

**GYPSUM FIRE PROTECTION DISTRICT
GARFIELD AND EAGLE COUNTIES, COLORADO**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	2-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities	14
Statement of Fiduciary Net Assets – Pension Trust Fund	15
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	16
Notes to the Basic Financial Statements	17-30
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	31
Other Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Funds	32
Statement of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual – Expendable Trust Pension – Fiduciary Fund	33

**MONAHAN
LAMPMAN
& HAYS, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

Officers and Directors
Gypsum Fire Protection District
Gypsum, Colorado 81637

INDEPENDENT AUDITOR'S REPORT

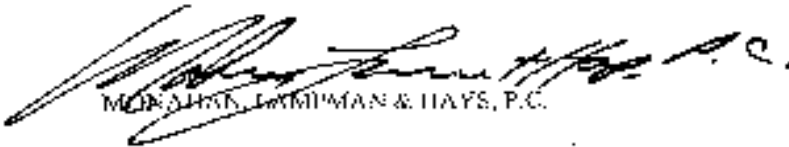
We have audited the accompanying financial statements of the governmental activities and each major fund, as well as each fiduciary fund type, of the Gypsum Fire Protection District, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and each fiduciary fund type of the Gypsum Fire Protection District, as of December 31, 2008 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison information on pages 2 through 8 and page 31, respectively, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Gypsum Fire Protection District's financial statements, taken as a whole. The individual fund budgetary comparison schedules listed as supplemental information in the table of contents, and presented on pages 32-33, are for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.



MONAHAN, LAMPMAN & HAYS, P.C.

June 4, 2009

GYPSUM FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Gypsum Fire Protection District, with boundaries in Garfield and Eagle Counties, Colorado, was organized pursuant to the provisions set forth in the Colorado Special District Act. The governing body consists of a five member Board of Directors which is elected by the registered voters within the District. The objective of the District is to provide for the preservation of life and protection of property from and during such fires and/or other emergencies as may occur within the fire protection district.

The discussion and analysis of the Gypsum Fire Protection District's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended December 31, 2008 are as follows:

- In total, the District's *overall* net assets increased \$422,138, or 45%, from the previous fiscal year primarily due to additional impact fees received in the current year.
- General Revenues accounted for \$1,123,807, or 74%, of all revenues. These general revenues include taxes, grants and entitlements, general interest and other revenues not related to specific programs. Program specific revenues, in the form of charges for services and sales, as well as program specific grants and contributions, accounted for \$398,358, or 26% percent, of the District's total revenues of \$1,522,765.
- The District had \$1,084,627 in expenses and pension transfers of \$16,000, of which \$398,358 were offset by program specific charges for services and sales, grants and contributions. The District's general revenues (primarily property taxes) were adequate to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of information on the same statement that present different views of the District:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- *Fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader's understanding of the financial statements.

GYPSUM FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

While this report contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

The focus of these government-wide financial statements is on the overall financial position and activities of the District. These financial statements are constructed around the concept of a primary government, the District. As described below, the financial statements of the District's fiduciary funds are not included in the government-wide financial statements, because resources of these funds cannot be used to finance the District's activities. However, the financial statements of fiduciary funds are included in the District's financial statements because the District is financially accountable for those resources, even though they belong to other parties.

The statement of net assets and statement of activities report the District's *net assets* and changes in those assets. This change in net assets is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws, statutorily required reserves, facility conditions, frequency of fires within the District and other factors. In the statement of net assets and the statement of activities, the District's operations are reported as a "Governmental Activity." Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. All of the District's programs and services are currently reported here.

FUND FINANCIAL STATEMENTS

The fund financial reports provide more detailed information about the District's *funds*, focusing on its most significant funds – not on the District as a whole. The District's major governmental funds include the General Fund and the Capital Projects Fund. Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The District also maintains a fiduciary fund for which the District acts solely as a trustee or agent for the benefit of those outside of the reporting entity (discussed below). The District's fund financial statements are divided into two broad categories; namely (1) governmental funds; and (2) fiduciary funds.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. The relationship, or differences, between governmental *activities* reported in the statement of net assets and the statement of activities and the governmental *funds* is reconciled in the financial statements. The *General Fund* is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund and the *Capital Projects Fund* provides for major capital improvements and acquisition of more expensive pieces of equipment.

GYPSUM FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

FUND FINANCIAL STATEMENTS – CONTINUED

Fiduciary Funds

The District's component unit, the Gypsum Fire Protection District Pension Fund, is a separate entity organized under Colorado Statutes to administer funds established for the volunteer fire fighters of the Gypsum Fire Protection District. The financial statements of the Pension Fund are prepared using the accrual basis of accounting.

THE DISTRICT AS A WHOLE

Statement of Net Assets

The perspective of the statement of net assets is of the District as a whole. Following is a summary of the District's net assets for the current and prior fiscal year:

	Governmental Activities		
	2008	2007	Increase (Decrease)
<u>ASSETS:</u>			
Current and Other Assets	\$ 1,819,964	\$ 1,376,656	\$ 443,308
Capital Assets, Net	1,030,274	1,028,168	2,106
	2,850,238	2,404,824	445,414
<u>LIABILITIES:</u>			
Current & Other Liabilities	1,267,908	1,177,899	90,009
Long-term Obligations	221,249	287,982	(66,733)
	1,489,157	1,465,881	23,276
<u>NET ASSETS:</u>			
Invested in Capital Assets, Net of Related Debt	804,183	737,712	66,471
Restricted	34,518	27,329	7,189
Unrestricted	522,380	173,902	348,478
	\$ 1,361,081	\$ 938,943	\$ 422,138

Total *assets* increased \$445,414 over the previous fiscal year. This is primarily due to an increase in the amount of impact fees remitted to the District that were collected by the Town of Gypsum on new developments within the District's boundaries. These additional moneys are reflected in the District's increase in cash and cash equivalents.

