

HANOVER FIRE PROTECTION DISTRICT

Aug 13, 2024

This meeting is being recorded to assist in the production of meeting minutes.

1. CHANGES TO AGENDA/POSTPONEMENTS
2. PUBLIC COMMENT:
3. APPROVAL OF THE MINUTES FROM JULY
4. REGULAR BUSINESS:
 - a. Treasurer's Report for July
 - b. Chief's Report
5. OLD BUSINESS:
 - a. Hanover Fire 50th anniversary
 - b. 2024 Audit Completed
 - c. SDA Conference
 - i. Sept 10th-12 (Keystone Registration opens July 1)
 - d. New grants and upcoming grants
 - i. Firefighters Safety and Disease Prevention Grant (Not Open)
 - e. Station 2 Insurance Claim
 - i. Building
 1. The structure engineer has submitted their report to the insurance company. We will receive the outcome this week.
 - ii. Trucks
 1. They were deemed a total loss.
 - iii. Temporary building with three bays
 1. The bid proposal has been submitted to the insurance company.
 - iv. Loose equipment claims.
 1. It was submitted and returned as they need more information.
 - f. Replacement Trucks
 - i. We have completed a deal on them. The Deputy Chief and I will fly out to complete the reinspection and return them.
6. NEW BUSINESS:
 - a. Current lease payments
 - i. The current leases have been paid off.

HANOVER FIRE PROTECTION DISTRICT

Aug 13, 2024

- b. New Leases
 - i. The packets are done and approved; the money is in escrow.
 - c. Funding for the rebuild.
 - d. Appointment of the Fire Chief to complete the 2025 Budget
7. OTHER BUSINESS:
- a. Schedule a working group session to talk about
 - i. Station 2 rebuild plans, timelines
 - ii. Truck replacements
 - iii. Funding options
 - b. Districts Funding options
 - i. Tipping Fees
 - ii. Impact fees
 - iii. Sale tax
8. FUTURE AGENDA ITEMS:
9. BOARD COMMENTS
10. ADJOURNMENT

Hanover Fire Protection District

Profit and Loss

July 2024

	TOTAL
Income	
Earned Revenues	111,209.24
Total Income	\$111,209.24
GROSS PROFIT	\$111,209.24
Expenses	
Administrative Expense	
Bank Service Charge	16.06
Incentives +Achievement	178.86
Office Supplies and Materials	1,612.82
Professional Services fees	
Accounting	250.00
Total Professional Services fees	250.00
Total Administrative Expense	2,057.74
Benefits	
Health Insurance	1,258.38
Volunteer Stipen Pay	12,599.53
Total Benefits	13,857.91
Maintenance	
Stations Maintenance	816.89
Vehicle Maintenance	12,217.73
Total Maintenance	13,034.62
Operation	
Fuel and oil	8,325.98
Medical Supplies Expendables	50.00
Telephone	3,462.26
Utilities	700.39
Total Operation	12,538.63
Other Miscellaneous Expenses	
Volunteer FF Deployment	45.00
Total Other Miscellaneous Expenses	45.00
Payroll Expenses	
Company Contributions	
Health Insurance	384.65
Total Company Contributions	384.65
Taxes	2,745.73
Wage	25,471.68
Total Payroll Expenses	28,602.06

Hanover Fire Protection District

Profit and Loss

July 2024

	TOTAL
Training	
Training - Fire	1,749.81
Total Training	1,749.81
Total Expenses	\$71,885.77
NET OPERATING INCOME	\$39,323.47
Other Income	
Interest Income	66.66
Total Other Income	\$66.66
NET OTHER INCOME	\$66.66
NET INCOME	\$39,390.13

Hanover Fire Protection District

Profit and Loss

January - July, 2024

	TOTAL
Income	
Earned Revenues	1,029,800.67
Total Income	\$1,029,800.67
GROSS PROFIT	\$1,029,800.67
Expenses	
Administrative Expense	98.30
Bank Service Charge	105.15
Data Automation/ ERS	5,990.31
Incentives +Achievement	1,787.17
Office Supplies and Materials	6,126.63
Postage and Delivery	14.09
Professional Services fees	
Accounting	1,750.00
Legal Fees & Notices	5,862.75
Total Professional Services fees	7,612.75
Recruitment Retention	161.32
Total Administrative Expense	21,895.72
Benefits	
Health Insurance	9,292.66
Insurance - Workmans Comp	11,194.00
Volunteer Stipen Pay	17,706.69
Total Benefits	38,193.35
Communications	
Cellular Support	4,140.00
County Paging Net/ 911	660.00
Regional Radio Network Support	9,068.65
Web Page	38.74
Total Communications	13,907.39
District Hq Lease	288.99
Donation Expense	-1,878.19
Dues and Subscriptions Expense	997.25
Ems Training	3,220.38
Maintenance	
Radio & Pager Maintenance	3,046.28
Stations Maintenance	8,699.09
Vehicle Maintenance	33,812.93
Total Maintenance	45,558.30
Operation	
Fuel and oil	19,740.13
Insurance -Liability	3,998.21
Medical Supplies Expendables	16,104.68

Hanover Fire Protection District

Profit and Loss

January - July, 2024

	TOTAL
Telephone	7,846.51
Utilities	5,709.33
Total Operation	53,398.86
Other Miscellaneous Expenses	
Volunteer FF Deployment	14,649.52
Total Other Miscellaneous Expenses	14,649.52
Payroll Expenses	
Company Contributions	
Health Insurance	384.65
Total Company Contributions	384.65
Taxes	26,631.21
Wage	162,666.33
Total Payroll Expenses	189,682.19
Training	
Training - Chief	3,713.33
Training - Fire	11,272.70
Total Training	14,986.03
Total Expenses	\$394,899.79
NET OPERATING INCOME	\$634,900.88
Other Income	
Interest Income	275.35
Total Other Income	\$275.35
NET OTHER INCOME	\$275.35
NET INCOME	\$635,176.23

Hanover Fire Protection District

Balance Sheet As of July 31, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Colorado Trust	4,198.61
UMB Checking-0624	10,534.81
UMB Money Mkt-5659	765,238.19
UMB MonMkt2-4912	64,743.23
Total Bank Accounts	\$844,714.84
Accounts Receivable	
Accounts Receivable	0.00
Total Accounts Receivable	\$0.00
Other Current Assets	
Generator	7,140.00
Inventory Asset	20,880.19
Payroll Corrections	0.00
Prepaid Insurance	0.00
Prepaid Repairs Stations 1&2	122,926.88
Prepaid-Fuel and oil	2,251.36
Undeposited Funds	0.00
Vol Disability Insurance	0.00
Total Other Current Assets	\$153,198.43
Total Current Assets	\$997,913.27
Fixed Assets	
Accumulate Depreciation	-998,343.33
Building improvements	11,293.60
Capital - Fence	3,817.00
Capital - Fixed Support Equip	74,343.46
Capital Lease-3511 Fire Truck	123,491.46
Fire Station - Improvements	55,405.70
Station 1	1,650.00
Station 2 - cost	223,801.81
Station 2 Expansion	422,526.14
Station 2 Office	0.00
Station 3	131,297.38
Station 3 Gas install	0.00
Total Fire Station - Improvements	834,681.03
Fixed Asset Software	30,615.26

