



Hartsel Fire Protection District

Financial Statements and Supplementary Information

For the Year Ended December 31, 2012



Hartsel Fire Protection District

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Independent Auditor's 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 fiduciary activities of the Hartsel Fire Protection District (the "District"), as of December 31, 2012, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and fiduciary activities of the Hartsel Fire Protection District as of December 31, 2012, 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.



Emphasis of Matters

As discussed in Note 2 to the basic financial statements, the District incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during 2012 due to the adoption of Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities." The adoption of this standard required retrospective application resulting in a \$2,605 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the budgetary comparison information for the General Fund on page 27, and the schedule of funding progress on page 28 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 basic financial statements. The budgetary comparison information on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
June 13, 2013

**Hartsel Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

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 2012 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.

Overview of the Financial Statements of the District

The financial statements of the District are:

Government-Wide Financial Statements:

Statement of Net Position

Statement of Activities

Fund Financial Statements:

Balance Sheet – General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund

Statements of Fiduciary Fund Net Position – Volunteer Firefighters' Pension Trust Fund

Statements of Changes in Fiduciary Net Position– Volunteer Firefighters' Pension Trust Fund

Notes to the Financial Statements

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balance
(Budget and Actual) – General Fund

Schedule of Funding Progress – Volunteer Firefighters' Pension Trust Fund

Other Supplementary Information:

Schedule of Changes in Fiduciary Net Position (Budget and Actual) –
Volunteer Firefighters' Pension Trust Fund

These statements, notes and schedules follow the independent auditor's report and the management's discussion and analysis. These provide information about the District's financial position as of December 31, 2012, the results of operations for the year ended December 31, 2012, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year.

The statement of net position, prepared using the full accrual basis of accounting, provides information about the District's assets, liabilities, and net position. Over time, the comparison of changes in net position 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 position.

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 revenue proceeds from sale of capital assets and capital lease proceeds and as expenditures debt service payments and acquisition of capital assets.

The reconciliations of the District's financial statements reflect explanations of the specific differences between the government-wide and fund financial statements.

**Hartsel Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

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 net position as of December 31, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> (Restated) |
|--------------------------------------|-------------------|---------------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 161,242 | \$ 224,896 |
| Property taxes receivable | 540,972 | 527,996 |
| Prepaid expenses | 794 | 794 |
| Total current assets | <u>703,008</u> | <u>753,686</u> |
| Non-current assets | | |
| Capital assets - net | 947,039 | 924,595 |
| Total noncurrent assets | <u>947,039</u> | <u>924,595</u> |
| Total assets | <u>1,650,047</u> | <u>1,678,281</u> |
| Liabilities | | |
| Current liabilities | 30,527 | 140,428 |
| Noncurrent liabilities | 333,583 | 331,495 |
| Total liabilities | <u>364,110</u> | <u>471,923</u> |
| Deferred inflows of resources | | |
| Unearned revenue - property taxes | 540,972 | 548,742 |
| Net position | | |
| Net investment in capital assets | 730,069 | 585,701 |
| Restricted | 20,077 | 21,282 |
| Unrestricted | (5,181) | 50,633 |
| Total net position | <u>\$ 744,965</u> | <u>\$ 657,616</u> |

**Hartsel Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

The following is a summary of the District's statements of activities for the years ended December 31, 2012 and 2011:

| | 2012 | 2011 (Restated) |
|-----------------------------------|------------|--------------------|
| Program expenses | \$ 581,893 | \$ 484,674 |
| Program revenues | 21,328 | 15,257 |
| Net program expenses | (560,565) | (469,417) |
| General revenues | | |
| Property and specific ownership | 574,818 | 604,475 |
| Other | 73,096 | 16,549 |
| Total general revenues | 647,914 | 621,024 |
| Increase in net position | 87,349 | 151,607 |
| Net position at beginning of year | 660,221 | 641,076 |
| Prior period adjustment | (2,605) | (132,462) |
| Net position at end of year | \$ 744,965 | \$ 660,221 |

The above comparative statements of net position and statements of activities are summaries of the financial information contained in the District's audited financial statements. The District recommends a close review of the accompanying audited financial statements for more detailed information.

Analysis of Financial Position and Operating Results

Change in net position from \$660,221 in 2011 to \$744,965 in 2012, show a net increase of \$84,744. Program and general revenues were sufficient to cover the 2012, operating expenses, including depreciation of \$90,583.