Total liabilities approximated those of the previous fiscal year.

The *net assets* of governmental activities increased \$422,138 which is the excess of the District's current year revenues over expenses. Restricted Net Assets reflect statutorily required Emergency Reserves (see *Note 11*). The financial position of the District has improved over the past fiscal year.

GYPSUM FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

THE DISTRICT AS A WHOLE – CONTINUED

Statement of Activities

The statement of activities reflects the cost of program services and the changes for services and sales, grants, and contributions offsetting those services. The following detail reflects the total cost of services supported by program revenues and general property taxes, unrestricted state entitlements, and other general revenues, resulting in the overall change in net assets for the current and prior fiscal year:

	Governmental Activities		
	2008	2007	Increase (Decrease)
<u>REVENUES:</u>			
<i>Program Revenues:</i>			
Charges for Services & Sales	\$ 397,348	\$ 132,678	\$ 264,670
Grants & Contributions	1,610	26,078	(24,468)
<i>General Revenues:</i>			
Property & Ownership Taxes	1,102,811	772,203	330,608
Interest & Investment Earnings	20,996	16,879	4,117
Total Revenues	1,522,765	947,838	574,927
<u>EXPENSES AND TRANSFERS:</u>			
Fire Protection Services	1,021,862	830,520	191,342
Fundraising	758	13,767	(13,009)
Interest and other Fiscal Charges	62,007	48,767	13,240
Transfers	16,000	16,000	-
Total Expenses and Transfers	1,100,627	909,054	191,573
Increase (Decrease) in Net Assets	\$ 422,138	\$ 38,784	\$ 383,354

Charges for Services increased over the prior fiscal year due to additional impact fee collections. These collections are indicative of the area's growth. It is expected that these amounts will decline over the next fiscal period. General revenues, consisting primarily of property taxes, increased due to the expansion of the District's boundaries and increases in the overall assessed valuation of properties within the District.

Fiscal year 2008 expenditures increased primarily due to additional salaries and related expenditures for the District's increase in the number of firefighters and volunteer firefighters to service the expansion of the District's area. Overall there were slight increases in most other line-item expenditures which is reflective of the District's growth. The current year increases in expenditures were primarily offset by savings from unused appropriations for contingencies and capital outlay.

GYPSUM FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

THE DISTRICT AS A WHOLE – CONTINUED

As indicated above, the statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table summarizes the information from the statement of activities, reflecting the total cost of program services and the remaining net cost of program services that are supported by taxes and other general revenues:

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Fire Protection Services	\$ 1,021,862	\$ 830,520	\$ 624,364	\$ 697,842
Fundraising	758	13,767	(702)	(12,311)
Interest and Fiscal Charges	<u>62,007</u>	<u>48,767</u>	<u>62,007</u>	<u>48,767</u>
Total Expenses	<u>\$ 1,084,627</u>	<u>\$ 893,054</u>	<u>\$ 685,669</u>	<u>\$ 734,298</u>

The District's dependence on general revenues is apparent. In 2008 and 2007, approximately 63% and 82% of the District's governmental activities were supported through taxes and other general revenues, respectively. The community as a whole is the primary support for the District's activities.

THE DISTRICT'S FUNDS

The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. The fund level financial statements are reported on the modified accrual basis of accounting. At the fund level, under the modified accrual basis of accounting, depreciable assets and their related depreciation expense are not reflected as they are not a current period financial resource or use. In addition, at the fund level, inflows from loans are presented as a revenue item while outflows for capital outlay and debt service payments are presented as an expenditure item, as these items represent current period financial resources and uses.

The General Fund ending fund balance increased from \$192,292 to \$329,244 during the current fiscal year. This represents the excess of current period revenues (financial resources) over current period expenditures and other financing uses (financial uses). Most financial resources are from property and specific ownership taxes. The majority of expenses are directly related to providing fire protection services to the District. The ending fund balance of \$329,244 represents the amount of net resources available for future spending.

The Capital Projects Fund ending fund balance increased from \$43,787 to \$261,412 during the current fiscal year. This represents the excess of current period current period expenditures (financial uses) over current period revenues and other financing sources (financial resources). The financial resources are from impact fees collected during the current fiscal year. The ending fund balance of \$261,412 represents the amount of net resources in the Capital Projects Fund available for future capital investment.

RESTRICTED FUND BALANCE – RESERVED FOR EMERGENCIES

The District, pursuant to the TABOR Amendment, reserves funds for emergencies. As discussed in Note 11 of the financial statements, the District reserves 3% of the total of all operational expenses every fiscal year. As operational expenses increase, this reserve will grow accordingly. At the end of each fiscal year, if the emergency reserves were not used, the funds are carried into the next year's operational funds.

GYPSUM FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

GENERAL FUND BUDGETING HIGHLIGHTS

The District's procedures in establishing the budgetary data reflected in the financial statements is summarized in *Note 1(F)* of the financial statements. Budgets are adopted on a basis consistent with generally accepted accounting principles for governmental entities. The District uses a line-item based budget. The budgeting systems are designed to control line-item expenditures, but provide flexibility for overall budgetary management.

General Fund Resources (Inflows)

The District's general fund budgeted revenues in the amount of \$1,137,289 exceeded budgetary expectations of \$1,122,396 by \$14,893. This positive variance primarily resulted from increases in specific ownership taxes which are dependent on the number of vehicles registered in the County and are beyond the control of management. In addition, excess revenues were received for fines, fees and permits. Local property tax collections, out of District calls and fundraising events did not meet budgetary expectations. It is not anticipated that these variances will have a significant impact on future services or liquidity. The General Fund budgeted other financing sources in the amount of \$2,500,000 did not occur as no debt was issued in the current fiscal year.