Hanover Fire Protection District

Balance Sheet

As of July 31, 2024

	TOTAL
Furniture & Equipment	15,802.02
2 New Radios	-3,734.56
2007 Dodge Durango Console	1,577.99
2007 Light	13,602.10
3/4 HP Brown Pump - Well Pump	0.00
AEDs	2,530.34
Bunk Gear 7 Sets	0.00
Bunker Gear Sets	65,389.31
Cascade System	29,729.49
Computer- Mobile	8,092.88
Equipment 1	0.00
Equipment 2	0.00
Extractor	8,585.48
Extrication Equipment	33,182.00
Fire Hose	34,030.00
Laptop computer sets	4,415.85
Mechanical CPR Unit	11,814.50
Med Stair chairs	6,105.60
Metal Bldg 2011	0.00
Minitor II Pagers	0.00
Mob Radio	3,147.36
Network Page Net Convert	0.00
New Door	0.00
Office Equipment	17,019.83
PPR Comm Norwest	18,534.00
Radio (1) 2020	10,630.79
Radio 3570	0.00
Radio Motorlas	46,353.18
Radio/Pagers (2)	16,108.65
SCBAs (8)	71,870.25
TVs 2020	7,710.45
Units	1,439.88
Wildland Firefighting gear	80,429.01
Wildland Pump	5,335.00
Total Furniture & Equipment	509,701.40
Radio/Pager 2020	26,978.90
Shelters2020	4,483.70
Streamlight Fire Vulcan System	539.81
Surveillance Equipment 2020	7,119.97

Hanover Fire Protection District

Balance Sheet

As of July 31, 2024

	TOTAL
Vehicles & Trucks	600,585.62
1989 Pierce Arrow Engine	17,000.00
1992 Chev Ambulance	2,000.00
1997 Pierce Engine	9,500.00
2 Fire Brush Truck	-35,000.00
2000 Ford Ambulance	29,000.00
2003 Ford 250 & 2007 Dodge Dura	4,320.00
2008 Brush Truck 3	283,551.89
2008 Tanker	0.00
2009 Suburban	14,746.20
2013 Chevy Tahoe	-19,170.00
2021 Chevy Silverado	57,098.44
2022 Chevy Ex Cab	85,718.90
Ambulance 2015 Chev	121,950.00
Chief Truck	31,496.56
Dep Chief Vehicle	16,731.41
Engine 3511(1999)	120,055.16
Equipment	20,468.32
Vehicle-Hose Roller	9,240.00
Total Equipment	29,708.32
Fast Attack-2 2021	33,823.90
Fire Truck	600.00
Fire Truck 1986 F800	0.00
Fire Truck 2001 3521	61,451.31
Fire Truck 2005 3522	87,292.99
Fire Truck 2021 5500 Chevy	24,964.63
Fire Truck A7 (3512)	22,500.00
Ford Expedition 2012	4,000.00
Snow Mobile Trailer	6,912.77
Support Trailer	58,973.67
Truck	0.00
Total Vehicles & Trucks	1,669,811.77
Total Fixed Assets	\$2,298,534.03
Other Assets	
Pension Fund	411,283.43
Prepaid Utilities	14,638.20
Total Other Assets	\$425,921.63
TOTAL ASSETS	\$3,722,368.93

Hanover Fire Protection District

Balance Sheet

As of July 31, 2024

	TOTAL
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	0.00
Total Accounts Payable	\$0.00
Credit Cards	
Capital One Credit Card	21,382.78
Visa-UMB-9581	0.00
Total Credit Cards	\$21,382.78
Other Current Liabilities	
Colorado Department of Revenue Payable	-629.00
Direct Deposit Liabilities	0.00
Direct Deposit Payable	0.00
Notes Payable	0.00
Payroll Liabilities	8,366.80
401a	615.46
457	-282.09
457 Roth	-333.37
941- Social & Medicare	-0.99
Archuleta Child Support	-34.27
CO Income Tax	-1,998.00
CO Paid Family and Medical Leave	114.64
CO Unemployment Tax	1,123.28
Federal Taxes (941/944)	5.88
Federal Unemployment (940)	126.00
Federal Withholding	0.00
FUTA- Federal Unemployment	0.00
State Wage Withholding	0.00
SUTA- State Unemployment	-322.53
Vestw Contributionell Integration State IRA	7,449.54
Total Payroll Liabilities	14,830.35
Total Other Current Liabilities	\$14,201.35
Total Current Liabilities	\$35,584.13
Long-Term Liabilities	
Lease Purchase Payable	-80,854.26
Loan to Sate Bank-3511 Fire Tru	26,000.00
Total Long-Term Liabilities	\$ -54,854.26
Total Liabilities	\$ -19,270.13

Hanover Fire Protection District

Balance Sheet

As of July 31, 2024

	TOTAL
Equity	
Opening Balance Equity	840,943.83
Retained Earnings	2,265,519.00
Net Income	635,176.23
Total Equity	\$3,741,639.06
TOTAL LIABILITIES AND EQUITY	\$3,722,368.93



Hanover Fire Protection District
13325 Old Pueblo Road
Fountain, CO 80817
(719) 382-1900



Building plan reviews / Inspections (NTR)

Equipment Testing

1. The vehicle's annual services are completed; a few minor items were noted that need to be addressed.

Personal (NTR)

Grants

1. Safer Grant (Submitted 11-April)
 - a. Funding opportunity Staffing adequate fire and emergency response grant. (3rd round of awards so far)
2. Safer Grant (Submitted 11-April)
 - a. Fire Prevention and Safety Community Outreach Training (5th round of awards so far)
3. Safer Grant Training (Submitted 11-April)
 - a. Fire Prevention and Safety (5th round of awards so far)
4. El Palmar Grant (Submitted 28-June) (27 September 2024, the awards committee will meet. We will get the notification within 3 business days.
 - a. Completed Fire/EMS UTV
5. Direct Distribution Funding (Submitted 28-June)
 - a. Structure Bunker gear (10 complete Sets)
 - b. Wildland PPE (10 Complete Sets)
 - c. 6 MSA Packs
6. Fire House Grant (Working)
 - a. Extraction equipment

Training

1. State Burn Trailer
 - a. The trailer was a success with live fire training both for the certified members and the probationary and JFF members. We also held a Joint JFF live burn training with Security and Stramoor hills FD.



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Radios

1. Radios
 - a. We had a radio that we could use; we also ordered a wireless radio and intercom for the replacement engine. The tender's radio was ok.

Old Items

1. Retirement plans for career and part-time employees
 - a. The first deposit into the retirement plans is completed.
 - b. We had a joint meeting to discuss the deposit of the funds from January to July, which will be completed by the end of the month.
2. Fire at Station 2
 - i. Storage Container
 1. We have purchased a storage container to store items salvaged from the station and trucks.
 - ii. Remainder of items in the main station.
 1. We are waiting for the air ducts to be cleaned; once they are cleaned, the insulation can be blown back in.
 2. A sample of the carpet had to be removed and tested; they will be replacing the carpet in the day room, both bedrooms, and the conference room
- b. Vehicle adjuster
 - i. They totaled them and set up 2 times that they would have someone here to pick them up. We have yet to receive a call from the towing company letting us know when they will be here.
 - ii. We have not received the insurance payments on either truck. We have a call and email to request an update on payment and the removal of the trucks.
- c. The building adjuster
 - i. The structural engineer sent their findings to the insurance adjusters. We are supposed to hear what they are going to do this week.



