

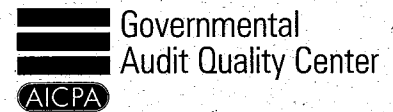
**HARTSEL FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**December 31, 2009**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hartsel Fire Protection District  
Hartsel, Colorado

We have audited the accompanying financial statements of the governmental activities, the General Fund and the fiduciary activities, of the Hartsel Fire Protection District (the "District") as of and for the year ended December 31, 2009, 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, the General Fund and the fiduciary activities, of the Hartsel Fire Protection District as of December 31, 2009, and the respective changes in financial position 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 2 through 5 and 25 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The budgetary comparison information on page 26 is presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Watkins & Schommer, Inc.*

Watkins & Schommer, Inc.  
Greeley, Colorado  
August 30, 2010



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## **Management's Discussion and Analysis**

### **Introduction**

The Hartsel Fire Protection District's (the "District") Management Discussion and Analysis is intended to provide the reader and user of the District's financial statements, with (a) an understanding of the financial status of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual budgets, and (e) an assessment of any future financial or operating issues of the District.

This discussion and analysis is intended to focus on the 2009 activities, resulting changes, and currently known facts and conditions and should be read in conjunction with the accompanying audited financial statements and related notes to the financial statements beginning on page 6.

### **Overview of the Financial Statements of the District**

The financial statements of the District are:

Government-wide Financial Statements:

Statement of Net Assets

Statement of Activities

Fund Financial Statements:

Balance Sheet - General Fund

Statement of Revenues, Expenditures, and Changes in

Fund Balance - General Fund

Reconciliation of the Statement of Revenues, Expenditures and Changes in

Fund Balances - Budget and Actual - General Fund

Statements of Fiduciary Fund Net Assets - Volunteer Firefighters' Pension Trust Fund

Statements of Changes in Fiduciary Net Assets - Volunteer Firefighters' Pension Trust

Notes to the Financial Statements

Required Supplementary Information:

Schedule of Funding Progress - Volunteer Firefighters' Pension Trust

Other Supplementary Information:

Schedule of Changes in Fiduciary Net Assets (Budget and Actual) -

Volunteer Firefighters' Pension Trust

These statements, notes and schedules are on page 6 through 26. These provide information about the District's financial position as of each December 31, 2009, the results of operations for the year ended December 31, 2009 and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year.

The Statement of Net Assets, prepared using the full accrual basis of accounting, provides information about the District's assets, liabilities, and equity. Over time, the comparison of changes in net assets may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The Statement of Activities provides information about the components of the District's annual operating activities and how those activities affected net assets.

The fund financial statements present the District's financial position and results of operations using the traditional government modified accrual method of accounting, which accounts for the District's current financial resources. The Balance Sheet does not account for capital assets or long-term debt and the Statement of Revenues, Expenditures and Changes in Fund Balances records as revenues proceeds from sale of capital assets and capital lease proceeds and as expenditures debt service payments and acquisition of capital assets.

The reconciliations as shown on pages 9 and 11 of the District's financial statements explanations of the specific differences between the government-wide and fund financial statements.

The budgetary comparison schedules include a comparison of actual revenues and expenditures with the final budget.

The notes to the financial statements provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The following is a summary of the District's Statements of Nets Assets as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
<b>Current assets</b>		
Cash and cash equivalents	189,152	239,778
Accounts receivable	15,426	-
Property taxes receivable	546,802	479,630
Other	794	-
	<u>752,174</u>	<u>719,408</u>
<b>Total current assets</b>		
<b>Noncurrent assets:</b>		
Capital assets - net	993,916	964,664
Deferred charges	7,830	11,232
	<u>1,001,746</u>	<u>975,896</u>
<b>Total noncurrent assets</b>		
	<u>1,753,920</u>	<u>1,695,304</u>
<b>Total assets</b>		
<b>Liabilities</b>		
Current liabilities	716,469	616,078
Non-current liabilities	485,557	569,071
	<u>1,202,026</u>	<u>1,185,149</u>
<b>Total liabilities</b>		
<b>Net assets</b>		
Invested in capital assets - net	366,723	285,232
Restricted	20,690	45,296
Unrestricted	164,481	179,627
	<u>551,894</u>	<u>510,155</u>
<b>Total net assets</b>		

