
Animas Fire Protection District

Management's Discussion and Analysis Financial Statements And Independent Auditor's Report

For the Year Ended December 31, 2009



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INTRODUCTORY SECTION

July 21, 2010

To the Members of the Governing Board of the Animas Fire Protection District:

State law requires that all general-purpose local governments publish within seven months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the Animas Fire Protection District (the District) for the fiscal year ended December 31, 2009.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Haynie & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended December 31, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended December 31, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The District, established in 1970, is located in La Plata County, Colorado and was formed for the purpose of providing fire protection services for the unincorporated areas surrounding Durango, Colorado. The District is empowered to levy a property tax on both real and personal properties located within its boundaries

Beginning in 2002, the District, the City of Durango and Hermosa Cliff Fire Protection District jointly agreed to establish the Durango Fire and Rescue Authority (the Authority). The District and the Hermosa Cliff Fire Protection District contributes property tax revenue; the City of Durango contributes sales tax revenue to defray the costs of operating a fire protection, emergency response and emergency medical services transport to three adjacent entities.

The District has an ongoing financial interest in the Authority and the continued existence of the Authority is dependent on the Districts continued funding.

The annual budget serves as the foundation for the District's financial planning and control. The government's manager then presents this proposed budget to the Board for review prior to October 31. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 15th. The appropriated budget is prepared by fund, and function. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Local Economy

The Durango area, settled in the 1870's as a mining and commerce center, is located in the southwestern part of Colorado in La Plata County. La Plata County has experienced considerable economic and population growth. The 2009 local economy showed financial declines over previous years. Fort Lewis College Office on Economic analysis believes tourism now generates approximately 28% of all economic activity in La Plata County.

In 2009, the District provided 54% of the funding from the three local funding entities. Different from the City of the Durango, which relies on sales tax revenue; the Animas Fire Protection District's major source of revenues is property taxes. In 2009, 62% of the District's property tax base was from oil and gas production. The balance of the District's property tax base is from rural residential and commercial property within their jurisdiction. The assessed valuation of the District had seen annual growth averaging 16% from 2002 through 2007 due mainly to natural gas wells production. The District's heavy dependency on natural gas production, subjects its' property tax base to gas market fluctuations, could reduce the Districts contributions to the Authority. While 2010 assessed valuation increased, the forecast for the District's assessed valuation in future years indicates a significant decline.

Cash management policies and practices

Cash temporarily idle during the year was invested in COLOTRUST's investment pool. The District administrative and accounting functions are contracted.

I would like to express my appreciation to Haynie & Company, the firm that serves as the Authority's external auditors. Credit must be given to my fellow Board Members for their unflinching support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Claude E. Deering, Jr.
Treasurer

List of Elected Officials

Chairman — Greg Drover

Vice Chairman — Ken Nash

Secretary — Bill Warren

Treasurer — Claude Deering

Member — Doug Appel

FINANCIAL SECTION



Certified Public Accountants (a professional corporation)
1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Animas Fire Protection District
Durango, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Animas Fire Protection District, as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Animas Fire Protection District as of December 31, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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 on it. The transmittal letter on pages 2-3 is not a required part of the basic financial statements and is not supplementary information required by accounting principles generally accepted in the United States of America. We did not audit the information and express no opinion on it.

The accompanying other supplementary information as listed in the Table of Contents is not a required part of the basic financial statements but is other supplementary information. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Haynie & Co.

Littleton, Colorado
July 21, 2010



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Salt Lake City, UT 84110
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5974 South Fashion Pointe Dr., Suite 200
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Management's Discussion and Analysis

As management of the Animas Fire Protection District (District), we offer readers of the District's financial statements this narrative overview and analysis of the activities of the District for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2-3 of this report.

Financial Highlights

- 18% of the net assets total constituted unrestricted net assets as of December 31, 2009 which is available for spending at the District's discretion.
- The total increase in the District's investment in capital assets for the current fiscal year was 11%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements and, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements. The *District-Wide Financial Statements* are designed to provide readers with a broad view of the District's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g. uncollected taxes and accrued interest).