General Fund Charges to Appropriations (Outflows)

Actual expenditures and other financing uses of \$984,337 were \$2,801,090 less than the final appropriation of \$3,785,427. The major difference between budgeted and actual expenditures and other financing uses within the General Fund is excess appropriation for capital outlay of \$2,581,352 which was to be financed from the additional debt issue that did not occur, and from excess appropriation for contingency of \$188,692. Additional cost savings were achieved in unused appropriations for volunteer firefighter incentives and reimbursements. Line item expenditures which exceeded budgetary expectations were due to both District growth and increased call volume within the District as well as unanticipated expenditures for new intergovernmental support agreements and other professional services. The Intergovernmental Agreements include support expenditures for a Joint Training Facility that has opened its doors with a burn tower in Dotsero. Also included is a physician advisor agreement to help train and assist emergency first responders. It is not anticipated that these variances will have a significant impact on future services or liquidity.

* * *

The Board of Directors and the management continue to strive to budget appropriate amounts for each individual line item. The overall savings are also indicative of the efforts to provide services in the most economical manner. This year's overall savings will have a positive impact on future year's fund balances.

CAPITAL ASSETS

At the end of 2008, the District had a total of \$1,030,274 invested in capital assets. Current year net balances increased from the prior year due to current year investment in capital assets in excess of current year depreciation. Total depreciation expense for fiscal year 2008 was \$118,994.

The following reflects the balances of fiscal year 2008 compared to fiscal year 2007:

	Governmental Activities	
	2008	2007
<i>Net of Depreciation:</i>		
Non-depreciable Land	\$ 53,645	\$ 53,645
Buildings	269,781	254,808
Vehicles & Equipment	667,305	690,843
Office Furniture & Equipment	39,543	28,872
Total Net Capital Assets	\$ 1,030,274	\$ 1,028,168

GYPSUM FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

DEBT ADMINISTRATION

The District's debt consists of a capital lease agreement for a Rescue Pumper Truck. During 2008, the District doubled its monthly payment for this debt obligation (see also *Note 5*). The following reflects year end long-term obligation balances of fiscal year 2008 compared to fiscal year 2007:

	Governmental Activities	
	2008	2007
Capital Lease	\$ 226,091	\$ 290,456
Compensated Absences	29,270	29,082
Total Long-Term Obligations	\$ 255,361	\$ 319,538

CURRENT ISSUES, ECONOMIC CONDITION AND OUTLOOK

The Gypsum Fire Protection District is a combination department of paid and volunteer members. There are six paid firefighters, one paid administration specialist and forty-two volunteer members to handle all alarms and administration needs. Voters passed a deburring question in November of 1995 to help meet the needs of the District. During 2008 there were 1,730 operations. Because the District is so diversified in the kinds of service it provides, these operations include roll call every shift to maintain a level and standard of service by volunteers and paid staff for medical emergencies, structure fires, automobile fires, train wrecks, plane crashes, hazmat operations, wildland fires, mutual aid alarms, permits and inspections, traffic control and special event services. Based on a survey of combination fire agencies of comparable size, the District's mill levy of 6.833 mills is below the comparable average of 6.96 mills.

With the infusion of additional tax revenues and increased impact funds, the District has more funds available for capital expenditures. However, with the current economic climate, as the District moves into 2009 it plans to take a conservative approach to encumbering the District with long-term debt until market projections show a more positive trend. While the District has postponed the construction of the substation at Dotsero and the planned remodel of the original Station 14, it has not removed these projects from the District's objectives for the near future. With preplanning in place, the ability to move forward in an advantageous time frame may make the timing and economic conditions work to the District's advantage, as opposed to having encumbered debt in an economically poor period.

The District certified a total mill levy of 6.833 mills for the year 2008 which will generate approximately \$1,134,741 in property tax revenues for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional information, please contact the:

Gypsum Fire Protection District
P.O. Box 243
Gypsum, Colorado 81637
Tel: (970) 524-7101
Fax: (970) 524-9880

The Gypsum Fire Protection District Pension Fund, a component unit of the Gypsum Fire Protection District, also issues a public annual financial statement and all required supplemental information. That report may be obtained by writing to the address listed above.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

GYPSUM FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
December 31, 2008

	Governmental Activities
<u>ASSETS:</u>	
Current:	
Cash and Cash Equivalents	\$ 597,168
Receivables:	
Cash with County Treasurer	3,659
Accounts Receivable, Net	4,396
Property Taxes - Deferred	1,134,741
Note Receivable	80,000
Total Current Assets	1,819,964
Non-current:	
Capital Assets:	
Land	53,645
Buildings	432,942
Vehicles & Equipment	1,682,334
Office Furniture and Equipment	104,964
Less Accumulated Depreciation	(1,243,611)
Total Capital Assets, Net of Depreciation	1,030,274
TOTAL ASSETS	\$ 2,850,238
<u>LIABILITIES AND NET ASSETS:</u>	
Liabilities:	
Accounts Payable	\$ 14,567
Accrued Interest	4,488
Deferred Tax Revenues	1,214,741
Current portion of Long-term Obligations	34,112
Long-term Obligations:	
Capital Lease	191,979
Accrued Vacation and Comp Time	29,270
Total Liabilities	1,489,157
Net Assets:	
Invested in Capital Assets, Net of Related Debt	804,183
Restricted for:	
Emergencies	34,518
Unrestricted	522,380
Total Net Assets	1,361,081
TOTAL LIABILITIES AND NET ASSETS	\$ 2,850,238

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

GYPSUM FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2008

	PROGRAM REVENUES			
EXPENSES	Charges For Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:				
Fire Protection Services	\$ 1,021,862	\$ 397,348	\$ 150	\$ -
Fundraising	758	-	1,460	-
Interest on Long-term Debt	20,532	-	-	-
Other Fiscal Charges	41,475	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 1,084,627	\$ 397,348	\$ 1,610	\$ -

GENERAL REVENUES:

Taxes:

Property Taxes, Levied For General Purposes

Specific Ownership Taxes, for General Purposes

Unrestricted Interest and Investment Earnings

Total General Revenues

Excess before Transfers

Transfers - Pension

Change in Net Assets

NET ASSETS – BEGINNING OF YEAR

NET ASSETS – END OF YEAR

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

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Governmental
Activities

\$ (624,364)
702
(20,532)
(41,475)

(685,669)

1,050,243
52,568
20,996

1,123,807

438,138
(16,000)

422,138
938,943

\$ 1,361,081

FUND FINANCIAL STATEMENTS

GYPSUM FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General	Capital Projects	Total Governmental Funds
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 337,096	\$ 260,072	\$ 597,168
Receivables:			
Cash with County Treasurer	3,659	-	3,659
Accounts Receivable, Net	3,056	-	4,396
Property Taxes - Deferred	1,134,741	1,340	1,134,741
Note Receivable	-	80,000	80,000
Total Assets	\$ 1,478,552	\$ 341,412	\$ 1,819,964
 <u>LIABILITIES AND FUND EQUITIES:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 14,567	\$ -	\$ 14,567
Deferred Revenues	1,134,741	80,000	1,214,741
Total Liabilities	1,149,308	80,000	1,229,308
 <u>Fund Equity:</u>			
Fund Balance:			
Reserved for Emergencies	29,482	5,036	34,518
Reserved for Capital Outlay	-	256,376	256,376
Undesignated	299,762	-	299,762
Total Fund Equity	329,244	261,412	590,656
Total Liabilities and Fund Equity	\$ 1,478,552	\$ 341,412	\$ 1,819,964

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

GYPSUM FIRE PROTECTION DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2008

TOTAL GOVERNMENTAL FUND BALANCES \$ 590,656

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental Capital Assets	\$ 2,273,885	
Less Accumulated Depreciation	<u>(1,243,611)</u>	1,030,274

Some liabilities are not due and payable in the current year and, therefore, are not reported in the governmental funds:

Accrued Interest Payable	\$ (4,488)	
Current Portion of Long-term Liabilities	<u>(34,112)</u>	(38,600)

Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(221,249)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 1,361,081

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

GYPSUM FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended December 31, 2008

	General	Capital Projects	Total Governmental Funds
<u>REVENUES:</u>			
Taxes			
Local Property Taxes	\$ 1,050,243	\$ -	\$ 1,050,243
Specific Ownership Taxes	52,568	-	52,568
Out of District Calls	4,233	-	4,233
Impact Fees	-	374,562	374,562
Fines, Permits, Fees and Other	18,703	-	18,703
Fundraising	1,460	-	1,460
Interest Income	10,082	10,914	20,996
Total Revenues	<u>1,137,289</u>	<u>385,476</u>	<u>1,522,765</u>
<u>EXPENDITURES:</u>			
Capital Outlay	46,748	74,352	121,100
County Treasurer Fees and Abatements	34,151	7,324	41,475
Debt Service – Principal	-	64,365	64,365
Debt Service -- Interest	-	21,810	21,810
Donations and Scholarships	4,516	-	4,516
Dues and Subscriptions	5,732	-	5,732
Fleet – Gas and Oil	13,493	-	13,493
Fundraising Expense	758	-	758
Insurance	48,304	-	48,304
Miscellaneous Administrative	22,558	-	22,558
Office Expense	5,507	-	5,507
Payroll Taxes	14,066	-	14,066
Professional Services	77,940	-	77,940
Protective Clothing and Tools	3,496	-	3,496
Repairs and Maintenance – Building	3,771	-	3,771
Repairs & Maintenance – Equipment	37,668	-	37,668
Salaries and Benefits	546,391	-	546,391
Telephone/Cell Phones	10,442	-	10,442
Training	18,436	-	18,436
Travel	14,110	-	14,110
Utilities	6,592	-	6,592
Volunteer Firefighter Incentives/Reimbursements	69,658	-	69,658
Total Expenditures	<u>984,337</u>	<u>167,851</u>	<u>1,152,188</u>
Excess of Revenues Over (Under) Expenditures	<u>152,952</u>	<u>217,625</u>	<u>370,577</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Transfers (Out) – Pension Fund	(16,000)	-	(16,000)
Total Other Financing Sources (Uses)	<u>(16,000)</u>	<u>-</u>	<u>(16,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	136,952	217,625	354,577
Fund Balance – Beginning of Year	<u>192,292</u>	<u>43,787</u>	<u>236,079</u>
Fund Balance – End of Year	<u>\$ 329,244</u>	<u>\$ 261,412</u>	<u>\$ 590,656</u>

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

GYPSUM FIRE PROTECTION DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 354,577

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

Governmental Funds report capital outlays as expenditures; however, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year:

Capital Outlay	\$	121,100	
Depreciation		<u>(118,994)</u>	2,106

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of debt that was repaid during the current year: 64,365

Compensated absences not payable from current resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year. This is the amount by which accrued vacation, sick leave and comp time increased this year. (188)

Interest expense is recognized as an expenditure in the governmental funds when it is due, and this requires the use of current financial resources; however, in the Statement of Activities interest expense is recognized as the interest accrues regardless of when it is due. This is the amount by which accrued interest decreased in the current year. 1,278

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 422,138

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

GYPSUM FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUND
December 31, 2008

	<u>Expendable Trust Pension Fund</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 2,840
Investments in Fire and Police Pension Association	332,981
State Pension Contribution Receivable	<u>14,400</u>
 TOTAL ASSETS	 <u>\$ 350,221</u>
 <u>LIABILITIES AND NET ASSETS:</u>	
Liabilities:	
Accounts Payable	\$ <u>-</u>
Total Liabilities	<u>-</u>
Net Assets:	
Restricted for:	
Retirement Benefits	350,221
Unrestricted	<u>-</u>
Total Net Assets	<u>350,221</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 350,221</u>