The following is a summary of the District's Statements of Activities for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Program expenses	521,749	492,809
Program revenues	<u>11,445</u>	<u>38,653</u>
<b>Net program expenses</b>	<u>510,304</u>	<u>454,156</u>
General revenues		
Property and specific ownership taxes	537,073	540,155
Other	<u>14,970</u>	<u>112,187</u>
<b>Total general revenues</b>	<u>552,043</u>	<u>652,342</u>
Increase in net assets	41,739	198,186
Net assets, beginning of year	<u>510,155</u>	<u>311,969</u>
Net assets, end of year	<u><u>551,894</u></u>	<u><u>510,155</u></u>

This above comparative Statement of Net Assets and Statement of Activities are a summary of the financial information contained in the District's audited financial statements. The District recommends a close review of the accompanying audited financial statements beginning on page 6 for more detail information.

#### **Analysis of Financial Position and Operating Results**

For 2009 net assets increased to \$551,894 which is an increase of \$41,739. This was the result of program and general revenues being sufficient to cover the 2009 operating expenses, including depreciation of \$102,656.

Net Assets of \$20,690 and \$45,296 at December 31, 2009 and 2008, respectively are restricted for emergency reserves as required by Article X, Section 20 of the Colorado constitution ("TABOR").

Cash and cash equivalents at December 31, 2009, were \$50,626 less than the amount at December 31, 2008. Cash and cash equivalents at December 31, 2009, are approximately 25% of current assets and 19% of total assets.

At December 31, 2009 net capital assets were \$993,916 which was an increase of \$29,251 over the preceding year. They represent 57% of total assets at December 31, 2009.

Total liabilities of the District at December 31, 2009 were \$1,202,026 which was principally comprised of deferred property taxes revenues of \$546,802, equipment lease obligations of \$627,193 and accounts payable of \$28,031. During 2009 the District entered into one new capital lease and reduced the principal on the other three capital leases by \$110,359 resulting in a net decrease of \$52,239 in the District's long-term debt.

The increase in net assets of \$41,739 compares to a increase of \$198,186 during 2008. This change was caused primarily by the increase in program expenses together with an decrease in general revenues.

For more information about these changes in net assets and the operating activities please review the accompanying audited financial statements beginning on page 6.

## **General Fund Discussion**

For 2009, the general fund balance decreased by \$39,006. This compares to a increase in 2008 of \$287,187.

Revenues in 2009 were \$859,916 less than in 2008 due to restitution received and the refinancing of capital leases during 2008. Expenditures were \$520,278 less in 2009 than in 2008 due to the principal payments on the capital leases during 2008 related to the refinancing of those leases. Lease proceeds and proceeds from sale of capital assets were \$730,043 less in 2009 than in 2008.

The fund balance for 2009 includes \$20,690 reserved for emergencies as required by TABOR.

## **Budgetary Analysis and Discussion - General Fund**

There were no amendments to the 2009 budget which appropriated \$697,680 for General Fund expenditures. See page 12 of the accompanying financial statements for more detail.

## **Capital Assets and Long-Term Liabilities**

Capital assets additions during the year 2009 were \$321,132 for vehicles and accessories.

See the Notes to the Financial Statements, Note 3 Capital Assets on page 20.

During 2009 the District's long-term liabilities were reduced by \$52,239. This was the result of the District entering into one new capital lease in the amount of \$58,120 and reducing the principal on the District's other three leases by \$110,359.

See the Notes to the Financial Statements, Note 4 Long Term Liabilities on page 21.

## **Capital Assets**

The District depreciates its capital assets using the straight-line method over estimated useful lives as shown in note 1.

## **Conditions, Decisions and Facts Applicable to the Future Operations**

During 2004, the Park County Commissioners approved the assessment by the District of fiscal impact fees. The District collected \$11,445 and \$38,653 in impact fees during the years ended December 31, 2009 and 2008, respectively.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, investors, 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 Hartsel Fire Protection District, P.O. Box 10, Hartsel, Colorado 80449.