The government-wide financial statements distinguish functions of a government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District reports only governmental activities. The function of the District includes effective and economical operation of fire protection, rescue and emergency services within the jurisdictional boundaries of the District. This governmental activity is provided to the District's citizens under an intergovernmental agreement. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The district-wide financial statements include the District and its equity interest in the Authority, for which the District retains an ongoing financial interest and an ongoing financial responsibility.

The district-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or District objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related District legal requirements. The funds of the District include two governmental funds.

Governmental fund. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements are prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt which is recorded when due. Therefore, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Since the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information for *governmental activities* in the government-wide financial statements. To facilitate this comparison, reconciliations are provided for both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the debt service fund, both of which are considered to be major funds.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this requirement.

The basic governmental fund financial statements can be found on pages 15-16 of this report.

Notes to the Financial Statements. The notes to the financial statements are considered an integral part of the basic financial statements since they provide additional information needed to gain a full understanding of the data provided in both the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-25 of this report.

District-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9,850,607 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g., fire protection and emergency service equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets through an intergovernmental agreement to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from property taxes, since the capital assets themselves cannot produce sufficient revenue to liquidate these liabilities.

At the end of the current fiscal year, the District has reported positive balances in all categories of net assets, for the government as a whole.

Financial Analysis of the District's Change in Net Assets

Statement of Net Assets

	Governmental Activities	
	2009	2008 (Restated)
ASSETS		
Other Assets	\$ 1,968,799	\$ 1,586,244
Capital Assets, net	2,831,923	2,914,545
Investment in Authority	7,458,466	7,044,618
Total assets	<u>\$ 12,259,188</u>	<u>\$ 11,545,407</u>
LIABILITIES		
Other Liabilities	13,581	12,283
Long Term liabilities	2,395,000	2,830,000
Total liabilities	<u>\$ 2,408,581</u>	<u>\$ 2,842,283</u>
NET ASSETS		
Invested in capital assets (net of debt)	430,337	76,762
Restricted	248,367	189,813
Unrestricted	9,171,903	8,436,549
Total net assets	<u>\$ 9,850,607</u>	<u>\$ 8,703,124</u>

The total net assets at December 31, 2009, approximately 94% of the net assets total constituted unrestricted net assets. Of the \$9,171,903 of unrestricted net assets \$7,458,466 is investment in Authority's capital and other assets. The remaining \$1,713,437 (18%) is available for spending at the District's discretion.

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General fund revenue amounted to \$5,043,629 during 2009 and \$5,011,362 during 2008. General fund expenditures amounted to \$4,663,569 including \$3,909,636 to the Authority in the form of contributions to provide fire protection to the District's citizens. The General Fund also expended \$75,235 to the District's pension fund. The District's pension fund assets are held by the Authority. The District transferred \$82,926 to the Debt Service fund. During 2008, the General fund expended \$4,688,135, including \$3,828,000 to the Authority; \$75,235 to the District's pension fund and \$91,579 to the Debt Service fund.

The Debt Service fund has total net assets of \$124,727, all of which is reserved for the payment of debt service. The increase in fund balance during the current year in the debt service fund was \$56,084.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of December 31, 2009 amounted to \$7,998,859 (net of accumulated depreciation) as of December 31, 2009 and \$7,192,091 as of December 31, 2008. This investment in capital assets are the District's fire station facilities and the District's equity interest in capital assets of the Authority. The equity interest at December 31, 2009 amounted to \$5,166,936 (net of accumulated depreciation and \$4,277,542 as of December 31, 2008). The total increase in the District's investment in capital assets for the current fiscal year was 11%.

Additional information on the District's capital assets can be found in note 3 on page 23.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$2,395,000. During 2009, the District paid \$435,000 in principal payments relating to this debt.