The increase in net position of \$87,349 during 2012, compares to an increase of \$151,607 during 2011. This change was caused primarily by a slight increase in general revenues and a relative increase in program expenses.

Net position of \$20,077 and \$21,282 at December 31, 2012 and 2011, 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, 2012, were \$63,654 less than the amount at December 31, 2011. Cash and cash equivalents at December 31, 2012, were approximately 23% of current assets and 10% of total assets.

At December 31, 2012, net capital assets were \$947,039, which was an increase of \$22,444, reflecting purchases of assets during the year. Net capital assets represent 57% of total assets at December 31, 2012.

Total liabilities of the District at December 31, 2012, were \$364,110, which were principally comprised of equipment lease obligations of \$216,970, accounts payable and accrued expenses of \$30,527 and a pension benefit obligation of \$116,613. Deferred inflows of resources, unearned revenue from property taxes was \$540,972 and 548,742 at December 31, 2012 and 2011, respectively. During 2012 the District reduced the principal on capital leases by \$121,924, a net decrease in the District's long-term debt.

**Hartsel Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

For more information about these changes in net position and the operating activities please review the accompanying audited financial statements.

General Fund Discussion

For 2012, the general fund balance decreased by \$57,235. This compares to a decrease in 2011 of \$11,557.

Revenues in 2012 were \$32,958 more than in 2011 largely due to the donation to the Fire District of a tactical vehicle from the Park County Sheriff's Department. Expenditures were \$78,639 more in 2012 than in 2011, due for the most part to a \$45,831 increase in firefighting and prevention expenses and a \$29,787 increase in equipment repairs and maintenance.

The fund balance for 2012 includes \$20,077 reserved for emergencies as required by TABOR.

Budgetary Analysis and Discussion – General Fund

There were no amendments to the 2012 budget, which appropriated \$777,596 for general fund expenditures. The District's budget for the general fund anticipated that expenditures would exceed revenues by \$180,000. The actual results for the year show a \$57,235 excess of expenditures over revenues in the general fund for 2012. See the Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) - General Fund in the accompanying financial statements for more detail.

Capital Assets and Long-Term Liabilities

Capital asset additions during 2012 were \$97,358 for construction in progress, \$7,669 for completed buildings and improvements and \$36,675 for vehicles and accessories. See notes to financial statements, note 4 capital assets, for more information.

During 2012, the District's long-term liabilities were reduced by \$121,924. This was the result of reducing the principal on the District's three capital leases, one of which was paid off during 2012, leaving two capital leases with outstanding balances at December 31, 2012.

See notes to financial statements, note 5 long-term debt, for more information.

Capital Assets

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

Conditions, Decisions and Facts Applicable to Future Operations

During 2004, the Park County Board of Commissioners approved the assessment by the District of fiscal impact fees. The District collected \$21,328 and \$15,257 in impact fees during the years ended December 31, 2012 and 2011, respectively.

The District budgeted \$540,972 for general property tax revenues (based on an assessed valuation for the District of \$72,623,470 and a mill levy of 7.449 mills) and \$761,972 for expenditures in the General Fund during 2013. The tax levy, plus carryover funds, should be adequate to cover all the District's 2013 budgeted expenditures.

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 Statements

Hartsel Fire Protection District
Statement of Net Position
December 31, 2012

| | |
|--|-------------------|
| Assets | |
| Cash and cash equivalents | \$ 161,242 |
| Property taxes receivable | 540,972 |
| Prepaid items | 794 |
| Capital assets - net | 947,039 |
| Total assets | 1,650,047 |
| Liabilities | |
| Accounts payable | 15,928 |
| Accrued expenses | 10,519 |
| Accrued interest payable | 4,080 |
| Non-current liabilities: | |
| Due within one year | 116,736 |
| Due in more than one year | 100,234 |
| Pension benefit obligation | 116,613 |
| Total liabilities | 364,110 |
| Deferred inflows of resources | |
| Unearned revenue - property taxes | 540,972 |
| Total deferred inflows of resources | 540,972 |
| Net position | |
| Net investment in capital assets | 730,069 |
| Restricted for: | |
| Emergencies | 20,077 |
| Unrestricted | (5,181) |
| Total net position | \$ 744,965 |