**BASIC FINANCIAL STATEMENT**

**Hartsel Fire Protection District  
Statement of Net Assets  
December 31, 2009**

ASSETS

Cash and cash equivalents	189,152
Accounts receivable	15,426
Property taxes receivable	546,802
Prepaid expenses	794
Capital assets - net	993,916
Deferred charges	7,830
	<u>1,753,920</u>
<u>Total assets</u>	<u>1,753,920</u>

LIABILITIES

Accounts payable	10,537
Accrued expenses	6,241
Accrued interest payable	11,253
Unearned revenue - property taxes	546,802
Non-current liabilities:	
Due within one year	141,636
Due in more than one year	485,557
	<u>1,202,026</u>
<u>Total liabilities</u>	<u>1,202,026</u>

NET ASSETS

Investment in capital assets, net of related debt	366,723
Restricted for:	
Reserve for emergencies	20,690
Unrestricted	
Undesignated	164,481
	<u>551,894</u>
<u>Total net assets</u>	<u>551,894</u>

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

**Hartsel Fire Protection District  
Statement of Activities  
Year Ended December 31, 2009**

	<u>Program Revenues</u>			Net Revenue (Expenses) and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Governmental activities</u>				
Treasurer's fees	14,490	-	-	(14,490)
Administration	197,181	-	-	(197,181)
Firefighting and prevention	106,984	-	-	(106,984)
Equipment repairs and maintenance	137,376	11,445	-	(125,931)
Station repairs and maintenance	37,091	-	-	(37,091)
Medical services	1,848	-	-	(1,848)
Interest on long-term debt	26,779	-	-	(26,779)
<u>Total government activities</u>	<u>521,749</u>	<u>11,445</u>	<u>-</u>	<u>(510,304)</u>
<u>Total district</u>	<u>521,749</u>	<u>11,445</u>	<u>-</u>	<u>(510,304)</u>

General revenues	
Property taxes	480,861
Specific ownership taxes	56,212
Earnings on investments	6,901
Other	5,703
Gain on sale of capital assts	2,366
<u>Total revenues</u>	<u>552,043</u>
Changes in net assets	41,739
Net assets - beginning	510,155
Net assets - ending	<u>551,894</u>

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

**Hartsel Fire Protection District  
Balance Sheet  
General Fund  
December 31, 2009**

ASSETS

Cash and investments	189,152
Accounts receivable	15,426
Property taxes receivable	<u>546,802</u>
<u>Total assets</u>	<u><u>751,380</u></u>

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>	
Accounts payable	10,537
Accrued wages payable	6,241
Deferred revenue	<u>546,802</u>
<u>Total liabilities</u>	<u>563,580</u>
 <u>Fund balance</u>	
Reserved for emergencies	20,690
Unreserved, reported in:	
Board designated, volunteer firefighters' activities	2,020
Undesignated	<u>165,090</u>
<u>Total fund balance</u>	<u>187,800</u>
<u>Total liabilities and fund balance</u>	<u><u>751,380</u></u>

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

**Hartsel Fire Protection District  
 Reconciliation of the General Fund  
 Balance Sheet with the Statement of Net Assets  
 December 31, 2009**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance - governmental funds		187,800
Bond issuance costs are being amortized in the government-wide financial statements and were expensed in the year paid on the fund financial statements.		
		7,830
Prepaid insurance is recorded on the government wide financial statements and the premium was expensed in the year paid on the fund financial statements.		
		794
Capital asset used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Cost of capital assets	1,963,153	
Accumulated depreciation	<u>(969,237)</u>	993,916
Long-term liabilities, including capital lease obligations and accrued interest payable, are not due and payable in the current year and therefore are not reported as liabilities in the fund financial statements.		
Capital lease obligations	627,193	
Accrued interest payable	<u>11,253</u>	<u>(638,446)</u>
Total net assets - governmental activities		<u><u>551,894</u></u>

**Hartsel Fire Protection District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund**  
**Year Ended December 31, 2009**

<u>Revenues</u>		
Taxes		537,073
Charges for services		11,445
Earnings on investments		6,901
Other		5,703
		561,122
<u>Total revenues</u>		561,122
<u>Expenditures</u>		
Current		
Treasurer's fees		14,490
Administration		197,975
Fire fighting and prevention		35,847
Equipment repairs and maintenance		118,351
Station repairs and maintenance		24,597
Medical services		1,848
Debt service		
Principal		110,359
Interest		25,240
Capital outlay		144,967
		673,674
<u>Total expenditures</u>		673,674
<u>Deficiency of revenues over expenditures</u>		(112,552)
<u>Other financing sources</u>		
Insurance proceeds		58,120
Proceeds from sale of capital assets		15,426
		73,546
<u>Total other financing sources</u>		73,546
<u>Net change in fund balance</u>		(39,006)
<u>Fund balances - beginning of period</u>		226,806
<u>Fund balances - end of period</u>		187,800