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

GYPSUM FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY ASSETS
FIDUCIARY FUND
For the Fiscal Year Ended December 31, 2008

	Expendable Trust Pension Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer	\$ 16,000
State	14,400
Total Contributions	30,400
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	(118,080)
Interest, Dividends and Other Earnings	3,519
Real Estate, Net	96
Realized Gain (Loss)	(16,523)
Net Investment Income (Loss)	(130,988)
Total Net Additions (Reductions)	(100,588)
<u>DEDUCTIONS:</u>	
Benefits	42,300
Administration	3,325
Total Deductions	45,625
Net Increase (Decrease)	(146,213)
Net Assets Held in Trust for Pension	
Benefits – Beginning of Year	496,434
Net Assets Held in Trust for Pension	
Benefits – End of Year	\$ 350,221

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

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Gypsum Fire Protection District, herein referred to as the District, conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant accounting policies of the District are described below.

A. Financial Reporting Entity

The Gypsum Fire Protection District, with boundaries in Garfield and Eagle Counties, Colorado, was organized pursuant to provisions set forth in the Colorado Special District Act. The governing body consists of a five member Board of Directors which is elected by the registered voters within the District. The objective of the District is to provide for the preservation of life and protection of property from and during such fires and/or other emergencies as may occur within the fire protection district.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, in conformity with generally accepted accounting principles, the financial statements of a component unit have been included in the financial reporting entity. The District has one component unit, the Gypsum Fire Protection District Pension Fund.

The Gypsum Fire Protection District Pension Fund is a separate entity organized under Colorado statutes to administer funds established for the volunteer fire fighters of the Gypsum Fire Protection District. The financial statements of the Pension Fund are prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The investments are presented at fair value except for short-term investments which are recorded at cost, which approximates fair value.

Neither the District nor the Pension Fund is a component unit of any other governmental entity.

B. Individual Component Unit Disclosure

In conformity with generally accepted accounting principles, the financial statements of the component unit have been included in the financial reporting entity as a Fiduciary Fund which is used to account for assets held by the District in a trustee capacity for individual retirees of the District.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation

GOVERNMENT-WIDE STATEMENTS

The statement of net assets and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

In the statement of activities, direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds, including the component unit. Separate statements for each fund category – *governmental and fiduciary* – are presented. During the fiscal year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The District's funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations based upon the purposes for which they are to be spent and by the means by which spending activities are controlled. The various funds of the District are outlined in the following paragraphs:

Governmental Funds

Governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are included on their balance sheets. The reported fund balance (net current assets) is considered a measure of "available spendable resources". The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation - continued

Governmental Funds - continued

General Fund

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

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition of equipment and other capital improvements.

Fiduciary Fund

Pension Trust Fund

The Pension Trust Fund is used to account for assets held by the District in a trustee capacity for individual retirees of the District.

D. Basis of Accounting

GOVERNMENT WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

FUND FINANCIAL STATEMENTS

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual-basis of accounting*. Under this method, revenues are recognized when measurable and available. The District considers all revenues available if they are collected within 60 days after year-end. The following material revenue sources are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

- Property Taxes
- Specific Ownership Taxes

Taxpayer-assessed local property and specific ownership taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

The Pension Trust Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Property Taxes Receivable and Deferred Revenue

Property taxes are levied on December 15, and attach as an enforceable lien on property on January 1st of the following year. They may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by the County Treasurer and are reported as revenue when received by the County Treasurer. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31. However, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred revenue.

F. Budgets and Budgetary Accounting

The District uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the District Secretary submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A "Notice of Budget" is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to November 20, the Board shall adopt, by resolution, the budget for the ensuing fiscal year and shall certify the tax levy, unless an election for increased property tax is being held. The statutory deadline for certification of mill levies to the Board of County Commissioners if an election for an increased property tax levy is being held is December 15.
4. On or before December 15, the Board shall pass an annual appropriating ordinance in which such sums of money shall be appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.
5. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for governmental units, which provides that debt principal payments and capital outlay are treated as expenditures.
6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.
7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
8. Budget appropriations lapse at the end of each year.

The District legally adopted annual budgets for all of the District's funds for 2008. No budget amendments were made during 2008.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

G. Cash and Investments

The District's policy in determining which items are treated as cash equivalents include cash, demand deposits, treasury bills, and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts which reasonably estimate fair value. Additional cash disclosures are found in *Note 2* of the financial statements.

H. Capital Assets

All capital assets purchased or acquired with an original cost in excess of capitalization thresholds set by the District are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date of donation. Repairs and maintenance are recorded as expenditures as incurred; while additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation is provided on the straight-line basis over the following estimated useful lives.

Equipment	5-15 years
Infrastructure	7-40 years

I. Accrued Liabilities for Compensated Absences

The District's policy for compensated absences provides for a maximum one year carryover of unused sick time of up to 40 hours. Unused sick time in excess of 40 hours is either paid at 50% or can be contributed to a sick leave bank.

The District's policy is to permit employees to accumulate a limited amount of earned but unused vacation and comp time which will be paid upon separation from District service, with vacation and comp time paid at 100%.

The District accrues a liability for compensated absences which meet the following criteria:

- 1) The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) Payment of the compensation is probable.
- 4) The amount can be reasonably estimated.

In accordance with the above criteria, the District has accrued a liability for sick, vacation and comp time pay that had been earned but not taken by District employees only on the government-wide financial statements since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

J. Allowance for Doubtful Accounts

Bad debts are provided on the allowance method based on the District's evaluation of outstanding accounts receivable at the end of the year. The District believes that all accounts are collectible, therefore, no allowance for bad debt is reflected in the financial statements.

K. Restricted Assets/Reservations of Fund Balance

Assets are reported as *restricted* when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. *Reservations* of fund balance arise from certain board designations of fund balance, as well as the aforementioned constraints. It is the District's policy to use restricted assets first when an expense is incurred for which both restricted and unrestricted assets are available.

