



Hartsel Fire Protection District

Financial Statements and Supplementary Information

For the Year Ended December 31, 2013



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, 2013, 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

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, 2013, 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.



Other Matters

Required Supplementary Information

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.

Other Supplementary Information

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 12, 2014

Basic Financial Statements

**Hartsel Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Introduction

The Hartsel Fire Protection District's (the "District") Management's 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 2013 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
Statement of Fiduciary Fund Net Position – Volunteer Firefighters' Pension Trust Fund
Statement 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, 2013, the results of operations for the year ended December 31, 2013, 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, 2013**

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 160,397	\$ 161,242
Receivables	428,778	540,972
Prepaid expenses	794	794
Total current assets	<u>589,969</u>	<u>703,008</u>
Non-current assets		
Capital assets - net	930,558	947,039
Total noncurrent assets	<u>930,558</u>	<u>947,039</u>
Total assets	<u>1,520,527</u>	<u>1,650,047</u>
Liabilities		
Current liabilities	27,773	30,527
Noncurrent liabilities	233,865	333,583
Total liabilities	<u>261,638</u>	<u>364,110</u>
Deferred inflows of resources		
Unearned revenue - property taxes	422,508	540,972
Net position		
Net investment in capital assets	830,324	730,069
Restricted	21,002	20,077
Unrestricted	<u>(14,945)</u>	<u>(5,181)</u>
Total net position	<u>\$ 836,381</u>	<u>\$ 744,965</u>

**Hartsel Fire Protection District
Management's Discussion and Analysis
For the Year Ended December 31, 2013**

The following is a summary of the District's statements of activities for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Program expenses	\$ 528,628	\$ 581,893
Program revenues	<u>9,936</u>	<u>21,328</u>
Net program expenses	(518,692)	(560,565)
General revenues		
Property and specific ownership	585,822	574,818
Other	<u>24,286</u>	<u>73,096</u>
Total general revenues	<u>610,108</u>	<u>647,914</u>
Increase in net position	91,416	87,349
Net position at beginning of year	744,965	660,221
Prior period adjustment	<u>-</u>	<u>(2,605)</u>
Net position at end of year	<u><u>\$ 836,381</u></u>	<u><u>\$ 744,965</u></u>

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

The District's net position increased from \$744,965 in 2012 to \$836,381 in 2013, showing a net increase of \$91,416. Program and general revenues were sufficient to cover the 2013 operating expenses, including depreciation of \$74,347.

The increase in net position of \$91,416 during 2013 compares to an increase of \$87,349 during 2012. This change was caused primarily by a decrease in program expenses that exceeded a decrease in general revenues.

Net position of \$20,814 and \$20,077 at December 31, 2013 and 2012, 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, 2013, were \$845 less than the amount at December 31, 2012. Cash and cash equivalents at December 31, 2013 were approximately 27% of current assets and 11% of total assets.

At December 31, 2013, net capital assets were \$930,558, which was a decrease of \$16,481, reflecting the fact that depreciation exceeded the purchase of capital assets during the year. Net capital assets represent 61% of total assets at December 31, 2013.

Total liabilities of the District at December 31, 2013, were \$261,638, which were principally comprised of equipment lease obligations of \$100,234, accounts payable and accrued expenses of \$27,773 and a pension benefit obligation of \$133,631. Deferred inflows of resources, unearned revenue from property taxes was \$422,508 and \$409,972 at December 31, 2013 and 2012, respectively. During 2013 the District reduced the principal on capital leases by \$116,736, 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, 2013**

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

General Fund Discussion

For 2013, the general fund balance increased by \$5,955. This compares to a decrease in 2012 of \$57,235.

Revenues in 2013 were \$49,198 less than in 2012, largely due to the donation to the Fire District of a tactical vehicle from the Park County Sheriff's Department during 2012. Expenditures were \$112,388 less in 2013 than in 2012, due for the most part to a decrease in both equipment repairs and maintenance and capital outlay categories.

The fund balance for 2013 includes \$20,814 reserved for emergencies as required by TABOR.

Budgetary Analysis and Discussion – General Fund

There were no amendments to the 2013 budget, which appropriated \$762,972 for general fund expenditures. The District's budget for the general fund anticipated that expenditures would exceed revenues by \$150,000. The actual results for the year show a \$5,955 excess of revenues and other sources over expenditures in the general fund for 2013. 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 2013 were \$20,366 for construction in progress, \$8,000 for equipment and \$29,500 for vehicles and accessories. See notes to financial statements, note 3 capital assets, for more information.

During 2013, the District's long-term liabilities were reduced by \$116,736. This was the result of reducing the principal on the District's two capital leases, one of which was paid off during 2013, leaving one capital lease with an outstanding balance at December 31, 2013.