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

**Hartsel Fire Protection District  
Reconciliation of the General Fund Statement of  
Revenues, Expenditures, and Changes in Fund Balance  
with the Government-Wide Statement of Activities  
Year Ended December 31, 2009**

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

Net change in fund balance (39,006)

Capital outlay to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown on the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlay exceeded depreciation in the period:

Depreciation	(102,656)	
Capital outlay	<u>144,967</u>	42,311

Insurance costs are being amortized over the life of the policy on the Statement of Activities and reflected as an expense in the year paid on the Statement of Revenues, Expenditures and Changes in Fund Balance. 794

Amortization of debt issuance costs is included in the Statement of Activities, but does not require the use of current financial resources and are not reported as an expenditure in the Statement of Revenues, Expenditures and Changes in Fund Balance. (3,402)

Decrease in accrued interest payable reflected against expense on the Statement of Activities and not reflected in the Statement of Revenues, Expenditures and Changes in Fund Balance. 1,863

The issuance of long-term debt (e.g., capital lease) provides current financial resources to governmental funds and has no effect on net assets. This is the net effect of the difference in the treatment of long-term debt. (58,120)

Insurance proceeds shown as an other financing source but is reduced by the book value of equipment sold to calculate the gain on sale of capital assets on the Statement of Activities. (13,060)

Repayment of general obligation bonds and capital lease principal is an expenditure in the governmental fund financial statements, but it reduces long-term liabilities on the Statement of Net Assets and does not affect the Statement of Activities. 110,359

Total net assets - governmental activities 41,739

**Hartsel Fire Protection District**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance (Budget and Actual) - General Fund**  
**Year Ended December 31, 2009**

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Taxes	525,680	525,680	537,073	11,393
Charges for services	20,000	20,000	11,445	(8,555)
Earnings on investment	2,000	2,000	6,901	4,901
Other	-	-	5,703	5,703
<u>Total revenue</u>	<u>547,680</u>	<u>547,680</u>	<u>561,122</u>	<u>13,442</u>
<u>Expenditures</u>				
Current				
Treasurer's fees	13,500	13,500	14,490	(990)
Administration	186,800	186,800	197,975	(11,175)
Fire fighting and prevention	45,500	45,500	35,847	9,653
Communications	3,000	3,000	-	3,000
Equipment repairs and maintenance	78,000	78,000	118,351	(40,351)
Station repairs and maintenance	29,900	29,900	24,597	5,303
Medical services	2,500	2,500	1,848	652
Debt service				
Principal	110,359	110,359	110,359	-
Interest	25,641	25,641	25,240	401
Capital outlay	91,800	91,800	144,967	(53,167)
Reserves	110,680	110,680	-	110,680
<u>Total expenditures</u>	<u>697,680</u>	<u>697,680</u>	<u>673,674</u>	<u>24,006</u>
<u>Excess (deficiency) of revenues over expenditures</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(112,552)</u>	<u>37,448</u>
<u>Other financing sources</u>				
Insurance proceeds	-	-	58,120	58,120
Proceeds from sale of capital assets	-	-	15,426	15,426
<u>Total other financing sources</u>	<u>-</u>	<u>-</u>	<u>73,546</u>	<u>73,546</u>
<u>Net change in fund balance</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(39,006)</u>	<u>110,994</u>
<u>Fund balance at beginning of year</u>			<u>226,806</u>	
<u>Fund balance at end of year</u>			<u>187,800</u>	

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

**Hartsel Fire Protection District  
Statement of Fiduciary Net Assets  
Volunteer Firefighters' Pension Fund  
December 31, 2009**

<u>ASSETS</u>		
Investments		<u>346,404</u>
<u>Total assets</u>		<u>346,404</u>
<u>LIABILITIES</u>		
Pension benefit obligation		<u>-</u>
<u>Total liabilities</u>		<u>-</u>
<u>NET ASSETS</u>		
<u>Reserved for future pension benefits</u>		<u><u>346,404</u></u>