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

Hartsel Fire Protection District
Statement of Activities
Year Ended December 31, 2012

| Governmental activities | Expenses | Program Revenues | | Net Revenue (Expense) and Changes in Net Position |
|---|-------------------|------------------------|--|--|
| | | Charges for Service | Operating Grants and Contributions | Governmental Activities |
| Treasurer's fees | \$ 15,911 | \$ - | \$ - | \$ (15,911) |
| Administration | 262,491 | - | - | (262,491) |
| Firefighting and prevention | 147,494 | - | - | (147,494) |
| Communications | 10,546 | - | - | (10,546) |
| Equipment repairs and maintenance | 93,446 | 21,328 | - | (72,118) |
| Station repairs and maintenance | 40,634 | - | - | (40,634) |
| Interest on long-term debt | 11,371 | - | - | (11,371) |
| Total governmental activities and primary government | \$ 581,893 | \$ 21,328 | \$ - | (560,565) |
| General revenues | | | | |
| Property taxes | | | | 518,606 |
| Specific ownership taxes | | | | 56,212 |
| Earnings on investments | | | | 4,805 |
| Other | | | | 68,291 |
| Total general revenues | | | | 647,914 |
| Changes in net position | | | | 87,349 |
| Net position at beginning of year | | | | 660,221 |
| Cumulative effect of a change in accounting principle | | | | (2,605) |
| Net position at end of year | | | | \$ 744,965 |

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

Hartsel Fire Protection District
Balance Sheet - General Fund
December 31, 2012

| | |
|---|-------------------|
| Assets | |
| Cash and cash equivalents | \$ 161,242 |
| Property taxes receivable | 540,972 |
| Total assets | 702,214 |
| Liabilities, deferred inflows of resources and fund balances | |
| Liabilities | |
| Accounts payable | 15,928 |
| Accrued wages payable | 10,519 |
| Total liabilities | 26,447 |
| Deferred inflows of resources | |
| Unearned revenue - property taxes | 540,972 |
| Total deferred inflows of resources | 540,972 |
| Fund balance | |
| Restricted for emergencies | 20,077 |
| Assigned - subsequent year's expenditures | 110,307 |
| Assigned - volunteer activities | 2,038 |
| Unassigned | 2,373 |
| Total fund balance | 134,795 |
| Total liabilities and fund balance | \$ 702,214 |

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

Hartsel Fire Protection District
Reconciliation of the General Fund Balance Sheet
with the Government-Wide Statement of Net Position
December 31, 2012

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

| | | |
|---|--------------------|------------------|
| Total fund balance - General fund | \$ | 134,795 |
| Prepaid insurance is recorded on the government-wide financial statements and the premium was an expenditure in the year paid on the fund financial statements. | | |
| | | 794 |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds. | | |
| Cost of capital assets | \$ 2,159,535 | |
| Accumulated depreciation | <u>(1,212,496)</u> | 947,039 |
| Net pension benefit obligation shown as a liability on the government-wide statement of net position and not reflected on the fund financial statements since the liability is not expected to be liquidated with expendable available financial resources. | | |
| | | (116,613) |
| Long-term liabilities, including capital lease obligations and accrued interest payable, are not due and payable from current financial resources, and therefore, are not reported as liabilities in the fund financial statements. | | |
| Capital lease obligations | \$ (216,970) | |
| Accrued interest payable | <u>(4,080)</u> | <u>(221,050)</u> |
| Total net position governmental activities | \$ | 744,965 |

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

Hartsel Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
Year Ended December 31, 2012

| | |
|--|-------------------|
| Revenues | |
| Taxes | \$ 574,818 |
| Charges for services | 21,328 |
| Earnings on investments | 4,805 |
| Other | 68,291 |
| Total revenues | 669,242 |
| Expenditures | |
| Current | |
| Treasurer's fees | 15,911 |
| Administration | 260,403 |
| Firefighting and prevention | 87,566 |
| Communications | 10,546 |
| Equipment, repairs and maintenance | 76,795 |
| Station, repairs and maintenance | 26,630 |
| Debt service | |
| Principal | 121,924 |
| Interest | 13,675 |
| Capital outlay | 113,027 |
| Total expenditures | 726,477 |
| Net change in fund balance | (57,235) |
| Fund balance at beginning of year | 192,030 |
| Fund balance at end of year | \$ 134,795 |

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, 2012

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

Net change in fund balance - General fund \$ (57,235)

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

| | | |
|----------------|----------------|--------|
| Depreciation | \$ (90,583) | |
| Capital outlay | <u>113,027</u> | 22,444 |