Animas Fire Protection District Outstanding Debt

Year	Interest	Principal	Total
2010	79,035	450,000	\$ 529,035
2011	64,185	460,000	\$ 524,185
2012	49,005	480,000	\$ 529,005
2013	33,165	495,000	\$ 528,165
2014	<u>16,830</u>	<u>510,000</u>	<u>\$ 526,830</u>
Totals	<u>\$ 242,220</u>	<u>\$ 2,395,000</u>	<u>\$ 2,637,220</u>

Additional information on the District's long-term debt can be found in note 3 on page 24 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District:

Animas Fire Protection District
 PO Box 3820
 Durango, CO 81302

Basic Financial Statements

Government Wide Financial Statements

**ANIMAS FIRE PROTECTION DISTRICT
DURANGO, COLORADO
STATEMENT OF NET ASSETS (restated)
December 31, 2009**

	Total Governmental Activities
ASSETS:	
Cash	\$ 1,113,878
Investments	837,157
Receivables:	
La Plata County	17,764
Unamortized bond issuance costs	27,822
Capital assets:	
Land	817,106
Buildings (net of accumulated depreciation)	1,986,995
District's joint venture equity in Authority	7,458,466
Total assets	12,259,188
LIABILITIES:	
Accounts payable	6,995
Accrued interest	6,586
Portion due within one year	450,000
Portion due after one year	1,945,000
Total liabilities	2,408,581
Net assets:	
Invested in capital assets, net of debt	430,337
Restricted for:	
Emergency reserve	123,640
Debt service	124,727
Unrestricted	9,171,903
Total net assets	\$ 9,850,607

**ANIMAS FIRE PROTECTION DISTRICT
DURANGO, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009**

	Statement of Activities
GOVERNMENTAL ACTIVITIES	
Expenses:	
Public safety:	
Fire administration	\$ 150,308
Fire fighting	3,909,636
Pension fund	75,235
Depreciation and Amortization	83,246
Interest on Long Term Debt	91,573
Total expenses	4,309,998
General Revenues	
Property taxes	\$ 4,478,423
Specific ownership	326,404
Joint venture net income	413,848
Investment income	11,989
State pension match	32,235
Other	194,578
Total revenues	5,457,477
Change in net assets	1,147,479
Net assets beginning (restated)	8,703,128
Net assets ending	\$ 9,850,607

Fund Financial Statements

**ANIMAS FIRE PROTECTION DISTRICT
DURANGO, COLORADO
GOVERNMENTAL FUNDS - BALANCE SHEET
December 31, 2009**

	Funds		
	General	Debt Service	Total
ASSETS:			
Cash	\$ 1,057,712	\$ 56,166	\$ 1,113,878
Investments	774,607	62,550	837,157
Receivables:			
La Plata County	15,912	1,852	17,764
Property taxes	4,427,697	482,698	4,910,395
Due from General Fund	--	4,159	4,159
Total assets	\$ 6,275,928	\$ 607,425	\$ 6,883,353
LIABILITIES:			
Accounts payable	\$ 760	\$ --	\$ 760
Due to other funds	4,159	--	4,159
Due to DFRA	6,235	--	6,235
Deferred revenue	4,427,697	482,698	4,910,395
Total liabilities	4,438,851	482,698	4,921,549
FUND BALANCES			
Fund balances:			
Reserved for:			
Emergency reserve	\$ 123,640	\$ -	\$ 123,640
Debt service	--	124,727	124,727
Unreserved	1,713,437	--	1,713,437
Total fund balances	1,837,077	124,727	1,961,804
Total liabilities and fund balances	\$ 6,275,928	\$ 607,425	

Amounts reported for district activities in the statement of net assets are different because

Capital assets used in district activities are not financial resources and therefore are not reported in the funds	2,804,101
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	7,486,288
Long-term liabilities, including bonds payable and accrued interest, are not due in the current period and therefore not reported in the funds	<u>(2,401,586)</u>
Net assets of district activities	\$ 9,850,607