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

**Hartsel Fire Protection District  
Statement of Changes in Fiduciary Net Assets  
Volunteer Firefighters' Pension Fund  
Year Ended December 31, 2009**

<u>Additions</u>	
Contributions	
District contribution	55,000
State of Colorado contribution	-
	<hr/>
<u>Total contributions</u>	<u>55,000</u>
Investment Income	
Earnings on investments	1,787
Unrealized gain on investments	47,164
Realized gain on investments	3,637
	<hr/>
<u>Total investment income</u>	<u>52,588</u>
	<hr/>
<u>Total additions</u>	<u>107,588</u>
<u>Deductions</u>	
Administrative fees	2,236
Pension benefits	44,995
	<hr/>
<u>Total deductions</u>	<u>47,231</u>
	<hr/>
<u>Change in net assets</u>	60,357
<u>Net assets - beginning of period</u>	<u>286,047</u>
	<hr/>
<u>Net assets - end of period</u>	<u><u>346,404</u></u>

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

**Hartsel Fire Protection District  
Notes to Financial Statements  
December 31, 2009**

**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

In conformance with Governmental Accounting and Financial Reporting Standards, Hartsel Fire Protection District, Hartsel, Colorado, (the "District"), is the reporting entity for financial reporting purposes. The District provides fire protection and responds to various emergency situations for the Town of Hartsel and surrounding areas. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, the District does not include any component units within its reporting entity.

**Government-wide and Fund Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**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, as are the fiduciary fund financial statements. Grants and similar items are recognized as revenue as soon as 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 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. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments and pollution remediation costs, are recorded only when payment is due (matured).

**Hartsel Fire Protection District  
Notes to Financial Statements  
December 31, 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

The following is the District's major governmental fund:

General Fund - The General Fund is the District's general operating fund and is used to account for all financial resources of the District except those required to be accounted for in another fund.

Additionally, the District reports the following fiduciary fund:

Volunteer Firefighters' Pension Fund - The Volunteer Firefighters' Pension Fund is used to account for pensions of retired volunteers and their surviving spouses.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The District Trust Fund is the Volunteer Firefighters' Pension Fund.

Budgets

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

- By October 15, the District staff submits to the Board of Directors, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Directors through passage of a resolution.
- The District legally adopts budgets for all of the funds. Budgets for the General and Fiduciary Funds are adopted on a basis consistent with Accounting Principles Generally Accepted in the United States ("GAAP").
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

**Hartsel Fire Protection District  
Notes to Financial Statements  
December 31, 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgets (Continued)

The following table summarizes the individual fund budgeted expenditures, as originally adopted, and as revised:

	Original Budget	Total Revisions	Revised Budget
<u>Governmental funds:</u>			
General fund	697,680	-	697,680
<u>Fiduciary fund:</u>			
Pension fund	44,000	-	44,000
 Total	 <u>741,680</u>	 <u>-</u>	 <u>741,680</u>

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and securities with original maturities of three months or less.

Investments

The District's investments are carried at fair value plus accrued interest with the appreciation or depreciation on investments included in earnings on investments.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

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 depreciated over the remaining useful lives of the related capital assets, as applicable.

Assets are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities.

Estimated useful lives for asset types are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-40 years
Vehicles and accessories	5-10 years
Equipment	3-20 years

Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December and are payable in the following year. Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15. The County Treasurer bills and collects property taxes for all taxing entities within the County. The property tax receipts collected by the County Treasurer each month are remitted to the District by the tenth day of the subsequent month.

**Hartsel Fire Protection District**  
**Notes to Financial Statements**  
**December 31, 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition/Property Taxes (Continued)

Property tax revenues are recognized when collected by the County Treasurer each month. Property tax revenue held by the County Treasurer on December 31 is treated as revenue of the current year. Delinquent taxes of prior years are recognized as revenue when collected by the County Treasurer.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity.