Emergencies – As discussed in Note 11, Colorado voters passed an amendment to the State Constitution. One of the provisions of this amendment requires local governments to establish an emergency reserve which is calculated at 3% of certain expenditures. These funds may only be expended in cases of emergencies as defined by the amendment, and are used to fund appropriations only after unrestricted resources are depleted.

Capital Improvements – *Reservations* of fund balance for future capital improvements.

L. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 2 - CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA.

The District's bank deposits were entirely covered by federal depository insurance or collateralized under PDPA in accordance with state statute, and had bank balances of \$145,132 in 2008 and \$51,719 in 2007 which were entirely covered by FDIC insurance.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 - CASH AND INVESTMENTS - continued

Investments

The District has not adopted a formal investment policy; however, the District invests public funds in a manner which will provide the highest investment return with the maximum security, meet daily cash flow demands, and conform to all federal, state and local statutes governing the investment of public funds. This applies to the investment of all financial assets of all funds of the District over which it exercises financial control.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. governmental agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee valley authority, and certain international agency securities, including the World Bank.
- General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies.
- Bankers' acceptances of certain banks
- Certain securities lending agreements
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed Investment contracts
- Local government investment pools
- The investing local government's own securities including certificates of participation and lease obligations.

As of December 31, 2008 the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Rating Agency</u>
Colotrust Accounts	\$ 483,742	AAAm	Standard & Poors
<u>Not Subject to Categorization</u>			
Fire and Police Pension Association of Colorado	\$ 332,981	unrated	

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 - CASH AND INVESTMENTS - continued

Investments - continued

As of December 31, 2008, the District had invested \$483,742 in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS +. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2008, the District had \$0 invested in COLOTRUST PRIME AND \$483,742 invested in COLOTRUST PLUS+. The COLOTRUST investments are not categorized in terms of custodial credit risk, since they are not evidenced by securities that exist in physical or book entry form.

The District's pension fund is managed by the "Fire and Police Pension Association of Colorado" (FPPA) in a Common Fund. Those investments are held in the name of the Association by their custodians. The investment in the FPPA investment pool is set by Colorado statute for funding of police and fire defined benefit pension plans. Investments consist of publicly traded common and preferred stock, convertible bonds, venture capital and real estate. Investments in FPPA are not categorized by risk as they are not evidenced by securities that exist in physical or book entry form. The fair value of the position of FPPA approximates the value of the District's investment in the pool. Additional disclosures on the pension fund can be found in *Note 8*.

Summary of Cash and Cash Equivalents

A summary of the District's cash and investments at December 31, 2008 is as follows:

Checking Accounts (<i>Governmental and Fiduciary</i>)	\$ 145,132
Colostrust Investment Pool	<u>483,742</u>
Total Bank Balances	628,874
Less Outstanding Items	<u>(28,866)</u>
Total Cash and Cash Equivalents (<i>Governmental and Fiduciary</i>)	<u>\$ 600,008</u>

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are included in the notes below.

To minimize custodial credit risk, or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, state law limits District investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. The District has deposits in Colostrust Plus+. Colostrust is rated AAAM by Standard & Poors.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 - CASH AND INVESTMENTS - continued

Risk Disclosures - continued

The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. District policy places no limit on the amount the District may invest in any one issuer; however the District maintains general guidelines for investments to ensure proper diversification by security type and institution. All District investments are issued or explicitly guaranteed by securities of the U.S. government, or insured by the Public Depository Protection Act, or are investments in mutual fund or external investment pools, and therefore are not subject to concentration of credit risk disclosure requirements.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. As of December 31, 2008, the District had no investments that were subject to interest rate risk as described above.

The District was not subject to foreign currency risk as of December 31, 2008.

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The District has a number of financial instruments, including cash and equivalents, receivables, accounts payable, and notes payable, none of which are held for trading purposes. The District estimates that the fair values of its financial instruments at December 31, 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

NOTE 4 - CAPITAL ASSETS

A summary of changes in Capital Assets follows:

	<u>Balance</u> <u>Jan 1, 2008</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>Dec 31, 2008</u>
GOVERNMENTAL ACTIVITIES				
Non-depreciable Land	\$ 53,645	\$ -	\$ -	\$ 53,645
Building/Improvements	401,494	31,448	-	432,942
Vehicles & Equipment	1,612,978	69,356	-	1,682,334
Office Equipment	84,668	20,296	-	104,964
Less Accumulated				
Depreciation	<u>(1,124,617)</u>	<u>(118,994)</u>	<u>-</u>	<u>(1,243,611)</u>
Net Capital Assets	<u>\$ 1,028,168</u>	<u>\$ 2,106</u>	<u>\$ -</u>	<u>\$ 1,030,274</u>

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 5 - LONG-TERM OBLIGATIONS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Capital Lease Obligation	\$ 290,456	\$ -	\$ (64,365)	\$ 226,091	\$ 34,112
Compensated Absences	<u>29,082</u>	<u>188</u>	<u>-</u>	<u>29,270</u>	<u>-</u>
Total	<u>\$ 319,538</u>	<u>\$ 188</u>	<u>\$ (64,365)</u>	<u>\$ 255,361</u>	<u>\$ 34,112</u>

Capital Lease Obligation

Master Municipal Lease and Option Agreement, payable to Municipal Services Group, Inc., payable in annual installments of \$43,087 through 2015 at an interest rate of 3.97%, secured by equipment. The term of the agreement is subject to annual appropriation and, therefore, terminates at the end of each current fiscal year, with annual renewal at the same terms and conditions of the original term, unless terminated by the District. The renewal balance at December 31, 2008 is \$226,091. The annual rental payments under the agreement are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 34,112	\$ 8,975	\$ 43,087
2010	35,466	7,621	43,087
2011	36,873	6,214	43,087
2012	38,338	4,749	43,087
2013	39,860	3,227	43,087
2014	<u>41,442</u>	<u>1,645</u>	<u>43,087</u>
	<u>\$ 226,091</u>	<u>\$ 32,431</u>	<u>\$ 258,522</u>