See notes to financial statements; note 4 long-term debts 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 \$9,936 and \$21,328 in impact fees during the years ended December 31, 2013 and 2012, respectively.

The District budgeted \$422,508 for general property tax revenues (based on an assessed valuation for the District of \$56,720,150 (a decrease of \$15,903,320 from 2012) and a mill levy of 7.449 mills) and \$622,008 for expenditures in the General Fund during 2014. The tax levy, plus carryover funds, should be adequate to cover all the District's 2014 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.

Hartsel Fire Protection District
Statement of Net Position
December 31, 2013

Assets	
Cash and cash equivalents	\$ 160,397
Property taxes receivable	422,508
Accounts receivable	6,270
Prepaid items	794
Capital assets not being depreciated	9,500
Capital assets being depreciated, net	921,058
Total assets	1,520,527
Liabilities	
Accounts payable	15,269
Accrued expenses	10,648
Accrued interest payable	1,856
Non-current liabilities:	
Due within one year	32,031
Due in more than one year	68,203
Pension benefit obligation	133,631
Total liabilities	261,638
Deferred inflows of resources	
Unearned revenue - property taxes	422,508
Total deferred inflows of resources	422,508
Net position	
Net investment in capital assets	830,324
Restricted for:	
Emergencies	21,002
Unrestricted	(14,945)
Total net position	\$ 836,381

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

Hartsel Fire Protection District
Statement of Activities
Year Ended December 31, 2013

	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position
		Charges for Service	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Treasurer's fees	\$ 16,063	\$ -	\$ -	\$ (16,063)
Administration	267,466	-	-	(267,466)
Firefighting and prevention	136,184	9,936	-	(126,248)
Communications	2,184	-	-	(2,184)
Equipment repairs and maintenance	56,595	-	-	(56,595)
Station repairs and maintenance	43,483	-	-	(43,483)
Interest on long-term debt	6,653	-	-	(6,653)
Total governmental activities and primary government	\$ 528,628	\$ 9,936	\$ -	(518,692)
General revenues				
Property taxes				529,610
Specific ownership taxes				56,212
Earnings on investments				3,576
Other				20,710
Total general revenues				610,108
Change in net position				91,416
Net position at beginning of year				744,965
Net position at end of year				\$ 836,381

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

Hartsel Fire Protection District
Balance Sheet - General Fund
December 31, 2013

Assets	
Cash and cash equivalents	\$ 160,397
Property taxes receivable	422,508
Accounts receivable	6,270
Total assets	\$ 589,175
Liabilities, deferred inflows of resources and fund balance	
Liabilities	
Accounts payable	\$ 15,269
Accrued wages payable	10,648
Total liabilities	25,917
Deferred inflows of resources	
Unearned revenue - property taxes	422,508
Total deferred inflows of resources	422,508
Fund balance	
Restricted for emergencies	21,002
Assigned - subsequent year's expenditures	46,916
Assigned - volunteer activities	72,832
Total fund balance	140,750
Total liabilities, deferred inflows of resources and fund balance	\$ 589,175

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, 2013

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

Total fund balance - General Fund	\$	140,750
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Prepaid insurance is recorded as a prepaid item on the government-wide financial statements and the premium was an expenditure in the year paid on the fund financial statements.		794
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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	\$ 2,217,401	
Accumulated depreciation	<u>(1,286,843)</u>	930,558

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.		(133,631)
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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	\$ (100,234)	
Accrued interest payable	(1,856)	(102,090)

Total net position governmental activities	\$	836,381
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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, 2013

Revenues	
Taxes	\$ 585,822
Charges for services	9,936
Earnings on investments	3,576
Other	20,710
Total revenues	620,044
Expenditures	
Current	
Treasurer's fees	16,063
Administration	250,448
Firefighting and prevention	92,168
Communications	2,184
Equipment, repairs and maintenance	43,340
Station, repairs and maintenance	26,407
Debt service	
Principal	116,736
Interest	8,877
Capital outlay	57,866
Total expenditures	614,089
Net change in fund balance	5,955
Fund balance at beginning of year	134,795
Fund balance at end of year	\$ 140,750

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, 2013

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

Net change in fund balance - General Fund	\$	5,955
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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	\$	(74,347)	
Capital outlay		57,866	(16,481)

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 2013.		(17,018)
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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.		2,224
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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.		116,736
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Total change in net position - governmental activities	\$	91,416
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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, 2013

Assets	
Investments	\$ 620,649
Receivable from the District	133,631
Total assets	754,280
Net position	
Net position held in trust for pension benefits	\$ 754,280

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, 2013

Additions	
Contributions	
District contribution	\$ 71,018
State of Colorado contribution	9,000
Total contributions	80,018
Investment Income	
Earnings on investments	9,103
Unrealized gain on investments	37,653
Realized gain on investments	35,135
Total investment income	81,891
Total additions	161,909
Deductions	
Administrative fees	4,169
Pension benefits paid	63,950
Total deductions	68,119
Change in net position	93,790
Net position at beginning of year	660,490
Net position at end of year	\$ 754,280

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

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies

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

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. 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.