Some expenses reported in the statement of activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds. This is the amount of increase in the District's pension benefit obligation during 2012. (2,088)

Decrease in accrued interest payable is reflected against expense on the statement of activities and not reflected in the statement of revenues, expenditures and changes in fund balance. 2,304

Repayment of capital lease obligations is an expenditure in the governmental fund financial statements, but it reduces long-term liabilities on the statement of net position and does not affect the statement of activities. 121,924

Total net position - General fund \$ 87,349

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

Hartsel Fire Protection District
Statement of Fiduciary Net Position - Volunteer Firefighters' Pension Trust Fund
December 31, 2012

| | |
|---|----------------|
| Assets | |
| Investments | \$ 543,877 |
| Receivable from the District | 116,613 |
| Total assets | 660,490 |
| Net position | |
| Net position held in trust for pension benefits | \$ 660,490 |

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

Hartsel Fire Protection District
Statement of Changes in Fiduciary Net Position -
Volunteer Firefighters' Pension Trust Fund
Year Ended December 31, 2012

| | |
|--|-------------------|
| Additions | |
| Contributions | |
| District contribution | \$ 70,088 |
| State of Colorado contribution | 9,000 |
| Total contributions | 79,088 |
| Investment Income | |
| Earnings on investments | 9,974 |
| Unrealized gain on investments | 35,225 |
| Realized gain on investments | 12,312 |
| Total investment income | 57,511 |
| Total additions | 136,599 |
| Deductions | |
| Administrative fees | 4,427 |
| Pension benefits paid | 53,105 |
| Total deductions | 57,532 |
| Change in net position | 79,067 |
| Net position at beginning of year | 581,423 |
| Net position at end of year | \$ 660,490 |

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

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

Form of Organization

The Hartsel Fire Protection District (the "District") is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes ("CRS"). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board, and either, a) the ability to impose its will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based on the above criteria, there are no other organizations that would be considered component units of the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support. The District does not have any business-type activities.

The statement of activities demonstrates the degree to which the 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. Program revenues include: (1) charges to those 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

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

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

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. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances present increases and decreases in those components. These funds use the modified accrual basis of accounting whereby 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 recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Property taxes, intergovernmental grants and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", ("GASB No. 33") the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

Governmental funds are used to account for all or most of a government's general activities. The following is the District's only major governmental fund:

General Fund - The General Fund is the District's primary operating fund. It accounts for all the financial resources of the District.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has one trust fund, the Volunteer Firefighters' Pension Fund, which accounts for all pension payments made to retired volunteer firefighters.

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

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 formal resolution.
- The District legally adopts budgets for all of the funds of the District on a basis consistent with 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.

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

| | Original Budget | Total Revisions | Revised Budget |
|--------------------|--------------------|--------------------|-------------------|
| Governmental fund: | | | |
| General fund | \$ 777,596 | \$ - | \$ 777,596 |
| Fiduciary fund: | | | |
| Pension fund | 51,000 | - | 51,000 |
| Total | \$ 828,596 | \$ - | \$ 828,596 |

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months.

Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which approximates fair value.

Receivables

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2012. Property taxes levied on December 31, 2012 are identified as property taxes receivable and deferred inflows of resources.

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid items in the government-wide financial statements, and will be reported as expenses in the following year. These amounts are reflected as expenditures in the year paid in the governmental fund financial statements.

Debt Issuance Costs

In the government-wide financial statements debt issuance costs are recognized as an expense during the period of issuance.

In the fund financial statements, governmental fund types recognize debt issuance costs during the period of issuance. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable District activities in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 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 at the date of donation. 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.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

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

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", ("GASB No. 16"). Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the District will compensate the employees for the benefits earned. Upon termination of employment from the District, an employee will be compensated for all unused personal leave. The District has no liability for compensated absences at December 31, 2012.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

resources. Capital lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance and Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. 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 Position - 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 Position - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors (the "Board"). The Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the District by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the District.

In the fund financial statements, property taxes are recognized in the year for which they are levied provided they become available and measurable. Property tax revenues are considered available when they become due or past due and are received by the District within 60 days of the end of the fiscal year.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

2. New Accounting Pronouncements

During 2012, The District implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure, which do not conflict with or contradict GASB Pronouncements. This statement had no impact to the District’s financial statements.