NOTE 6 - COMMITMENTS – INTERGOVERNMENTAL AGREEMENTS

The District has entered into intergovernmental agreements as follows: 1) with the Town of Vail, Town of Minturn, Eagle River Fire Protection District, Greater Eagle Fire Protection District, Town of Eagle, Basalt Fire Department, Eagle County Sheriff and the Colorado State Patrol, referred to as the Regional Hazardous Materials Association of Eagle County (RHMAEC), for sharing of costs to minimize the effects of hazardous substance incidents within Eagle County; 2) with the Eagle County Sheriff's Department to support expenditures of a Joint Training facility; 3) with Eagle County for operations of the 800 MhZ transmitter; 4) with Western Eagle County Ambulance District for a physician advisor to help train and assist emergency first responders. The District paid \$33,636 in fiscal year 2008 and \$17,831 in fiscal year 2007 related to these intergovernmental agreements and there were no unpaid liabilities due as of year-end.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 7 - VOLUNTEER FIRE FIGHTER'S PENSION

The District, on behalf of its volunteer firefighters, contributes to a defined benefit pension plan which is affiliated with the Fire and Police Pension Association of Colorado (FPPA). Assets of the plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund, an agent multiple-employer defined benefit pension plan administered by FPPA. The plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the Pension Board of Trustees. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the plan. FPPA issues a publicly available annual financial report that includes the assets of the volunteer plan. That report may be obtained by calling FPPA at 1-800-332-3772.

The Pension Fund's Board of Trustees is comprised of the five Directors of the District, a retired volunteer and an active volunteer. At December 31, 2008, there are 9 retired volunteers receiving benefits and 16 active volunteers of which 2 are vested in the plan.

Volunteer firefighters who maintain an average of 36 hours per year of training participation in the department are eligible to participate in the plan for that year. Volunteers' rights to a benefit vest after 20 years of service. Volunteers who retire at, or after the age of fifty with ten years of credited service, are entitled to a reduced benefit. In addition, the plan provides death and disability benefits, funded by insurance policies.

The financial statements of the volunteer plan are prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The investments are presented at fair value except for short term investments which are recorded at cost, which approximates fair value.

The District makes contributions based upon District established benefits and funding requirements based upon an actuarial study. Plan members do not make contributions. The State of Colorado also contributes to the plan in an amount set by statute.

A summary of the contributions to the Pension Fund and annual required contributions based upon actuarial studies for the current and prior five years are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
District contributions	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000
State of Colorado						
Contributions	<u>14,400</u>	<u>14,400</u>	<u>14,400</u>	<u>14,400</u>	<u>14,400</u>	<u>14,400</u>
Total combined contributions	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>
Annual required contributions	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>
Contributions as a percent of annual required contributions	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Net pension obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the years ended December 31 presented above, the contributions were equal to or exceeded the annual required contribution. There were no net pension obligations as of December 31 for any of the years presented above.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 7 - VOLUNTEER FIRE FIGHTER'S PENSION - continued

The Annual Required Contribution (ARC) for the current year was determined by the FPPA actuary, using the "entry age normal" cost method and is as of January 1, 2007. The significant actuarial assumptions used in the valuation as of January 1, 2008 were: (a) life expectancy of participants obtained from the 1994 Group Annuity Mortality Table loaded for fire and police experience; (b) retirement age assumption of 50 with 20 years of service; and (c) investment return of 8% per annum net of operating expenses.

For the purpose of this actuarial study, plan assets were valued at fair value using quoted market prices except for real estate which is recorded at estimated fair value based upon periodic appraisals, investments in limited partnerships which are recorded at estimated fair value as derived from the financial statements of the partnerships and guaranteed investment contracts which are recorded at contract value. Securities transactions are recorded on a trade dated basis. The study utilized a level dollar amortization over a closed period of 20 years. The asset valuation method is based on a three-year moving average of expected and actual market values determined as follows: 1) at the beginning of each plan year, an expected market asset value is calculated as the sum of the previous year's market value increased with a year's interest at the Plan valuation rate plus net cash flow (excluding expenses) adjusted for interest (at the same rate) to the end of the previous plan year; 2) the difference between the expected market asset value and the market value is the investment gain or loss for the previous plan year; 3) the final actuarial asset value is the actual market value less the deferred asset gains and losses for each of the three previous plan years, but in no case more than 120% of the actual market value or less than 80% of the actual market value; and 4) The actuarial value was initialized as market value as of January 1, 1999.

A summary of funding progress based upon actuarial studies, which are updated every two years, is as follows. A summary of funding progress for years prior to 1997 is not available.

Actuarial Valuation Date	Net Assets Available for Benefits (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (c)	Funded Ratio (a)/(b)
01/01/07	\$ 434,034	\$ 656,755	\$ 222,721	66%
01/01/05	\$ 347,783	\$ 474,876	\$ 127,093	73%
01/01/03	\$ 296,572	\$ 429,830	\$ 133,258	69%
01/01/01	\$ 278,534	\$ 371,970	\$ 93,436	75%
01/01/99	\$ 206,306	\$ 102,469	\$ (103,837)	201%
12/31/97	\$ 147,244	\$ 112,984	\$ (34,260)	130%

NOTE 8- STATE FIRE AND POLICE PENSION PLAN

The District contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan which is also administered by FPPA. This is a non-contributory plan. All full-time paid firefighters of the District are members of the Statewide Defined Benefit Plan. Colorado Statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. That report may be obtained by calling FPPA at 770-3772 in the Denver Metro area and 1-800-332-FPPA (3772) from outside the metro area.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 8- STATE FIRE AND POLICE PENSION PLAN - continued

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

The contribution requirements of plan members and the District are established by statute. The contribution rate for plan members is 8.0% of covered salary and for the District is 8.0% of covered salary. The District contributions to the Statewide Defined Benefit Plan for the years ending December 31, 2008, 2007, and 2006 were \$35,730, \$29,792, and \$21,539 respectively, equal to the District's required contributions for each year.