**ANIMAS FIRE PROTECTION DISTRICT
DURANGO, COLORADO
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2009**

	Funds		
	General	Debt Service	Total
Revenues:			
Property taxes	\$ 3,998,428	\$ 479,995	\$ 4,478,423
Specific ownership	292,567	33,837	326,404
Investment income	10,420	1,569	11,989
State pension match	32,235	--	32,235
Other	194,578	--	194,578
Total revenues	4,528,228	515,401	5,043,629
Expenditures:			
Current:			
Public safety:			
Fire administration	136,455	13,853	150,308
Fire fighting	3,909,636	--	3,909,636
Pension fund	75,235	--	75,235
Depreciation	--	--	--
Debt service:			
Principal	--	435,000	435,000
Interest and fiscal charges	--	93,390	93,390
Total expenditures	4,121,326	542,243	4,663,569
Excess of revenues (under) expenditures before transfers	406,902	(26,842)	380,060
Other financing sources (uses):			
Transfers in (out)	(82,926)	82,926	--
Total other financing sources (uses)	(82,926)	82,926	--
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	323,976	56,084	
Change in net assets			380,060
Fund balances/net assets:			
Beginning of the year	1,513,101	68,643	1,581,744
End of the year	\$ 1,837,077	\$ 124,727	\$ 1,961,804

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities**

**ANIMAS FIRE PROTECTION DISTRICT
DURANGO, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009**

Amounts reported to district activities in the statement of activities (page 14) are different because:

Net change in fund balances - Total governmental funds (page 16) \$ 380,060

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. (77,682)

The issuance of long-term debt (provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however as any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payment	435,000	
Amortization of bond premium	<u>(5,564)</u>	429,436

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Accrued interest on bond debt - change in liability		1,817
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Revenues in Statement of Activities related to the District's Equity in Joint Venture

Change in Equity position in Authority		<u>413,848</u>
--	--	----------------

Change in net assets of district activities		<u><u>\$ 1,147,479</u></u>
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**ANIMAS FIRE PROTECTION DISTRICT
DURANGO, COLORADO
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 3,917,767	\$ 3,998,428	\$ 80,661
Specific ownership	316,000	292,567	(23,433)
Investment income	20,000	10,420	(9,580)
State pension match	32,235	32,235	--
Other	--	194,578	194,578
Total revenues	4,286,002	4,528,228	242,226
Expenditures:			
Current:			
Public Safety:			
Fire administration	152,850	136,455	16,395
Fire fighting	3,909,631	3,909,636	(5)
Pension fund	75,235	75,235	--
Fire fighting capital	517,000	--	517,000
Total expenditures	4,654,716	4,121,326	533,390
Excess of revenues over (under) expenditures	(368,714)	406,902	775,616
Other financing sources (uses):			
Transfers in (out)	(82,926)	(82,926)	--
Total other financing sources (uses)	(82,926)	(82,926)	--
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(451,640)	323,976	775,616
Fund balances			
Beginning of the year	1,539,194	1,513,101	(26,093)
End of the year	\$ 1,087,554	\$ 1,837,077	\$ 749,523

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Animas Fire Protection District, Durango, Colorado (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The following is a summary of such significant policies consistently applies in the preparation of the financial statements.

A. Reporting Entity

The Animas Fire Protection District was formed for the purpose of providing fire protection services for the unincorporated areas surrounding Durango, Colorado. The District has its own elected governing board and levies a tax on the property within the District for operations.

On January 1, 2002, the District along with the City of Durango and the Hermosa Cliff Fire Protection District created a separate legal entity, the Durango Fire and Rescue Authority (Authority) to provide fire protection and emergency response services to the adjoining areas of the three contracting entities. The Durango Fire and Rescue Authority (Authority) operates under an intergovernmental agreement. The Animas Fire Protection District will continue to levy property taxes to contribute to the Authority to defray the costs of its operations. The District will levy property taxes for the existing debt of the District.

B. Joint Ventures

The District has an equity interest in a joint venture as defined by the Governmental Accounting Standards Board (GASB), Statement No. 14 the Financial Reporting Entity.

The Authority is subject to joint control by the contracting parties. The District along with the City of Durango and the Hermosa Cliff Fire District approves the Authority's annual budget. The District does retain an on-going financial interest and responsibility in the Authority. The Authority's continuing existence depends on contributions provided by the District's property tax levy. In 2009, the District contributed 54% of the total contributions made by the three contracting parties. Separately issued financial statements for the Authority are available from its administrative office. The District's share of net income from the joint venture is reported as revenue within the Statement of Activities.

C. Government-wide and Fund Financial Statements

The accompanying financial statements are presented in accordance with GASB Statement No. 34-Special Purpose Governments.