During 2012, the District implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, “Elements of Financial Statements” into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

During 2012, the District early implemented GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the implementation of this statement, the calculation of deferred loss on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. In addition, the deferred revenue for property taxes is now classified as a deferred inflow of resources instead of a liability. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at the beginning of the year by \$2,605, which is the amount of unamortized debt issuance costs at December 31, 2011.

3. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity’s deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (“PDPA”) requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (“FDIC”) to create a single institutional collateral pool of 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 uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2012, all of the District’s cash and cash equivalents were either insured by FDIC or collateralized under PDPA.

Investments:

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest, which include:

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

The District’s policy is to hold investments until maturity.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would 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 specific policy for custodial credit risk. As of December 31, 2012, the District had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust (the “Trust”), discussed below.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

Local Government Investment Pools

At December 31, 2012, the District had invested \$50,889 in the Trust, a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor’s and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities, and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust’s portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

At December 31, 2012, the District had cash and cash equivalent balances as follows:

| | |
|----------------------------------|-------------------|
| Bank deposits | \$ 108,706 |
| Cash with county treasurer | 1,647 |
| Local government investment pool | 50,889 |
| | \$ 161,242 |

Investments held by the District in the Volunteer Firefighters' Pension Fund at December 31, 2012 were as follows:

| | Cost | Fair Value |
|--------------------------|-------------------|-------------------|
| Investments | | |
| Investments held at FPPA | \$ 508,652 | \$ 543,877 |
| Total investments | \$ 508,652 | \$ 543,877 |

4. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|------------------|--------------------|--------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 9,500 | \$ - | \$ - | \$ 9,500 |
| Construction in progress | 92,243 | 97,358 | (28,675) | 160,926 |
| Total capital assets, not being depreciated | 101,743 | 97,358 | (28,675) | 170,426 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 519,810 | 7,669 | - | 527,479 |
| Equipment | 238,626 | - | - | 238,626 |
| Vehicles and accessories | 1,186,329 | 36,675 | - | 1,223,004 |
| Total capital assets, being depreciated | 1,944,765 | 44,344 | - | 1,989,109 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (200,849) | (14,004) | - | (214,853) |
| Equipment | (175,570) | (16,651) | - | (192,221) |
| Vehicles and accessories | (745,494) | (59,928) | - | (805,422) |
| Total accumulated depreciation | (1,121,913) | (90,583) | - | (1,212,496) |
| Total capital assets, being depreciated, net | 822,852 | (46,239) | - | 776,613 |
| Total capital assets, net | \$ 924,595 | \$ 51,119 | \$ (28,675) | \$ 947,039 |

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

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

| | |
|------------------------------------|------------------|
| Firefighting and prevention | \$ 59,928 |
| Equipment, repairs and maintenance | 16,651 |
| Station, repairs and maintenance | 14,004 |
| Depreciation expense | \$ 90,583 |

The book value of assets acquired through capital lease at December 31, 2012 is as follows:

| | |
|--------------------------------|-------------------|
| Vehicles and accessories | \$ 685,356 |
| Less: accumulated depreciation | (407,922) |
| Book value | \$ 277,434 |

5. Long-Term Debt

Long-term debt consisted of the following at December 31, 2012:

| Capital Leases | Balance |
|--|-------------------|
| 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. | \$ 86,011 |
| On October 1, 2008, the District entered into an 82 month capital lease with a leasing company to acquire a 2006 Chevy rescue truck with a cost of \$196,615. 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. | 130,959 |
| Total long-term debt | \$ 216,970 |

The following is a summary of changes in long-term debt of the District for the year ended December 31, 2012:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|----------------|----------------------|-------------|-------------------|-------------------|------------------------|
| Capital Leases | | | | | |
| March 10, 2008 | \$ 9,629 | \$ - | \$ 9,629 | \$ - | \$ - |
| April 18, 2008 | 168,833 | - | 82,822 | 86,011 | 86,011 |
| August 5, 2008 | 160,432 | - | 29,473 | 130,959 | 30,725 |
| Total | \$ 338,894 | \$ - | \$ 121,924 | \$ 216,970 | \$ 116,736 |

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

The annual requirements to amortize all debt outstanding as of December 31, 2012, are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|-------------------|------------------|-------------------|
| 2013 | \$ 116,736 | \$ 8,877 | \$ 125,613 |
| 2014 | 32,031 | 4,260 | 36,291 |
| 2015 | 33,392 | 2,899 | 36,291 |
| 2016 | 34,811 | 1,479 | 36,290 |
| Total | \$ 216,970 | \$ 17,515 | \$ 234,485 |

6. Risk Management

The District is exposed to various risks of loss 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 covering specific and general 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 in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

7. Volunteer Firefighters' Pension Plan

Description - The District has established the Volunteer Firefighters' Pension Plan (the "Plan"), an agent multiple-employer defined benefit pension plan for volunteer firefighters as authorized by State of Colorado statutes. The Plan is administered by the Fire and Police Pension Association of Colorado ("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 which 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.