Compensated Absences

Employees of the District are allowed to accumulate unused vacation, sick and compensatory time depending on length of employment. Upon termination of employment from the District, an employee will be compensated for all accrued vacation and compensatory time at their current rate of pay, there is no payment for sick leave upon termination. The District has no liability for accrued compensated absences at December 31, 2009.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance and Net Assets

In the government-wide net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the District, which are not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, fund balances of the governmental fund are classified in separate categories. The categories, and their general meanings, are as follows:

Reserved fund balance – Indicates that portion of fund equity which has been legally segregated for specific purposes or is not available for appropriation.

Unreserved designated fund balance – Indicates that portion of fund equity for which the District has made tentative plans.

Unreserved undesignated fund balance or deficits – Indicates that portion of fund equity which is available for appropriation and expenditure in future periods. A deficit will require future funding.

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.

**Hartsel Fire Protection District  
Notes to Financial Statements  
December 31, 2009**

**Note 2 - Cash and Investments**

**Cash Deposits**

Custodial Credit Risk

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The District's deposit policy is in accordance with CRS 11-10.5-101, the Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000 as of December 31, 2009) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2009 all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

**Investments**

Credit Risk

The District's investment policy defines allowable investments instruments including:

- Certificates of deposit with an original maturity in excess of three months
- Obligations of the United States and certain U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk

Colorado statutes require that no investment may have a maturity in excess of five years from the date of purchase, unless an available active market exists. The District's investment portfolio does not contain investments that exceed that limitation of five years.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk.

**Hartsel Fire Protection District  
Notes to Financial Statements  
December 31, 2009**

**Note 2 - Cash and Investments (Continued)**

Cash deposits and investments held by the District at December 31, 2009 were as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
<i>Cash deposits</i>	184,995	189,950
Insured deposits	-	-
Collateralized deposits	184,995	189,950
 Uncategorized:		
Cash with County Treasurer	4,157	
 <u>Total cash deposits</u>	189,152	

Investments held by the District in the Volunteer Firefighters' Pension Fund at December 31, 2009 are carried at fair value and are managed by the Fire and Police Pension Association of Colorado ("FPPA").

**Note 3 - Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2009 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	9,500	-	-	9,500
Construction in progress	176,165	-	(176,165)	-
Total capital assets not being depreciated	185,665	-	(176,165)	9,500
Capital assets, being depreciated:				
Buildings and improvements	492,804	-	-	492,804
Equipment	232,166	-	-	232,166
Vehicles and accessories	1,024,183	321,132	(116,632)	1,228,683
Total capital assets, being depreciated	1,749,153	321,132	(116,632)	1,953,653
Less accumulated depreciation for:				
Buildings and improvements	(161,965)	(12,494)	-	(174,459)
Equipment	(118,348)	(19,025)	-	(137,373)
Vehicles and accessories	(689,840)	(71,137)	103,572	(657,405)
Total accumulated depreciation	(970,153)	(102,656)	103,572	(969,237)
Total capital assets being depreciated, net	779,000	218,476	(13,060)	984,416
Total capital assets, net	964,665	218,476	(189,225)	993,916

**Hartsel Fire Protection District  
Notes to Financial Statements  
December 31, 2009**

**Note 3 - Capital Assets (Continued)**

Depreciation for governmental activities capital assets have been allocated to the various activities as follows:

Firefighting and prevention	71,137
Equipment repairs and maintenance	19,025
Station repairs and maintenance	<u>12,494</u>
 Depreciation expense	 <u><u>102,656</u></u>

**Note 4 - Long-Term Debt**

Long-term debt consisted of the following ended December 31, 2009:

Capital Lease

On August 5, 2008, the District entered into a 82 month capital lease with a leasing company to acquire a 2006 Chevy rescue truck with the estimated cost of \$196,615 and to pay off a prior capital lease. The lease requires annual payments of \$36,291 principal and interest, at 4.25% through August 1, 2016. The lease is collateralized by the truck. 215,822

On April 18, 2008 the District entered into a 62 month lease with a leasing company to acquire capital assets and payoff the 2005 capital lease and a note with a local bank. The lease requires annual payments of \$89,322 principal and interest, at 3.85%, through July 1, 2013. The lease is collateralized by seven fire trucks. 325,382

On March 10, 2008, the District entered into a 52 month capital lease with a leasing company to acquire a 2008 Chevy Suburban and equipment with the estimated cost of \$45,000. The lease requires annual payments of \$9,986, principal and interest, at 3.7% through July 15, 2012. The lease is collateralized by the truck and equipment. 27,869