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on the government-type activities of the District, which rely to a significant extent on taxes and intergovernmental payments for support. The statement of activities demonstrates the degree to which expenses are offset by revenues.

D. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement focus, basis of accounting and financial statement presentation (Cont.)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The District reports the following governmental funds:

General fund -is the Districts primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Debt Service fund -accounts for the accumulation of resources for the repayment of long-term debt.

E. Assets, liabilities and equity

Deposit and investments

The District considers cash and cash equivalents to include cash on hand and demand deposits.

Fair value of financial instruments

The District's financial instruments include cash and cash equivalents, investments, accounts receivable and accrued liabilities. The District estimates that the fair value of all financial instruments at December 31, 2009 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Use of estimates

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

Property taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments due February 28 and June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. La Plata County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities and equity (Continued)

Capital assets

Capital assets, used in governmental activities of the District, are recorded at cost. District fire stations are being depreciated on a straight line basis based on estimated useful lives of 40 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset have not been capitalized.

Restricted fund balances

The District restricts fund balance to indicate that a portion of the fund balance is legally segregated for a specific future use. Following is a list of all reserves used by the District and a description of each:

Restricted for emergencies -reflects equity of the General Fund which is restricted for emergency purposes by the TABOR Amendment of the State of Colorado. "Emergency" excludes economic conditions, revenue shortfalls, or district salary and fringe benefits.

Restricted for debt service -An account used to segregate a portion of fund balance for debt service resources legally restricted for the payment of long-term debt principal and interest amounts maturing in future years.

Risk management

The District is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance coverage for vehicles, commercial property, commercial umbrella, commercial general liability, and management liability. The District retains no risk of loss. The District buildings and property are under DFRA's policies.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Budgets are adopted on a basis consistent with US GAAP. All annual appropriations lapse at fiscal year end. The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

Prior to October 1, the Finance Director (not an elected Official) submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Directors (elected officials.) The Board may change the proposed budget prior to the publication of the notice of budget. Within ten days of submission, a notice of the proposed budget is published. The operating budget for all funds includes proposed expenditures and the means of financing them.

Public hearings are held at the regular Board of Directors meetings to obtain taxpayer input.

2. STEWARDSHIP. COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

No later than December 15th of the prior year for the ensuing fiscal year, the Board of Directors must formally adopt the budget, which is legally enacted through passage of a budget resolution. The Board of Directors must approve revisions that changes appropriations of any fund. Appropriations are controlled and the budget is only amended in conformity with Colorado Revised Statutes, which only allows the District to amend the budget and adopt a supplemental appropriation, if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

3. DETAILED NOTES ON THE FUNDS

A. Deposits and investments -Custodial Credit Risk

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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 market value of the collateral must be equal to 102% of the aggregate uninsured deposits.

As of December 31, 2009, all of the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

At December 31, 2009 and 2008 the District's deposits were as follows:

	2009	
	Bank Balance	Carrying Balance
Petty cash	\$ -	\$ 200
Deposits covered by federal insurance	250,000	250,000
Deposits collateralized in a single institution pool	<u>867,130</u>	<u>863,678</u>
Totals	<u>\$ 1,117,130</u>	<u>\$ 1,113,878</u>
	2008	
	Bank Balance	Carrying Balance
Petty cash	\$ -	\$ 200
Deposits covered by federal insurance	81,890	148,045
Deposits collateralized in a single institution pool	-	-
Totals	<u>\$ 81,890</u>	<u>\$ 148,245</u>

3. DETAILED NOTES ON THE FUNDS (Continued)

A. Deposits and investments -Custodial Credit Risk (Continued)

Investments

Credit risk

The District follows Colorado Revised Statutes regarding its investments. Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest which include: obligations of the United States and certain U.S. government agency securities, general obligation and revenue bonds of U.S. local government entities, bankers acceptances of certain banks, commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds, guaranteed investment contracts, and local government investment pools.

At December 31, 2009, the District had \$837,157 invested in COLOTRUST which is rated "AAAm" by Standard & Poor's.