Funding Policy - The Plan receives 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 also contributes to the plan. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2011, 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, 2012, the District and State actual contributions were \$68,000 and \$9,000, respectively. The required contribution was determined as part of the January 1, 2011 actuarial valuation using the entry age actuarial cost method. Actuarial assumptions included the following:

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 - 3-year smoothed fair market value

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

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

| Fiscal Year Funding | Annual Required Contributions ("ARC") | Percentage of ARC Contribution | Net Pension Obligation |
|------------------------|---|--------------------------------------|------------------------------|
| 12/31/2010 | \$ 77,645 | 98% | \$ 116,751 |
| 12/31/2011 | \$ 80,998 | 100% | \$ 114,835 |
| 12/31/2012 | \$ 80,998 | 98% | \$ 116,613 |

Funded Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the plan was 47 percent funded. The actuarial accrued liability for benefits was \$911,110, and the actuarial value of assets was \$432,080, resulting in an unfunded actuarial accrued liability ("UAAL") of \$479,030.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

8. State of Colorado Fire and Police Pension Association - Defined Contribution Plan

Description - The District contributes to the Statewide Defined Contribution Plan ("SWDC"), a cost sharing multiple-employer defined contribution pension plan administered by FPPA. The SWDC plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for plan members through the SWDC plan, which is also administered by the FPPA. The paid fire chief and paid firefighters of the District are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings.

Funding Policy - The contribution requirements of plan members and the District are established by state statute. The contribution rate is 8% of covered salary for all plan members and 8% for the District. For the years ended December 31, 2012 and 2011, the District's employer contributions to the SWDC were \$8,164 and \$4,979, respectively; this is equal to their required contributions for each year.

9. Voluntary Investment Program

Description - Effective May 1, 2010 employees of the District who are members of the SWDC (see Note 8) may voluntarily contribute to the Voluntary Investment Program ("457 Plan"), an Internal Revenue Code Section 457 defined contribution plan administered by FPPA. Plan participation is optional, and contributions are separate from others made to FPPA. Title 24, Article 51, Part 14 of the Colorado Revised Statutes ("CRS"), as amended, assigns the authority to establish the 457 Plan provisions to the State Legislature.

Funding Policy - The 457 Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$16,500 for the calendar years 2012 and 2011). Catch-up contributions up to \$5,500 for the calendar years 2012 and 2011 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The District contributes 3% of an employee's salary to this plan. For the years ended December 31, 2012 and 2011, the 457 District contributions were \$4,764 and \$2,190 and employee contributions were \$1,167 and \$2,190, respectively.

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2012

10. 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 districts. 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 districts 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 \$20,077 for this purpose.

On May 5, 1998, the voting electors voted to allow the Hartsel Fire Protection District to retain all revenues from all sources in 1998 and subsequent years, without imposing any new taxes or increases in tax rates, and to spend the same as voter-approved revenue change for each year without regard to and an 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.

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.

11. Subsequent Events

Management of the District has evaluated subsequent events through June 13, 2013, the date that the financial statements were available to be issued. During 2013 the District approved the purchase of a vehicle for \$27,000. There were no other material subsequent events that required recognition or additional disclosure.

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Required Supplementary Information

Hartsel Fire Protection District
Schedule of Revenues, Expenditures and Changes in
Fund Balance (Budget and Actual) - General Fund
Year Ended December 31, 2012