On September 11, 2009, the District entered into a 22 month capital lease with a leasing company to acquire a 2001 Mack truck and tank costing \$58,120. The lease requires annual payments of \$30,217 principal and interest at 2.95% through July 15, 2011. The lease is collateralized by the Mack truck. 58,120

Total Long-Term Debt 627,193

The following is a summary of changes in long-term debt of the District for the period ended December 31, 2009:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Capital Lease					
April 18, 2008	399,328	-	73,946	325,382	76,794
August 5, 2008	243,600	-	27,778	215,822	27,118
March 10, 2008	36,504	-	8,635	27,869	8,955
September 11, 2009	-	58,120	-	58,120	28,769
	-	58,120	-	58,120	28,769
<b>Total</b>	<b>679,432</b>	<b>58,120</b>	<b>110,359</b>	<b>627,193</b>	<b>141,636</b>

**Hartsel Fire Protection District  
Notes to Financial Statements  
December 31, 2009**

**Note 4 - Long-Term Debt (Continued)**

The annual requirements to amortize all debt outstanding as of December 31, 2009 is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	141,636	24,179	165,815
2010	146,659	19,156	165,815
2011	121,924	13,675	135,599
2012	116,738	8,877	125,615
2013	32,031	4,260	36,291
2014-2018	<u>68,205</u>	<u>4,378</u>	<u>72,583</u>
Totals	<u>627,193</u>	<u>74,525</u>	<u>701,718</u>

The assets acquired through capital lease are as follows:

Vehicles and accessories	712,210
Less: accumulated depreciation	<u>(267,230)</u>
Book value	<u>444,980</u>

**Note 5 - Risk Management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance to mitigate these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**Note 6 - Volunteer Firemen's Pension Plan**

The District has established an agent multi-employer defined benefit pension plan for volunteer firefighters as authorized by State of Colorado statute. The Plan is administered by the Fire and Police Pension Association ("FPPA"). Any firefighter who has both attained the age of 50 and completed 20 years of active service shall be eligible for a monthly pension. A firefighter, who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity District and extends beyond one year, shall be compensated in an amount determined by the pension Board. The annual financial report of FPPA may be obtained by contacting FPPA at 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111-2721.

The Volunteer Firefighters' Pension Plan received contributions from the District in an amount not to exceed one-half mill of property tax revenue. As established by the legislature, the State of Colorado contributes 90% of the District's contribution. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2009, indicated that the current level of contributions to the fund is adequate to support, on an actuarially sound basis, the prospective benefits for the present Plan.

For the year ended December 31, 2009, the District's actual contribution was \$55,000 and the State made no contribution to the Plan. This was \$11,000 greater than the required contributions to the Plan. The required contribution was determined as part of the January 1, 2009, actuarial valuation using the entry age actuarial cost method. Actuarial assumptions included the following:

**Hartsel Fire Protection District  
Notes to Financial Statements  
December 31, 2009**

**Note 6 - Volunteer Firemen's Pension Plan (Continued)**

1. Interest Rate - 8% per annum, compounded annually
2. Retirement - Age 50 and 20 years of service
3. Disability - Graduated rates for all disabilities
4. Mortality - 1994 Group Annuity Mortality Table
5. Separation - Graduated rates for all withdrawals
6. Marital Status - 90% married
7. Age Difference - Males assumed to be 3 years older
8. Asset Valuation - Actuarial value

Based on an amortization period of 20 years using the level dollar method on an open basis, the Plan's expected contributions exceed the amount recommended to eliminate the unfunded actuarial accrued liability. Trend information of the Plan follows:

Fiscal Year Funding	Annual Required Contributions	Percentage or ARC Contribution	Net Pension Obligation
12/31/2007	43,214	0%	119,712
12/31/2008	43,214	69%	130,961
12/31/2009	44,000	125%	128,811

**Note 7 - State of Colorado Fire and Police Pension Association - Defined Benefit Plan**

**Plan Description**

The District contributes to a statewide defined benefit pension plan, a cost-sharing multiple employer defined benefit pension plan, which is administered by the FPPA. Assets of the plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund. The plan provides retirement benefits for members and beneficiaries according to plan provisions as enacted and governed by the Pension Fund Board of Trustees. Colorado Revised Statutes ("CRS"), as amended, establishes basic benefit provisions under the plan. FPPA issues an annual, publicly-available financial report that includes the assets of the plan. That report may be obtained by calling FPPA at (303) 770-3772 in the Denver Metro area, or 1-800-332-3772 from outside the metro area.