B. Capital assets

As of December 31, 2009 District capital assets were composed of the following:

	Balance December 31, 2008	Additions	Deletions	Balance December 31, 2009
Land	\$ 817,106	-	-	\$ 817,106
Buildings	<u>3,107,298</u>	<u>-</u>	<u>-</u>	<u>3,107,298</u>
	3,924,404	\$ -	\$ -	\$ 3,924,404
Depreciation	<u>(1,042,621)</u>	<u>(77,682)</u>	<u>-</u>	<u>(1,120,303)</u>
	<u>\$ 2,881,783</u>	<u>\$ (77,682)</u>	<u>\$ -</u>	<u>\$ 2,804,101</u>

There were no additions or retirements of capital assets during the year. The District recorded depreciation expense in the amount of \$77,682.

3. DETAILED NOTES ON THE FUNDS (Continued)

C. Long-term debt

The District issues general obligation bonds to provide funds for the acquisition of equipment and capital facilities. During 2008, \$3,290,000 General Obligation Refunding Bonds were issued to refund the Districts 1996 General Obligation Bonds.

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

	Balance December 31, 2008	Additions	Retirements	Balance December 31, 2009	Due Within One Year
General Obligation Refunding Bond Series 2008	\$ 2,830,000	-	(435,000)	2,395,000	450,000
	<u>\$ 2,830,000</u>	<u>\$ -</u>	<u>\$ (435,000)</u>	<u>\$ 2,395,000</u>	<u>\$ 450,000</u>

The annual requirements for the General Obligation Bonds payable are as follows:

Year	Interest	Principal	Total
2010	79,035	450,000	\$ 529,035
2011	64,185	460,000	\$ 524,185
2012	49,005	480,000	\$ 529,005
2013	33,165	495,000	\$ 528,165
2014	<u>16,830</u>	<u>510,000</u>	<u>\$ 526,830</u>
Totals	<u>\$ 242,220</u>	<u>\$ 2,395,000</u>	<u>\$ 2,637,220</u>

4. PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that an equity interest in the Authority should be recorded in the District's assets. The District has recorded an adjustment to reflect the balance of \$7,044,618 in Investment in Authority as of December 31, 2008. The beginning balance of Unrestricted net assets at December 31, 2008 of \$1,658,510 has been adjusted to \$8,703,128.

5. OTHER INFORMATION

Colorado voters passed an amendment to the state constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it meets the requirements of the amendment. However, the District has made certain interpretations of the amendment's language to determine compliance.

Reconciliation of government-wide financial statements and fund financial statements

The Governmental Funds -Balance Sheet/Statement of Net Assets includes an adjustments column. The adjustments have three elements: 1) capital assets used in government activities are not financial resources and therefore are not reported in the funds; 2) bond principal and accrued interest are not due and payable in the current period and therefore are not reported in the funds; 3) amounts reported as fund balances have been reclassified for inclusion in Net Assets.

OTHER SUPPLEMENTARY INFORMATION

**ANIMAS FIRE PROTECTION DISTRICT
DURANGO, COLORADO
DEBT SERVICES FUND - STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2009**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 452,950	\$ 479,995	\$ 27,045
Specific ownership	30,000	33,837	3,837
Investment income	7,500	1,569	(5,931)
Total revenues	490,450	515,401	24,951
Expenditures:			
Current:			
Public Safety:			
Fire administration	20,000	13,853	6,147
Fire fighting	--	--	--
Pension fund	--	--	--
Debt Service:			
Interest	93,390	93,390	--
Principal	435,000	435,000	--
Total expenditures	548,390	542,243	6,147
Excess of revenues (under) expenditures	(57,940)	(26,842)	31,098
Other financing sources (uses):			
Transfers in (out)	82,926	82,926	--
Bond premium	--	--	--
Bond issuance	--	--	--
Bond refunding	--	--	--
Total other financing sources (uses)	82,926	82,926	--
Excess of revenues and other financing sources (under) expenditures and other financing (uses)	24,986	56,084	31,098
Fund balances			
Beginning of the year	48,836	68,643	19,807
End of the year	\$ 73,822	\$ 124,727	\$ 50,905