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 572,996 | \$ 572,996 | \$ 574,818 | \$ 1,822 |
| Charges for services | 20,000 | 20,000 | 21,328 | 1,328 |
| Earnings on investments | 4,600 | 4,600 | 4,805 | 205 |
| Other | - | - | 68,291 | 68,291 |
| Total revenue | 597,596 | 597,596 | 669,242 | 71,646 |
| Expenditures | | | | |
| Current | | | | |
| Treasurer's fees | 16,000 | 16,000 | 15,911 | 89 |
| Administration | 263,200 | 263,200 | 260,403 | 2,797 |
| Firefighting and prevention | 123,300 | 123,300 | 87,566 | 35,734 |
| Communications | 3,000 | 3,000 | 10,546 | (7,546) |
| Equipment repairs and maintenance | 47,500 | 47,500 | 76,795 | (29,295) |
| Station repairs and maintenance | 33,200 | 33,200 | 26,630 | 6,570 |
| Debt service | | | | |
| Principal | 121,924 | 121,924 | 121,924 | - |
| Interest | 13,676 | 13,676 | 13,675 | 1 |
| Capital outlay | 80,000 | 80,000 | 113,027 | (33,027) |
| Reserves | 75,796 | 75,796 | - | 75,796 |
| Total expenditures | 777,596 | 777,596 | 726,477 | 51,119 |
| Net change in fund balance | \$ (180,000) | \$ (180,000) | (57,235) | \$ 122,765 |
| Fund balance at beginning of year | | | 192,030 | |
| Fund balance at end of year | | | \$ 134,795 | |

See accompanying Independent Auditor's Report.

Hartsel Fire Protection District
Schedule of Funding Progress - Volunteer Firefighters' Pension Trust Fund
Year Ended December 31, 2012

Analysis of Funding Progress

| Year* | Actuarial Value of Assets | Actuarial Accrued Liability | Percent Funded | Annual Covered Payroll |
|-------|------------------------------|--------------------------------|-------------------|---------------------------|
| 2005 | \$ 329,679 | \$ 548,140 | 60% | N/A |
| 2009 | \$ 343,256 | \$ 829,871 | 41% | N/A |
| 2011* | \$ 432,080 | \$ 911,110 | 47% | N/A |

* Date of latest actuarial study was January 1, 2011, a valuation was not performed in 2007.

Revenues by Source

| Year | Property Taxes | State Contributions | Investment Income | Total |
|------|----------------|------------------------|----------------------|------------|
| 2010 | \$ 60,000 | \$ 15,998 | \$ 47,963 | \$ 123,961 |
| 2011 | \$ 65,000 | \$ 15,998 | \$ 6,610 | \$ 87,608 |
| 2012 | \$ 70,088 | \$ 9,000 | \$ 57,511 | \$ 136,599 |

Expenses by Source

| Year | Annual Pension Cost | Administrative Expenses | Total |
|------|------------------------|----------------------------|-----------|
| 2010 | \$ 56,136 | \$ 2,653 | \$ 58,789 |
| 2011 | \$ 43,680 | \$ 3,257 | \$ 46,937 |
| 2012 | \$ 53,105 | \$ 4,427 | \$ 57,532 |

See accompanying Independent Auditor's Report.

Other Supplementary Information

Hartsel Fire Protection District
Schedule of Changes in Fiduciary Net Position (Budget and Actual) -
Volunteer Firefighters' Pension Trust Fund
Year Ended December 31, 2012

| | Budgeted Amounts | | Actual Amounts Budget Basis | Variance with Final Budget Positive (Negative) |
|--|------------------|---------------|--------------------------------------|---|
| | Original | Final | | |
| Additions | | | | |
| Contributions | | | | |
| District contribution | \$ 67,000 | \$ 67,000 | \$ 70,088 | \$ 3,088 |
| State of Colorado contributions | 15,000 | 15,000 | 9,000 | (6,000) |
| Total contributions | 82,000 | 82,000 | 79,088 | (2,912) |
| Investment income | | | | |
| Earnings on investments | 7,000 | 7,000 | 9,974 | 2,974 |
| Unrealized loss on investments | - | - | 35,225 | 35,225 |
| Realized gain on investments | - | - | 12,312 | 12,312 |
| Total investment income | 7,000 | 7,000 | 57,511 | 50,511 |
| Total additions | 89,000 | 89,000 | 136,599 | 47,599 |
| Deductions | | | | |
| Administrative fees | 3,000 | 3,000 | 4,427 | (1,427) |
| Pension benefits paid | 48,000 | 48,000 | 53,105 | (5,105) |
| Contingency | 38,000 | 38,000 | | |
| Total deductions | 89,000 | 89,000 | 57,532 | (6,532) |
| Change in net position | \$ - | \$ - | 79,067 | \$ 41,067 |
| Net position at beginning of year | | | 581,423 | |
| Net position at end of year | | | \$ 660,490 | |

See accompanying Independent Auditor's Report.