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- d. Gas lines to the Station
 - i. The gas line has been replaced, and the gas has been restored to the building. We still have issues with the water heaters and need to upgrade our gas meter. That request has been submitted with supporting documentation to black hills, and we await them to get back to us.
- e. Phone lines
 - i. We have a temporary phone service in the building. We are currently looking at VOIP for the station. If it works, we will have it installed at station 1. We will be upgrading station 3 with starlink. Looking at the cost, we are paying Century Link. It would be cheaper with starlink at a monthly fee.
- 3. Short-term needs
 - f. Temporary building.
 - i. The estimate has been sent to our public appraisers. They have forwarded it to the insurance company and are working on getting an answer.
 - 1. We have about 11 weeks before the weather starts turning cold. If this is turned down, the officers are working on other options.
 - ii. Engine and Tender
 - 1. The tender is completed with the items we have identified on our initial trip. The engine is waiting on a few parts that were supposed to arrive at their shop on Friday or this Monday, and they should have the last few items completed by Friday.
 - 2. We have 2 airline tickets flying out on Sunday. We will postpone the trip until September if the parts are not in.
- 4. Station 2 Rebuild
 - iii. Bbkern Designs LLC is working on the initial design. They have contacted El Paso County planning department for a premeeting. The dates that they have are 12-23rd of August. We are still waiting for a date.



Hanover Fire Protection District
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New Items

1. State legislation special session
 - a. There is a movement to call back the state legislation to cut more Property taxes before the November election.

2. OSHA
 - a. OSHA is looking to redo the emergency response standards. Currently, the OSHA only has authority over industrial firefighting. They want to add firefighting, EMS, search and rescue, and Wildland firefighting.

3. Graphic for replacement trucks
 - a. We are waiting for the proposed graphic designs from Watts Upfitting.

Questions

HANOVER FIRE PROTECTION DISTRICT
INDEPENDENT AUDITORS' REPORT AND
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Hanover Fire Protection District

Management's Discussion and Analysis As of and for the year ended December 31, 2023

As management of the Hanover Fire Protection District (the District), we offer readers of the District's financial statements this narrative analysis of the financial activities of the District for the year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the notes to the financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,361,873.
- Total expenses exceeded revenues by \$45,890.
- At the end of the current fiscal year, the unassigned fund balance for the District was \$1,094,812. This represents an increase of \$110,863 from 2022 and the entire unassigned fund balance may be used to meet the District's obligations to citizens and creditors.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the District's financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District 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 or grant revenue (*business-type activities*). The governmental activities of the District include only general government and fire protection.

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 objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District uses only two funds both of which are governmental funds: 1) the general fund, to account for all operations and 2) the capital improvement fund to account for all major capital acquisition and construction activity.

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, 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 financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget. Budgetary comparison schedules are included in the fund financial statements to demonstrate compliance with the adopted budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,361,873 at the close of the most recent fiscal year.

A large portion of the District's net position (52%) reflects its investment in capital assets (e.g., land, buildings, equipment). The District uses these assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Unassigned net position of \$1,094,812 may be used to meet the government's ongoing obligations to citizens and creditors.

Hanover Fire Protection District Condensed Statement of Net Assets As of December 31, 2023

	<u>2023</u>
Current assets	\$1,256,026
Capital assets, net	<u>1,664,535</u>
Total assets	<u>\$2,920,561</u>
Accounts payable	\$ 127,668
Capital lease	<u>431,020</u>
Total liabilities	<u>558,688</u>
Non-spendable investment in capital assets net of related debt	1,233,515
Restricted	33,546
Unassigned	<u>1,094,812</u>
Total net position	<u>\$2,361,873</u>

Statement of Activities

	<u>2023</u>
Revenues:	
Program revenues:	
Insurance proceeds	\$ 60,000
Other	184,793
General revenues:	
Taxes	761,656
Interest earnings	698
Total revenue	<u>1,007,147</u>

Expenses:	
General government	48,166
Public safety	<u>1,004,871</u>
Total expenses	<u>1,053,037</u>
Decrease in net position	(45,890)
Net position--beginning January 1	2,407,763
Net position--ending December 31	<u><u>\$2,361,873</u></u>

Fund Financial Analysis

The focus of the District's governmental fund reporting 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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the most recent fiscal year, the District's general fund reported an ending fund balance of \$276,308 a decrease of \$171,364 in comparison with the previous year. Approximately 88% of this total amount, \$242,762, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted or has been assigned to indicate that it is not available for new spending because it has already been committed to cover the state constitutionally mandated 3% TABOR reserve of \$33,546.

Pension Fund

The District has a defined benefit pension plan administered by a third party covering retired employees with 20 years and have attained the age of 50. There are 17 active participants and 1 retired participant.

The District paid the required contribution for the year of \$16,263. The accrued actuarial liability is \$321,277 and the actuarial value of assets are \$411,283.

General Fund Budgetary Highlights

The District's annual budget is the legally adopted expenditure control document of the District. The District did not amend its budget during the fiscal year. Budget variances can be summarized as follows:

- Total revenue was over budget due largely to additional funds from insurance and contract services.

- Expenditures came in over budget mainly due to wages and benefits. . .

The 2024 revenue budget is significantly higher than 2023 actual revenues due to higher taxes. Operating expenditures are higher than 2023 actual.

In 2024 there was a fire in station #1. An \$850,000 loss on equipment was incurred which is covered by insurance except for a \$2,000 deductible. Approximate \$400,000 loss on contents. Insurance payout not calculated. Building loss approximately \$900,000 and loss payout is being negotiated.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to Hanover Fire Protection District, 13325 Old Pueblo Rd, Fountain, CO 80817.

FINANCIAL STATEMENTS

**HANOVER FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Assets	
Cash and equivalents	\$ 381,442
Cash with County Treasurer	22,534
Property tax receivable	852,050
Capital assets--	
Land	40,000
Other capital assets, net of depreciation--	
Fire station buildings	313,537
Fire trucks and equipment	1,310,998
	2,920,561
 Total assets	 2,920,561
 Liabilities	
Accounts payable	25,047
Accounts payable - covid funds	102,621
	127,668
 Capital leases payable	 431,020
 Total liabilities	 558,688
 Net position	
Nonspendable - invested in capital assets, net of related debt	1,233,515
Restricted--TABOR emergency reserve	33,546
Unassigned	1,094,812
	2,361,873
 Total net position	 \$ 2,361,873

**HANOVER FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Expenses	
General government	\$ 48,166
Public safety--fire protection	
Supplies and services	815,223
Depreciation	178,622
Interest	<u>11,026</u>
Total program expenses	<u>1,053,037</u>
 Program revenues	
Insurance proceeds	60,000
Other	1,951
Contract services	182,842
Covid money received which needs to be returned	-
Total program revenue	<u>244,793</u>
Net program revenue	<u>(808,244)</u>
 General revenues	
Property tax	692,173
Specific ownership tax	69,483
Investment interest	698
Total general revenues	<u>762,354</u>
 Decrease in net position	 (45,890)
 Net position - beginning of the year	 <u>2,407,763</u>
 Net position - end of the year	 <u><u>\$2,361,873</u></u>