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - CONTINGENCIES

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2008.

NOTE 11 - STATUTORY COMPLIANCE

A) TABOR Amendment – Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations, which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years. TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of spending (excluding bonded debt service). The required reserve at December 31, 2008 is approximately \$34,518.

GYPSUM FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 11 - STATUTORY COMPLIANCE - continued

A) TABOR Amendment – Revenue and Spending Limitation Amendment - continued

The initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In November 1995, Gypsum Fire District voters approved a measure to allow the District to retain and spend all revenues in excess of the fiscal year spending limit and the 5.5% revenue increase limit provided the revenues are spent for fire, rescue and emergency medical services.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

B) Budget – Capital Projects Fund

For fiscal year 2008, the Capital Projects Fund actual budgetary expenditures and other financing uses of \$167,851 exceeded budgetary appropriations of \$162,840 by \$5,011. This was the result of the District using additional available resources received from impact fees to increase the amount of debt repayment over the amount budgeted for the current fiscal year. This may not comply with Colorado Revised Statutes.

REQUIRED SUPPLEMENTAL INFORMATION

GYPSUM FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
December 31, 2008

	GENERAL FUND		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes:			
Local Property Taxes	\$ 1,058,996	\$ 1,050,243	\$ (8,753)
Specific Ownership Taxes	31,000	52,568	21,568
Out of District Calls	7,500	4,233	(3,267)
Fines, Permits, Fees & Other	1,900	18,703	16,803
Fundraising	15,000	1,460	(13,540)
Interest Income	8,000	10,082	2,082
Total Revenues	<u>1,122,396</u>	<u>1,137,289</u>	<u>14,893</u>
EXPENDITURES:			
Capital Outlay	2,628,100	46,748	2,581,352
County Treasurer Fees and Abatements	27,200	34,151	(6,951)
Donations and Scholarships	1,600	4,516	(2,916)
Dues and Subscriptions	6,500	5,732	768
Fleet – Gas and Oil	11,000	13,493	(2,493)
Fundraising Expense	7,000	758	6,242
Insurance	47,675	48,304	(629)
Miscellaneous Administrative	13,800	22,558	(8,758)
Office Expense	7,500	5,507	1,993
Payroll Taxes	16,733	14,066	2,667
Professional Services	56,500	77,940	(21,440)
Protective Clothing and Tools	17,200	3,496	13,704
Repairs and Maintenance – Building	5,000	3,771	1,229
Repairs and Maintenance – Equipment	36,500	37,668	(1,168)
Salaries and Benefits	552,427	546,391	6,036
Telephone/Cell Phones	8,000	10,442	(2,442)
Training	24,000	18,436	5,564
Travel	12,000	14,110	(2,110)
Utilities	15,000	6,592	8,408
Volunteer Firefighter Incentives/Reimbursements	103,000	69,658	33,342
Contingency	188,692	-	188,692
Total Expenditures	<u>3,785,427</u>	<u>984,337</u>	<u>2,801,090</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,663,031)</u>	<u>152,952</u>	<u>2,815,983</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Long-Term Debt Issue	2,500,000	-	(2,500,000)
Transfers (Out) – Pension Fund	(16,000)	(16,000)	-
Total Other Financing Sources (Uses)	<u>2,484,000</u>	<u>16,000</u>	<u>(2,500,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(179,031)	136,952	315,983
Fund Balance – Beginning of Year	<u>179,031</u>	<u>192,292</u>	<u>13,261</u>
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ 329,244</u>	<u>\$ 329,244</u>

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

OTHER SUPPLEMENTAL INFORMATION

GYPSUM FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
December 31, 2008

	CAPITAL PROJECTS FUND		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES:</u>			
Impact Fees	\$ 121,888	\$ 374,562	\$ 252,674
Interest Income	500	10,914	10,414
Total Revenues	122,388	385,476	263,088
<u>EXPENDITURES:</u>			
Capital Outlay	67,000	74,352	(7,352)
Collection Fees and Abatements	3,000	7,324	(4,324)
Debt Service			
Principal	31,150	64,365	(33,215)
Interest	11,937	21,810	(9,873)
Contingency	49,753	-	49,753
Total Expenditures	162,840	167,851	(5,011)
Excess of Revenues Over (Under) Expenditures	(40,452)	217,625	258,077
Fund Balance – Beginning of Year	40,452	43,787	3,335
Fund Balance – End of Year	\$ -	\$ 261,412	\$ 261,412

GYPSUM FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS – BUDGET AND ACTUAL
EXPENDABLE TRUST PENSION – FIDUCIARY FUND
December 31, 2008

	EXPENDABLE TRUST PENSION FIDUCIARY FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>ADDITIONS:</u>			
Contributions:			
Employer	\$ 16,000	\$ 16,000	\$ -
State	14,400	14,400	-
Total Contributions	30,400	30,400	-
Investment Income:			
Net Investment Income (Loss)	50,010	(130,988)	(180,998)
Total Additions (Reductions)	80,410	(100,588)	(180,998)
<u>DEDUCTIONS:</u>			
Benefits	42,300	42,300	-
Administration	3,000	3,325	(325)
Appropriated Ending Fund Balance	538,230	-	538,230
Total Deductions	583,530	45,625	537,905
Net Increase (Decrease)	(503,120)	(146,213)	356,907
Net Assets Held in Trust for Pension Benefits			
Beginning of Year	503,120	496,434	(6,686)
End of Year	\$ -	\$ 350,221	\$ 350,221