N/A
Inflation:	3.5%
Cost of living adjustment:	None

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 9 - VOLUNTEER FIREFIGHTER PENSION PLAN (CONTINUED)

Annual Pension Cost and Net Pension Obligation. The District's annual pension cost and net pension obligation for the year ended December 31, 2011 were as follows:

Annual required contribution	\$	6,000
Contribution for the plan year	\$	6,000
Estimated net pension obligation, January 1, 2010	\$	-
Estimated net pension obligation, December 31, 2011	\$	-

Three year trend information is as follows:

Fiscal Year <u>Ending</u>	Contribution <u>Made</u>	Annual Required <u>Contribution (ARC)</u>	Percentage of ARC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/09	190,000	108,302	175%	-
12/31/10	90,000	90,000	100%	-
12/31/11	6,000	6,000	100%	-

The District made contributions in 2011, 2010, and 2009 of \$6,000, \$0, and \$100,000, respectively, to the plan, and the State of Colorado provided annual statutory matching contributions of \$0, \$90,000, and \$90,000 in 2011, 2010, and 2009, respectively. The value of the plan assets at December 31, 2011 is \$839,161.

Funded Status. A schedule of funding progress as of the most recent actuarial valuation is as follows:

Valuation date	January 1, 2011
Actuarial value of plan assets	\$ 856,419
Actuarial accrued liability	\$ 510,702
Unfunded liability (Surplus)	\$ (345,717)
Funded ratio	168%

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during any of the last three fiscal years.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 11 - CONTINGENCIES

TAX BOUNDARIES

The tax boundaries of the District include certain areas that have been annexed into the City of Colorado Springs (the City) over time. The District and the City have entered into a plan to transfer this property from the District. The District and the City have not set a specific date as to when this will occur. The dual jurisdiction area encompasses more than 50% of the assessed value of the District.

NOTE 12 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The entity's activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases, with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

On November 4, 1997, District voters approved an increase in the mill levy and authorized the District to collect, retain and spend for fire protection purposes all revenue from such tax levy and all other District revenue as a voter approved revenue change and an exception to the limits which otherwise apply, effective January 1, 1998 and continuing thereafter. This vote effectively removed the District from some provisions of TABOR.

On November 5, 2002, District voters approved a mill levy increase to 7 mills, effective January 1, 2003, in order to provide for District operations after the exclusion of various properties from the District.

DONALD WESCOTT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 12 - AMENDMENT TO COLORADO CONSTITUTION (CONTINUED)

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service) in 2011. Emergency reserves as of December 31, 2011 totaling \$63,350 have been presented as a reservation of fund balance. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations in the amendment's language in order to determine its compliance.

NOTE 13 – SUBSEQUENT EVENTS

On February 27, 2012, five acres of land located at 15055 State Highway 83 was donated to the District that fire station number two was constructed on. The donated land was valued at \$99,861 and includes the land, water rights and easement.

REQUIRED SUPPLEMENTARY INFORMATION

DONALD WESCOTT FIRE PROTECTION DISTRICT
 SCHEDULE OF FUNDING PROGRESS
 FOR VOLUNTEER FIREMEN PENSION PLAN
 DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability – (AAL)	Unfunded Liability (Surplus)	Funded Ratio
1/1/07	321,457	435,621	114,164	74%
1/1/09	537,671	499,196	(38,475)	108%
1/1/11	856,419	510,702	(345,717)	168%

See the accompanying independent auditors' report.

DONALD WESCOTT FIRE PROTECTION DISTRICT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR VOLUNTEER FIREMEN PENSION PLAN
 DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Required Contribution (ARC)	\$ 6,000	\$ 90,000	\$ 190,000
Actual Contributions	\$ 6,000	\$ 90,000	\$ 190,000
Actual Contributions as Percentage of ARC	100%	100%	100%

Valuation Date:	1/1/2011
Actuarial cost method:	Entry age method
Amortization method:	Level dollar—open
Remaining amortization period:	20 years
Asset valuation method:	3-year smoothed fair market value
Investment rate of return:	8%
Projected salary increases:	N/A
Inflation:	3.5%
Cost of living adjustment:	None

See the accompanying independent auditors' report.

DONALD WESCOTT FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property tax	\$ 1,846,482	\$ 1,846,482	\$ 1,818,017	\$ (28,465)
Specific ownership tax	110,000	110,000	161,778	51,778
Investment earnings	3,000	3,000	2,184	(816)
Other income	59,100	59,100	129,692	70,592
TOTAL REVENUES	<u>2,018,582</u>	<u>2,018,582</u>	<u>2,111,671</u>	<u>93,089</u>
EXPENDITURES				
General and administrative	396,653	396,653	362,663	33,990
Fire and emergency medical services	2,010,142	2,010,142	2,812,096	(801,954)
Debt service	173,336	173,336	146,441	26,895
Contingency	354,486	354,486	-	354,486
TOTAL EXPENDITURES	<u>2,934,617</u>	<u>2,934,617</u>	<u>3,321,200</u>	<u>(386,583)</u>
Net Change in Fund Balance	(916,035)	(916,035)	(1,209,529)	(293,494)
Fund balances - beginning	916,035	916,035	3,038,372	2,122,337
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,828,843</u>	<u>\$ 1,828,843</u>

See the accompanying independent auditors' report.