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

**HANOVER FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General
Assets	
Cash and equivalents	\$ 381,442
Cash with county treasurer	22,534
Pension contribution receivable	-
Property tax receivable	852,050
Total assets	\$ 1,256,026
 Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 25,047
Accounts payable - covid funds	102,621
Pension payable	-
Total liabilities	127,668
Deferred inflow - property taxes	852,050
Total liabilities and deferred inflows	979,718
 Fund balances	
Restricted for emergencies	33,546
Assigned to pension plan	-
Unassigned	242,762
Total fund balances	276,308
Total liabilities and fund balances	\$ 1,256,026

**Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities**

Total governmental fund balances	\$ 276,308
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,664,535
Property tax assessment for 2023 not receivable in the current period	852,050
Capital lease payable	(431,020)
Net position of governmental activities	\$ 2,361,873

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

**HANOVER FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Revenues	<u>General</u>
Taxes	
Property tax	\$ 631,865
Specific ownership tax	69,483
Contract services	182,842
Grants and donations	-
Investment earnings	698
Covid money received which needs to be returned	-
Insurance proceeds	60,000
Other	1,951
	<u>1,951</u>
Total revenues	946,839
Expenditures	
Current	
General government	48,166
Public safety	815,223
Capital outlay	157,323
Donation	-
Debt service	-
Principal	86,465
Interest	11,026
	<u>11,026</u>
Total expenditures	1,118,203
Excess (deficiency) of revenues over (under) expenditures	<u>(171,364)</u>
Other financing sources (uses)	
Other financing sources - capital leases	-
Transfers out	-
	<u>-</u>
Total other financing sources (uses)	-
Net change in fund balances	(171,364)
Fund balances, beginning of year	<u>447,672</u>
Fund balances, end of year	<u><u>\$ 276,308</u></u>

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

**HANOVER FIRE PROTECTION DISTRICT
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, 2023**

Net change in fund balances - governmental funds	\$(171,364)
Amounts reported for governmental activities in the statement of activities are different because:	
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.	
Expenditures for capital assets	157,323
Less current year depreciation	<u>(178,622)</u>
Excess capital expenditures over (under) depreciation	<u>(21,299)</u>
Property tax revenues are recorded in the statement of activities when the tax is levied; they are not reported in the funds until collected or collectible within 60 days of year end.	
	60,308
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Debt incurred is income in the governmental funds, but increases long-term debt in the statement of net assets.	
Capital lease principal paid	86,465
Capital lease debt incurred	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ (45,890)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

HANOVER FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Hanover Fire Protection District (the District) have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows.

A. Reporting entity

Hanover Fire Protection District is a fire district encompassing most of Hanover, Colorado. The District provides rural fire protection to the area staffed by volunteers from Hanover. Revenues are predominantly provided by property tax receipts and grants into the general funds and capital reserve funds. The accompanying financial statements consist only of Hanover Fire Protection District since the District has no component units and is not a component unit of any other governmental entity as defined by generally accepted accounting principles.

B. Government-wide and fund financial statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or identifiable activity, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not included among program revenues are reported as general revenues.

C. 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

HANOVER FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

C. Measurement focus, basis of accounting, and financial statement presentation
(Continued)

earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to claims and judgments, which are recorded only when payment is due.

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

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) operating grants and contributions, and 2) capital grants and contributions. General revenues include all taxes and investment earnings.

When both restricted and unrestricted resources are available for use, for governmental activities, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

HANOVER FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

D. Assets, liabilities, and net position or equity

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Receivables

No allowance for doubtful accounts is considered necessary.

3. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Fire fighting vehicles	15 years
Fire fighting equipment	10 years
Communication and computer equipment	5 years

4. Net position

In the government-wide financial statement, net position is reported in four categories: non-spendable, restricted, assigned and unassigned. Amounts not in spendable form, such as capital assets net of related debt, is separately reported as non-spendable. Assigned amounts are constrained by the District's intent to use for a specific purpose. Unassigned amounts are the District's remaining amounts not included in the previous two categories.

HANOVER FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

5. Fund equity

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

E. Property taxes

Property taxes are levied, assessed, become due and attach as an enforceable lien on property as of January 1st. Taxpayers have the option of paying their taxes in full on or before April 30th, or paying in two installments of one half due by February 28th with the remaining payment due by June 15th. Unpaid taxes become delinquent as of August 1st and are subject to collection procedures on or after October 1st. The dollar amount of property taxes receivable is included as a receivable and as current revenue in the government-wide financial statements but is included as a receivable and deferred revenue on the balance sheet for the governmental funds.

F. Use of estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Tax spending and debt limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending for all years after and including 1995. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has restricted net assets in the amount of \$33,546 in order to comply with the 3% reserve requirement for future year expenditures.

HANOVER FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

A. Tax spending and debt limitations (continued)

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

The District's Directors believe that the District is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretations. Ultimate implementation and impact upon the District's financial activity may depend upon litigation and legislative guidance.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

The deposits at December 31, 2023 consisted of \$381,442 cash in bank and \$22,534 cash held by the County Treasurers.

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. Amounts on deposit in excess of federal insurance levels must be collateralized. The District's cash in bank is deposited in a PDPA eligible public depository.

2. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, deferred revenue reported in the governmental funds consisted of property taxes not yet available in the amount of \$852,050.

HANOVER FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. Capital assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	<u>\$40,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$40,000</u>
Capital assets being depreciated:				
Station buildings	832,297	64,106	--	896,403
Trucks and equipment	<u>2,660,957</u>	<u>93,217</u>	<u>--</u>	<u>2,754,174</u>
Total capital assets being depreciated	<u>3,493,254</u>	<u>157,323</u>	<u>--</u>	<u>3,650,577</u>
Less accum. Depreciation	<u>(1,847,420)</u>	<u>(178,622)</u>	<u>--</u>	<u>(2,026,042)</u>
Total capital assets being depreciated, net	<u>1,645,834</u>	<u>(21,299)</u>	<u>--</u>	<u>1,624,535</u>
Total capital assets, net	<u>\$1,685,834</u>	<u>\$(21,299)</u>	<u>\$ --</u>	<u>\$1,664,535</u>

NOTE 5 – LEASES PAYABLE

The District leased three new vehicles in 2023 for a total of \$517,485. Payments are As follows:

Lease payable to bank. Eleven annual payments of \$17,622 beginning July 2024, including interest at 5.95%. Down payment of \$50,000 due June 2023 with no interest. Collateralized by equipment.	\$129,985
Lease payable to bank. Four annual payments of \$12,797 beginning July 2023, including interest at 3.48%. Collateralized by equipment.	35,689
Lease payable to bank. Ten annual payments of \$34,694 beginning July 2023, including interest at 3.4%. Collateralized by equipment.	<u>265,346</u>
	<u>\$431,020</u>

HANOVER FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 –LEASES PAYABLE (continued)

Future lease obligations are as follows:

2023	\$65,113
2024	65,113
2025	65,113
2026	52,316
2027	52,316
Thereafter	<u>131,049</u>
	<u>\$431,020</u>

NOTE 6 – PENSION PLAN

The District has a defined benefit pension plan administered by a third party covering retiring employees with 20 years of service who have reached the age of 50. The required contribution paid by the District for the year ended December 31, 2022 was \$16,878.

Plan funding summary;

Active participants 17
Retired participants 1

Actuarial accrued liability \$321,277
Actuarial value of assets \$411,283

Investment return assumption 3.00%

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to directors and subcontractors; and natural disasters. The District purchases commercial insurance for most risks of loss. See note #8.