**Basis of Accounting**

The financial statements of the Statewide Defined Benefit Plan ("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 payable in accordance with the terms of the plan. The 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 District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established under Title 31, Article 30, Part 10 of the CRS, as amended. The contribution rate for members is 8% of covered salary. The contribution made by the District equaled the annual required contribution. The District contributions to the Plan for the years ending December 31, 2009, 2008, 2007 were \$4,779, \$4,729 and \$4,182, respectively, equal to the required contribution.

**Hartsel Fire Protection District  
Notes to Financial Statements  
December 31, 2009**

**Note 8 - TABOR Compliance**

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved \$20,227 for this purpose.

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

On May 5, 1998, the voting electors voted affirmatively the following ballot question; Without imposing any new taxes or increases in tax rates, shall the Hartsel Fire Protection District be authorized to retain all revenues from all sources in 1998 and subsequent years and spend the same as voter-approved revenue change for each year without regard to and a exception to the expenditure, revenue-raising or other limitations contained within Article X, Section 20 of the Colorado Constitution, Section 29-1-301, C.R.S., or any other law. This effectively removed all revenue and expenditure limitations imposed by TABOR.

**Note 9 - Violation of State Statutes**

Expenditures exceeded budget appropriations by \$19,231 in the Volunteer Firefighters' Pension Fund which may be in violation of State statutes.

**Note 10 - Subsequent Events**

The District evaluated subsequent events through August 30, 2010, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Hartsel Fire Protection District  
Pension Fund  
Schedule of Funding Progress  
(Unaudited)**

Analysis of Funding Progress

<u>Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Percent Funded</u>	<u>Annual Covered Payroll</u>
2006	329,679	548,140	60%	N/A
2007	329,679	548,140	60%	N/A
2008	329,679	548,140	60%	N/A
2009*	343,256	829,871	41%	N/A

\* Date of latest actuarial study was January 1, 2009.

Revenues by Source

<u>Year</u>	<u>Property Taxes</u>	<u>State Contributions</u>	<u>Investment Income</u>	<u>Total</u>
2006	5,000	9,000	55,776	69,776
2007	-	-	39,135	39,135
2008	30,000	-	(115,354)	(85,354)
2009	55,000	-	52,588	107,588

Expenses by Source

<u>Year</u>	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Total</u>
2006	29,250	2,607	31,857
2007	33,961	2,900	36,861
2008	38,361	2,869	41,230
2009	44,995	2,236	47,231

See accompanying Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**

**Hartsel Fire Protection District**  
**Schedule of Changes in Fiduciary Net Assets - (Budget and Actual)**  
**Volunteer Firefighters' Pension Fund**  
**Year Ended December 31, 2009**  
**(Unaudited)**

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Additions</u>				
Contributions				
District contribution	44,000	44,000	55,000	11,000
State of Colorado contributions	-	-	-	-
<u>Total contributions</u>	<u>44,000</u>	<u>44,000</u>	<u>55,000</u>	<u>11,000</u>
Investment income				
Earnings on investments	-	-	1,787	1,787
Unrealized gain on investments	-	-	47,164	47,164
Realized gain on investments	-	-	3,637	3,637
<u>Total investment income</u>	<u>-</u>	<u>-</u>	<u>52,588</u>	<u>52,588</u>
<u>Total additions</u>	<u>44,000</u>	<u>44,000</u>	<u>107,588</u>	<u>63,588</u>
<u>Deductions</u>				
Administrative fees	-	-	2,236	(2,236)
Pension benefits	28,000	28,000	44,995	(16,995)
<u>Total deductions</u>	<u>28,000</u>	<u>28,000</u>	<u>47,231</u>	<u>(19,231)</u>
<u>Change in net assets</u>	<u>16,000</u>	<u>16,000</u>	60,357	<u>44,357</u>
<u>Net assets - beginning of period</u>			286,047	
<u>Net assets - end of period</u>			<u>346,404</u>	

See accompanying Independent Auditors' Report.