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 governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an “other stand alone government.”

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.

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

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. The District has only one governmental fund, the General Fund.

Separate financial statements are provided for governmental 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. 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 nonexchange transaction 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.

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

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.

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:

	Budget	Revisions	Budget
Governmental fund:			
General Fund	\$ 762,972	\$ -	\$ 762,972
Fiduciary fund:			
Volunteer Firefighters' Pension Trust Fund	92,000	-	92,000
Total	\$ 854,972	\$ -	\$ 854,972

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.

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

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, 2013. Property taxes levied on December 31, 2013 are identified as property taxes receivable and unearned revenue.

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.

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

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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, 2013.

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 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

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

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 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. 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 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, 2013, all of the District's cash and cash equivalents were either insured by FDIC or collateralized under PDPA.

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Notes to Financial Statements
December 31, 2013

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, 2013, 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, 2013, the District had invested \$50,954 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.

At December 31, 2013, the District had cash and cash equivalent balances as follows:

Bank deposits	\$ 99,193
Cash with county treasurer	10,250
Local government investment pool	50,954
	<hr/>
	\$ 160,397

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

Investments held by the District in the Volunteer Firefighters' Pension Fund at December 31, 2013, were as follows:

	Cost	Fair Value
Investments		
Investments held at FPPA	\$ 582,996	\$ 620,649
Total investments	\$ 582,996	\$ 620,649

3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 9,500	\$ -	\$ -	\$ 9,500
Construction in progress	160,926	20,366	(181,292)	-
Total capital assets, not being depreciated	170,426	20,366	(181,292)	9,500
Capital assets, being depreciated:				
Buildings and improvements	527,479	124,276	-	651,755
Equipment	238,626	8,000	-	246,626
Vehicles and accessories	1,223,004	86,516	-	1,309,520
Total capital assets, being depreciated	1,989,109	218,792	-	2,207,901
Less accumulated depreciation for:				
Buildings and improvements	(214,853)	(17,076)	-	(231,929)
Equipment	(192,221)	(13,255)	-	(205,476)
Vehicles and accessories	(805,422)	(44,016)	-	(849,438)
Total accumulated depreciation	(1,212,496)	(74,347)	-	(1,286,843)
Total capital assets, being depreciated, net	776,613	144,445	-	921,058
Total capital assets, net	\$ 947,039	\$ 164,811	\$ (181,292)	\$ 930,558

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

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

Firefighting and prevention	\$ 44,016
Equipment, repairs and maintenance	13,255
Station, repairs and maintenance	17,076
Depreciation expense	\$ 74,347

The book value of the vehicle acquired through a capital lease at December 31, 2013 is as follows:

Vehicles and accessories	\$ 240,513
Less: accumulated depreciation	(42,103)
Book value	\$ 198,410

4. Long-Term Debt

Long-term debt consisted of the following at December 31, 2013:

Capital Lease	Balance
On August 5, 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 \$240,513. 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.	\$ 100,234
Total long-term debt	\$ 100,234

The following is a summary of changes in long-term debt of the District for the year ended December 31, 2013:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Capital Leases					
April 18, 2008	\$ 86,011	\$ -	\$ 86,011	\$ -	\$ -
August 5, 2008	130,959	-	30,725	100,234	32,031
Total	\$ 216,970	\$ -	\$ 116,736	\$ 100,234	\$ 32,031

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

The annual requirements to amortize all debt outstanding as of December 31, 2013, are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 32,031	\$ 4,260	\$ 36,291
2015	33,392	2,899	36,291
2016	34,811	1,480	36,291
Total	\$ 100,234	\$ 8,639	\$ 108,873

5. 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.

6. 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.

For the year ended December 31, 2013, the District and State actual contributions were \$71,018 and \$9,000, respectively. The required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age actuarial cost method. Actuarial assumptions included the following:

1. Interest Rate - 7.5% per annum, compounded annually
2. Retirement - Age 50 and 20 years of service
3. Disability - Graduated rates for all disabilities
4. Mortality - RP-2000 Combined Mortality Table with Blue Collar Adjustment
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 - 5-year smoothed fair value

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

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
12/31/2011	\$ 80,998	100%	\$ 114,835
12/31/2012	\$ 77,000	103%	\$ 116,613
12/31/2013	\$ 77,000	103%	\$ 133,631

Funded Status and Funding Progress - As of January 1, 2013, the most recent actuarial valuation date, the plan was 54 percent funded. The actuarial accrued liability for benefits was \$1,029,957, and the actuarial value of assets was \$557,544, resulting in an unfunded actuarial accrued liability ("UAAL") of \$472,413.