HANOVER FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 – SUBSEQUENT EVENTS

Events subsequent to December 31, 2023, have been evaluated through July 29, 2024, the date these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found two subsequent event to be disclosed. Covid funds received in 2022 will need to be returned. Any associated interest or penalties is unknown.

In 2024 there was a fire in station #1. An \$850,000 loss on equipment was incurred which is covered by insurance except for a \$2,000 deductible. Approximate \$400,000 loss on contents. Insurance payout not yet calculated. Building loss approximately \$900,000 and insurance payout is being negotiated.

REQUIRED SUPPLEMENTARY INFORMATION

**HANOVER FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes			
Property tax	\$ 686,177	\$ 631,865	\$ (54,312)
Specific ownership tax	-	69,483	69,483
Contract services	-	182,842	182,842
Grants and donations	85,364	-	(85,364)
Investment earnings	3,000	698	(2,302)
Covid proceeds to be refunded	-	-	-
Other	17,200	61,951	44,751
Total revenues	791,741	946,839	155,098
Expenditures			
Current			
General government			
Administration	42,250	48,166	(5,916)
Public safety			
Fire fighting expenses	36,200	20,416	15,784
Wages	461,062	483,182	(22,120)
Training expenses	36,200	20,416	15,784
Communications expenses	38,800	9,732	29,068
Equipment repairs	133,500	130,812	2,688
Stations & buildings maintenance	139,550	19,600	119,950
Other	200	131,065	(130,865)
Capital outlay	101,500	157,323	(55,823)
Debt service	-		
Principal	48,200	86,465	(38,265)
Interest	-	11,026	(11,026)
Contingency	40,796	-	40,796
Total expenditures	1,078,258	1,118,203	(39,945)
Excess (deficiency) of revenues over (under) expenditures	(286,517)	(171,364)	115,153
Other financing sources			
Capital leases	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	\$ (286,517)	(171,364)	\$ 115,153
Fund balances, beginning of year		447,672	
Fund balances, end of year		\$ 276,308	

See notes to required supplementary information.

HANOVER FIRE PROTECTION DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

NOTE 1 – BUDGETARY INFORMATION

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of the Hanover Fire Protection District in accordance with Colorado Budget Laws. Budgets are prepared on the same basis as that used for accounting purposes. Budget appropriations lapse at the end of each year.

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

1. Prior to September 20th, the Hanover Fire Protection District directors begin preparing an operation budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures.
2. A public hearing is conducted at the Fire Hall to obtain taxpayers comments.
3. Prior to January 1st, the budget is legally enacted through passage of a resolution.
4. Budgets for the General and Capital Improvements Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

MUNICIPAL LEASE AND OPTION AGREEMENT

LESSOR: Leasing Specialists, LLC 8242 Ceasna Drive Peyton, CO 80831 (719) 433-9978	Send all documents to: Leasing Specialists, LLC 8242 Ceasna Drive Peyton, CO 80132 (719) 433-9978	Agreement No.: 2005 Date: 08/05/2024
LESSEE: Hanover Fire Protection District 13325 Old Pueblo Road Fountain, CO 80817 Phone: 719-683-3473	VENDOR: See Exhibit A & B	
NOTE: This is an Internal Income tax-exempt transaction. No TIN/SSN must be provided because none of the payments are IRS reportable (such as Form 1099). (See Sections 103, 149, and 6041 of the Internal Revenue Code of 1986, as amended, and the instructions for Forms 1099, 8038-G, and 8038-GC.)		
EQUIPMENT DESCRIPTION: One (1) 2016 Spartan Firetruck (Unit 3512) VIN# 4S7AU2D92GC81023 One (1) 2013 International 7600 (unit 3522) VIN# 1HTGSSJT5DJ154669 as more thoroughly described in Exhibit "A" to the Agreement		
Any additional equipment will be described in any Detailed Equipment Description Amendment that is executed and which refers to this Agreement.		
Lessor assumes and shall have no responsibility for performance or maintenance of Equipment. Equipment is to be insured by Lessee. VENDOR IS NOT AN AGENT OF LESSOR and no representative of Vendor is authorized to waive, supplement or otherwise alter any provision hereof. Maintenance and/or supplies ARE NOT included in this Agreement unless specified in the Equipment Description. Lessor of assignee has a security interest in Equipment and must be notified in writing of any removal or trade-in of Equipment before full payment is made to Lessor or assignee.		
Equipment Location. Complete only if Equipment will not be located at Renter's address shown above.		
Address	City	State Zip
EQUIPMENT COST - TERM - PAYMENTS		
LEASE TERM	11-year term, 11 annual payments (includes interest, see Section 5.02).	
PAYMENTS	\$50,000.00 as first payment due 09/01/2024 and \$90,000.00 due for remainder 10 payments as provided in the Payment Schedule.	
TOTAL AMOUNT FINANCED	\$700,000.00 - Includes no sales tax, all additional taxes will be the sole responsibility of Lessee.	
PURCHASE OPTION AMOUNT	Purchase Option is \$1.00 after timely making all payments.	

THIS AGREEMENT IS SUBJECT TO THE TERMS AND CONDITIONS PRINTED ON THE FOLLOWING PAGES, WHICH TERMS ARE MADE A PART HEREOF.

TERMS AND CONDITIONS

- Lessor hereby leases the equipment to Lessee for the following purposes and upon the following terms and conditions:
- ARTICLE I: COVENANTS OF LESSEE.** Lessee represents, covenants and warrants, for the benefit of Lessor and its assignee(s), as follows:
- A. Lessee is a public body, corporate and politic, duly organized and existing under the Constitution and laws of the State as set forth above ("State") and will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic.
 - B. Lessee has been duly authorized to execute, deliver and perform this Agreement under the Constitution and laws of the State and under the terms and provisions of the resolution of its governing body, or by other appropriate official approval. Lessee further represents, covenants and warrants that all requirements have been met, and procedures have occurred in order to ensure the enforceability of this Agreement, and Lessee has complied with such public bidding requirements as may be applicable to this Agreement and the acquisition by Lessee of the Equipment hereunder. If requested, Lessee shall deliver to Lessor an opinion of Lessee's counsel in form acceptable to Lessor certifying that all requirements of state law or municipal code or ordinance have been complied with.
 - C. During the term of this Agreement, the Equipment will be used by Lessee only for the purpose of performing one or more governmental or proprietary functions of Lessee consistent with the permissible scope of Lessee's authority and will not be used in a trade or business of any person or entity other than the Lessee.
 - D. During the period this Agreement is in force, Lessee will annually provide Lessor or its assignee(s) with proof of appropriation of funds in the current budget for the lease payments and other obligations of Lessee under this Agreement (or a copy of the complete budget if so requested by Lessor or its assignee), and proof of appropriation for the ensuing fiscal year when such appropriation has been approved by the Lessee's governing body. Lessee further agrees to make its best effort to budget for and have appropriated for each budget and/or appropriation cycle, sufficient funds to make the Lease Purchase Payments throughout the entire Lease Term.
 - E. The Equipment will have a useful life in the hands of the Lessee that is substantially in excess of the Original Term plus any Renewal Terms.
 - F. The Equipment is, and shall remain during the period this Agreement is in force, personal property and when subject to use by Lessee under this Agreement, will not be or become a fixture under applicable law.
 - G. This Agreement, and all of its Amendments and Addendums, including the Detailed Equipment Description, supersedes and replaces any and all representations or warranties made by Lessor or Vendor prior to execution of the Agreement.
 - H. The Equipment described above is NOT BEING LEASED ON ANY TYPE OR FORM OF A TRIAL OR RENTAL BASIS.
 - I. Lessee will comply with all applicable provisions of the Internal Revenue Code of 1986 (the "Code"), including without limitation Sections 103 and 148 thereof, and the applicable regulations of the U.S. Treasury Department in order to maintain the exclusion of the interest components of Lease Purchase Payments from gross income for the purposes of U.S. federal income taxation.
 - J. Lessee will use the proceeds of this Agreement as soon as practicable, and with all reasonable dispatch, for the purpose for which this Agreement has been entered into. No part of the proceeds of this Agreement shall be invested in any securities, obligations or other investments or used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of this Agreement, would have caused any portion of the Agreement to be or become "arbitrage bonds" within the meaning of Section 103(b)(2) or Section 148 of the Code, as amended, and the applicable regulations of the U.S. Treasury Department.
 - K. Lessee hereby designates the Agreement as a "qualified tax-exempt obligation" as defined in Section 265(b)(3) (B) of the Code. The aggregate face amount of all tax-exempt obligations (excluding private activity bonds other than qualified 501(c)(3) bonds) issued, or to be issued, by Lessee and all subordinate entities thereof during the calendar year of commencement of this Agreement (the "issuance Year") is not reasonably expected to exceed \$10,000,000.00. Lessee and all subordinate entities thereof will not issue in excess of \$10,000,000.00 of qualified tax-exempt obligations (including this Agreement, but excluding private activity bonds other than qualified 501(c)(3) during the issuance Year without first obtaining an opinion of nationally recognized counsel in the area of tax-exempt obligations acceptable to Lessor that the designation of this Agreement as a "qualified tax-exempt obligation" will not be adversely affected. (Omit and initial this paragraph if it is not applicable.)
 - L. Lessee represents and warrants that it is a governmental unit under the laws of the State with general taxing powers, this Agreement is not a private activity bond as defined in Section 141 of the Code, as amended, 95% or more of the net proceeds of this Agreement will be used for local governmental activities of Lessee and the aggregate face amount of all tax-exempt obligations (other than private activity bonds) issued, or to be issued, by the Lessee and all subordinate entities thereof during the issuance Year is not reasonably expected to exceed \$5,000,000.00. Lessee and all subordinate entities thereof will not issue in excess of \$5,000,000.00 of tax-exempt bonds (including this Agreement, but excluding private activity bonds) during the issuance Year without first obtaining an opinion of nationally recognized counsel in the area of tax-exempt municipal obligations acceptable to Lessor that the excludability of the interest on the Agreement from gross income for federal tax purposes will not be adversely affected. (Omit and initial this paragraph if it is not applicable.)

- M. Lessee represents and warrants that it will at no time during the Lease Term or thereafter exercise or attempt to exercise the power of eminent domain with respect to the Equipment. The Lessee's rights to acquire title to the Equipment free of the obligations of this Agreement are defined solely in this Agreement.

ARTICLE II: DEFINITIONS.

The following terms will have the meanings indicated below unless the context clearly requires otherwise:

"**Agreement**" means this Municipal Lease and Option Agreement.

"**Lease Term**" means the Original Term defined in Article III hereof and a sufficient number of automatic renewal Term as will equal the Lease Term set forth on the face of this Agreement.

"**Lessor**" means (i) the entity designated on the face of this Agreement as Lessor hereunder, (ii) any surviving, resulting or transferee corporation and (iii) except where the context requires otherwise, any assignee(s) of Lessor.

"**Buy-out After Payment Amount**" means the amount of the payments for the balance of the entire Lease Term (assuming no early termination for non-appropriation or other cause) plus the Purchase Option Amount shown above, if any, discounted to the date of payment at the rate equal to the rate paid on United States Treasury obligations having a similar term as of the date of original acceptance of the Equipment by the Lessee, plus payment of any amounts due hereunder but not yet paid, together with interest on such overdue amounts at ten percent (10%) per annum through the date of payment.

"**Renewal Term(s)**" means the automatic renewal periods of this Agreement, each having a duration of one (1) year co-terminus with Lessee's fiscal year except that last of such periods which shall end on the anniversary of the Commencement Date. The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Original Term, except that the Lease Purchase Payments shall be as provided in the attached Payment Schedule.

"**Vendor**" means the Vendor identified on page 1 of this Agreement and the manufacturers of any of the Equipment as well as the agents or dealers of the manufacturers from whom Lessor purchased or is purchasing the Equipment.

ARTICLE III: COMMENCEMENT OF LEASE TERM.

The Original Term of this Agreement shall commence on the date the Equipment is accepted by Lessee as indicated on the Certificate of Acceptance ("Commencement Date") and shall terminate the last day of Lessee's current fiscal year. For the duration of the Lease Term, this Agreement will be automatically renewed at the end of the Original Term and any Renewal Term unless the Lessee exercises an Early Option to Purchase under Article X or Section 5.05 applies. If Lessee fails to accept the Equipment conforming to Lessee's purchase order within a reasonable time after its delivery (not to exceed ten (10) days,) then at the option of Lessor, the obligations of Lessor to provide Equipment to Lessee hereunder may be cancelled and in such event Lessee shall assume all of Lessor's obligations under any purchase order or purchase agreement with the Vendor related to the Equipment in lieu of its obligation to make Lease Purchase Payments. Further, in such case, Lessee agrees to indemnify and hold Lessor harmless from any claims, including demand for payment of the purchase price of the Equipment.

ARTICLE IV: INSPECTION.

Lessor and any assignee of Lessor's right under this Agreement shall have the right at all reasonable times and upon reasonable notice during business hours to enter into and upon the property of Lessee for the purpose of inspecting the Equipment.

ARTICLE V: LEASE PURCHASE PAYMENTS.

Section 5.01 Lease Purchase Payments to Constitute a Current Expense of Lessee. Lessor and Lessee understand and intend that the obligation of Lessee to pay Lease Purchase Payments hereunder shall constitute a current expense of Lessee and shall not in any way be construed to be a debt of Lessee in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by Lessee, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or monies of Lessee.

Section 5.02 Payment of Lease Purchase Payments. Lessee shall pay Lease Purchase Payments, exclusively from legally available funds, in lawful money of the United States of America to Lessor or, in the event of assignment by Lessor, to its assignee, in the amounts and on the dates set forth in the Payment Schedule attached to this Agreement. A portion of each Lease Purchase Payment is paid as, and represents payment of, interest and principal, respectively. The Payment Schedule sets forth the interest component and principal component of each Payment during the Lease Term. Prepayment: The Lessor may prepay in whole or in part at any time without penalty. Prepayment will reduce the interest due and the total amount of this Agreement to be paid hereunder. Partial prepayments will not relieve the Lessor obligation to continue to make payments each year as scheduled in this Agreement. In the event that all amounts due and owing to Assignee pursuant to this Agreement are fully paid in advance, no further interest will accrue.