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.

7. 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, 2013 and 2012, the District's employer contributions to the SWDC were \$9,000 and \$8,164 respectively; this is equal to their required contributions for each year.

8. Voluntary Investment Program

Description - Effective May 1, 2010 employees of the District who are members of the SWDC (see Note 7) 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 (\$17,500 for the calendar year 2013 and \$17,000 for 2012). Catch-up contributions up to \$5,500 for the calendar years 2013 and 2012 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC 5414(v). For the years ended December 31, 2013 and 2012, the 457 employee contributions were \$9,873 and \$5,931, respectively.

Hartsel Fire Protection District
Notes to Financial Statements
December 31, 2013

9. 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 \$20,814 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, CRS, 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.

10. Subsequent Events

Management of the District has evaluated subsequent events through June 12, 2014, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosures in the financial statements were identified.

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 585,972	\$ 585,972	\$ 585,822	\$ (150)
Charges for services	20,000	20,000	9,936	(10,064)
Earnings on investments	4,000	4,000	3,576	(424)
Other	3,000	3,000	20,710	17,710
Total revenue	612,972	612,972	620,044	7,072
Expenditures				
Current				
Treasurer's fees	16,000	16,000	16,063	(63)
Administration	255,700	255,700	250,448	5,252
Firefighting and prevention	124,500	124,500	92,168	32,332
Communications	4,500	4,500	2,184	2,316
Equipment repairs and maintenance	60,000	60,000	43,340	16,660
Station repairs and maintenance	32,700	32,700	26,407	6,293
Debt service				
Principal	121,924	121,924	116,736	5,188
Interest	4,076	4,076	8,877	(4,801)
Capital outlay	90,500	90,500	57,866	32,634
Reserves	53,072	53,072	-	53,072
Total expenditures	762,972	762,972	614,089	148,883
Net change in fund balance	\$ (150,000)	\$ (150,000)	5,955	\$ 155,955
Fund balance at beginning of year			134,795	
Fund balance at end of year			\$ 140,750	

See accompanying Independent Auditor's Report.

Hartsel Fire Protection District
Schedule of Funding Progress - Volunteer Firefighters' Pension Trust Fund
Year Ended December 31, 2013

Analysis of Funding Progress

Year*	Actuarial Value of Assets	Actuarial Accrued Liability	Percent Funded	Annual Covered Payroll
2009	\$ 343,256	\$ 829,871	41%	N/A
2011	\$ 432,080	\$ 911,110	47%	N/A
2013*	\$ 557,544	\$ 1,029,957	54%	N/A

* Date of latest actuarial study was January 1, 2013.

Revenues by Source

Year	Property Taxes	State Contributions	Investment Income	Total
2011	\$ 65,000	\$ 15,998	\$ 6,610	\$ 87,608
2012	\$ 70,088	\$ 9,000	\$ 57,511	\$ 136,599
2013	\$ 71,018	\$ 9,000	\$ 81,891	\$ 161,909

Expenses by Source

Year	Annual Pension Cost	Administrative Expenses	Total
2011	\$ 43,680	\$ 3,257	\$ 46,937
2012	\$ 53,105	\$ 4,427	\$ 57,532
2013	\$ 63,950	\$ 4,169	\$ 68,119

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, 2013

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Additions				
Contributions				
District contribution	\$ 68,000	\$ 68,000	\$ 71,018	\$ 3,018
State of Colorado contributions	9,000	9,000	9,000	-
Total contributions	77,000	77,000	80,018	3,018
Investment income				
Earnings on investments	15,000	15,000	9,103	(5,897)
Unrealized gain on investments	-	-	37,653	37,653
Realized gain on investments	-	-	35,135	35,135
Total investment income	15,000	15,000	81,891	66,891
Total additions	92,000	92,000	161,909	69,909
Deductions				
Administrative fees	3,600	3,600	4,169	(569)
Pension benefits paid	55,000	55,000	63,950	(8,950)
Contingency	33,400	33,400	-	33,400
Total deductions	92,000	92,000	68,119	23,881
Change in net position	\$ -	\$ -	93,790	\$ 93,790
Net position at beginning of year			660,490	
Net position at end of year			\$ 754,280	

See accompanying Independent Auditor's Report.