Section 5.03 Lease Purchase Payments to be Unconditional. Subject to Section 5.05, the obligation of Lessee to make payments of Lease Purchase Payments and other payments required under this Agreement shall be absolute and unconditional in all events and are intended by the parties to be "net" of personal property and sales taxes and insurance. Lessee shall make all such payments when due and shall not withhold any such payments as a result of any disputes arising between or among Lessee and Lessor, any Vendor or any other person, nor shall Lessee have the right to assert any set-off, reduction or deduction, defense, or counterclaim against its obligation to make such payments or be entitled to any abatement of such payments as a result of accident or unforeseen circumstances or any other reason.

Section 5.04 Continuation of Lease Term by Lessee. Lessee intends to renew this Agreement through all of the Renewal Terms and to pay all the Lease Purchase Payments hereunder. Lessee reasonably believes that legally available funds of an amount sufficient to make all Lease Purchase Payments during the Original Term and each Renewal Term can be obtained. Lessee further intends to do all things lawful within its power to obtain and maintain funds from which Lease Purchase Payments may be made, including making provision for such payments to the extent necessary in each bi-annual, annual, or otherwise periodic budget submitted and adopted in accordance with applicable provisions of state and local law, to have such portion of the budget approved and to exhaust all available reviews and appeals in the event such portion of the budget is not approved.

Section 5.05 Non-appropriation. In the event sufficient funds shall not be appropriated for the payment of the Lease Purchase Payments required to be paid in the next occurring Renewal Term, then Lessee may terminate this Agreement at the end of the Original Term or then current Renewal Term, and Lessee shall not be obligated to make payment of the Lease Purchase Payments provided for in this Agreement beyond the Original Term or the then current Renewal Term. Lessee agrees to deliver to Lessee notice of non-appropriation, rejection of reviews, and rejection of appeals within five (5) business days after each such event. If this Agreement is terminated under this Section 5.05, Lessee agrees, at Lessee's cost and expense, to peaceably deliver the Equipment to Lessor at the location specified by Lessor that is a reasonable distance from the initial location of the leased Equipment.

Section 5.06 Late Payment Charge- If any Lease Purchase Payment is not made when due or within 10 days after its due date, Lessee shall pay an additional late payment charge of 3% Of the amount of the late payment.

ARTICLE VI: TITLE TO EQUIPMENT; SECURITY INTEREST.

Section 6.01 Title to the Equipment. During the term of this Agreement, risk of loss and title to the Equipment and any and all additional, repairs, replacements or modifications shall vest in Lessee, subject to the rights of Lessor under this Agreement. In the event of default as set forth in Section 12.01 or non-appropriation as set forth in Section 5.05, title to the Equipment shall immediately vest in Lessor, and Lessee will, upon Lessor's request, surrender possession of the Equipment to Lessor.

Section 6.02 Security Interest. To secure the payment of all Lessee's obligations under this Agreement, Lessee grants Lessor a first priority purchase money security interest in the Equipment and on all additions, attachments, accessions and substitutions thereto, and on any proceeds there from. Lessee agrees to execute and authorize Lessor to execute and file on Lessee's behalf, such additional documents, including a UCC-1 financing statement in the form required for filing, and such other financing statements, certificates of title, affidavits, notices and similar instruments, satisfactory to Lessor, which Lessor deems necessary or appropriate to establish and maintain its security interest, and upon assignment, the security interest of any assignee of Lessor, in the Equipment.

ARTICLE VII: MAINTENANCE; MODIFICATION; TAXES; AND INSURANCE.

Section 7.01 Maintenance of Equipment by Lessee. Lessee agrees that at all times during the Lease Term, Lessee will, at Lessee's own cost and expense, maintain, preserve and keep the Equipment in good repair, working order and condition, and will from time to time make or cause to be made all necessary and proper repairs, replacements and modifications. If appropriate, Lessee will enter into a maintenance contract for the Equipment with Vendor or such other firm as Lessee may choose subject to the express written approval of Lessor, which approval shall not be unreasonably withheld.

Section 7.02 Taxes, Other Governmental Charges and Utility Charges. The parties to this Agreement contemplate that the Equipment will be used for governmental or proprietary purpose of Lessee and, therefore, the Equipment will be exempt from all taxes presently assessed and levied with respect to personal property. In the event the ownership, use, possession or acquisition of the Equipment is found to be subject to taxation in any form (except for income taxes payable by Lessor) Lessee will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Equipment. If such tax is imposed directly on Lessor or its assigns, Lessee shall reimburse the person paying such tax on demand. If Lessee causes or allows events to happen that changes the interest income tax-exempt status of this Agreement, as outlined in Sections 103, 149 and 6041 on the Internal Revenue Code of 1986, as

amended, or, assuming the Lessee has designated this Agreement as a "qualified tax-exempt obligation", if the Lessee exceeds ten million dollars (\$10,000,000.00) in "qualified tax-exempt obligations", as specified in Section 265(b)(3) (B) of the Internal Revenue Code of 1986, as amended, during the calendar year of commencement of this Agreement so that Lessee does not qualify as a "qualified small issuer" hereunder it will pay the "taxable interest rate" on this Agreement retroactive to its Commencement Date. The "taxable interest rate" is hereby defined as that rate that results in the same after tax yield to the Lessor or to its Assigns, as the tax-exempt rate on this Agreement or the highest rate permitted by law, whichever is less. In all events, Lessee shall pay all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment.

Section 7.03 Insurance. At its own expense Lessee shall cause casualty, PUBLIC LIABILITY AND PROPERTY DAMAGE insurance to be carried and maintained, or shall demonstrate to Lessor's satisfaction that adequate self-insurance is provided with respect to the Equipment, sufficient to protect the full replacement value (new) of the Equipment or the then applicable Buy-Out After Payment Amount, whichever is greater, and to protect Lessor from any liability related to the Equipment in all events. All insurance proceeds from casualty losses shall be payable as provided in Article VIII hereof. Lessee shall pay all deductibles and shall furnish to Lessor, or to its Assigns, Certificates evidencing such coverage throughout the Lease Term. Alternatively, Lessee may insure the Equipment under a blanket insurance policy or policies, which cover not only the Equipment but also other properties. If Lessee shall insure similar properties by self-insurance, Lessee will insure the Equipment by means of an adequate insurance fund. All insurance shall name Lessee and Lessor as insured's, and loss payees as their respective interests may appear and shall provide for at least ten (10) days prior written notice by the underwriter or insurance company to the Lessor and its assigns in the event of cancellation or expiration.

ARTICLE VIII: DAMAGE; DESTRUCTION AND CONDEMNATION; PROCEEDS.

Section 8.01 Damage, Destruction and Condemnation. Lessee is responsible for any theft of destruction of, or damage to, the Equipment, whether insured or not ("Loss"). The proceeds of any insurance claim applicable to the Equipment, after deducting all expenses (including attorney fees) incurred in the collection of such claim or reward ("Net Proceeds"), shall be applied as set forth in Section 8.02.

Section 8.02 Application of Net Proceeds. In the event of a loss to the Equipment which is not deemed to be a total loss, Lessee shall cause the repair, replacement or restoration of the Equipment and pay the cost thereof, and shall apply the net proceeds of any insurance claims on the Equipment to such cost, provided, however, that if Lessee is then in default on the payments due under this Agreement, the net proceeds shall be applied as if total destruction or damage has occurred. In the event of total destruction or damage to the Equipment, whether or not Lessee is in default, at Lessor's option, Lessee shall pay to Lessor on the Lease Purchase Payment due date next succeeding the date of such loss the amount of the Buy-Out after Payment Amount applicable to such date, plus the Lease Purchase Payment due on such date, plus any other amounts payable by Lessee hereunder, and, upon payment in full of such amounts, the Lease Term shall terminate and Lessor's security interest in the Equipment shall terminate. Lessee shall retain Net Proceeds in excess of the then applicable Buy-Out after Payment Amount, if any. Lessee agrees that if the Net Proceeds are insufficient to pay in full Lessee's obligations hereunder, Lessee shall make such payments to extent of any deficiency.

ARTICLE IX: DISCLAIMER OR WARRANTIES; VENDOR'S WARRANTIES; USE

Section 9.01 Disclaimer of Warranties. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE EQUIPMENT, OR ANY OTHER WARRANTY WITH RESPECT THERE TO. IN NO EVENT SHALL LESSOR BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR THE EXISTENCE, FURNISHING, FUNCTIONING OR LESSEE'S USE OF THE EQUIPMENT OR ANY ITEM THEREOF OR SERVICES PROVIDED FOR IN THIS AGREEMENT, OR ANY SERVICES PROVIDED BY VENDOR. Any transfer of the Equipment to the Lessee shall be made disclaiming all express and implied warranties from Lessor and its assigns.

Section 9.02 Vendor's Warranties. Lessor hereby irrevocably appoints Lessee its agent and attorney-in-fact during the Lease Term, so long as Lessee shall not be in default hereunder, to assert from time to time whatever claims and rights, including warranties of the Equipment, which Lessor may have against the Vendor and/or manufacturer of the Equipment. Lessee's sole remedy for the breach of any such warranty, indemnification or representation shall be against the Vendor and/or manufacturer of the Equipment. Lessee expressly acknowledges that Lessor makes, and has made no representation or warranties whatsoever as to the existence or availability or enforceability of such warranties of the Vendor or manufacturer.

Section 9.03 Use of the Equipment. Lessee will not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement. Lessee shall provide all permits and licenses, if any, necessary for the installation and operation of the Equipment. In addition, Lessee agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each item of the Equipment) with all laws of the jurisdictions in which its operations involving an item of Equipment may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the items of the Equipment provided, however, that Lessee may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of Lessor, adversely affect the estate of Lessor in and to any of the items of the Equipment or its interest or rights under this Agreement. Lessee agrees that no more than 10% of the use of the Equipment in any month will be by persons or entities other than the Lessee or its employees on matters relating to such employment, and no more than 5% of the use of the Equipment in any month will be unrelated to use by or for the Lessee. Lessee further agrees that no management contracts will be entered into with respect to the use of the Equipment unless: (a) at least half of the compensation is on a periodic, fixed fee basis; (b) no compensation is based on a share of net profits; (c) the Lessee is able to terminate the contract without penalties at the end of any three years; and (d) the total term of such contract, including any renewals does not exceed five years.

ARTICLE X: EARLY OPTION TO PURCHASE.

Provided Lessee is not in default hereunder, Lessee may, upon giving Lessor not less than thirty (30) days prior written notice, elect to purchase all, but not less than all, of the Equipment at the end of each month, or Payment due date as established by the Commencement Date, for the Buy-Out After Payment Amount. Upon exercise of this early option to purchase, Lessee shall pay these amounts to Lessor or its assigns, on demand. As a condition precedent to exercising this early option to purchase, Lessee shall deliver to Lessor and its assigns a termination of any maintenance funding or disbursing obligations related to this Agreement.

ARTICLE XI: ASSIGNMENT; SUBLEASING; AND ADDITIONAL COVENANTS.

Section 11.01 Assignment by Lessor. This Agreement, and the rights to receive the payments to be made hereunder, may be assigned by Lessor and reassigned in whole or in part to one or more assignees at any time subsequent to the execution of this Agreement, without obtaining the consent of Lessee. Lessor agrees to give notice of assignment and upon receipt of such notice Lessee agrees to make all payments to the assignee designated in the notice of assignment, notwithstanding any claim, defense, set-off or counterclaim whatsoever (whether arising from a breach of this Agreement or otherwise) that Lessee may from time to time have against Lessor, or the assignee. Lessee agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements that may be reasonably requested and provided by Lessor or its assignee in order to protect their interests in the Equipment and in this Agreement. The Lessor's interest in this Agreement may not be assigned or reassigned in whole or in part unless (i) the document by which such assignment is made discloses the name and address of the assignee and (ii) the Lessee receives written notification of the name and address of the assignee. The Lessee covenants and agrees with the Lessor and each subsequent assignee of Lessor to maintain for the full term of this Agreement a complete and accurate written record of each such assignment and reassignment in form necessary to comply with Section 149(e) of the Internal Revenue Code of 1986, as amended, and the regulations proposed or existing from time to time promulgated hereunder. Anything in the foregoing apparently to the contrary notwithstanding, the Lessor's interest in this Agreement may be assigned in whole or in part upon terms which provide in effect that the assignee will act as a collection and paying agent for holders of certificates of participation in this Agreement, provided the Lessee receives written notification of the name and address of such collection and paying agent, and such collection and paying agent covenants and agrees to maintain for the full remaining term of this Agreement a written record of each assignment and reassignment of such certificates of participation.

Section 11.02 No Sale, Assignment or Subleasing by Lessee. This Agreement and the interest of Lessee in the Equipment may not be sold, assigned or encumbered by Lessee without the prior written consent of Lessor.

Section 11.03 Additional Covenants. Lessee shall protect and hold harmless Lessor from and against any and all liability, claims, demands, losses and damages arising out of or as a result of the entering into of this Agreement, the ownership or use of the Equipment pursuant to this Agreement, or the obligations of Lessee under this Agreement, except such liability, claims, demands, losses and damages caused by Lessor or its assigns. Such liability, claims, demands, losses and damages shall include, without limitation, counsel fees and expenses, penalties and interest, court costs, witness deposition and investigation costs, and any other expenses incurred in defense of any such liability, claims, demands, losses and damages. This obligation of Lessee shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement or the termination of the Lease Term for any reason.

ARTICLE XII: EVENTS OF DEFAULT AND REMEDIES.

Section 12.01 Events of Default Defined. The following shall constitute an "event of default" hereunder:

- A. Failure by Lessee to pay any Lease Purchase Payment or other payment required to be paid hereunder at the time specified herein; or
- B. Failure by Lessee to observe and perform any other covenant, condition or agreement on its part to be observed or performed, other than for a period of thirty (30) days after written notice to Lessee, specifying such failure and requesting that it be remedied unless Lessor shall agree in writing to an extension of such time prior to its expiration provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected; or
- C. Breach of any material representation or warranty by Lessee under this Agreement; or
- D. Commencement by Lessee of a case or proceeding under the Federal bankruptcy laws of filing by Lessee of any petition or answer seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any existing or future bankruptcy, insolvency or other similar law or an answer admitting or not contesting the material allegations of a petition filed against Lessee in any such proceeding; or
- E. A petition against Lessee in a proceeding under any existing or future bankruptcy, insolvency or other similar law shall be filed and not withdrawn or dismissed within thirty (30) days thereafter.

Section 12.02 Remedies on Default. Upon the occurrence of an event of default, Lessor shall have the right, at its sole option without any further demand or notice, to exercise any one or more of the following remedies:

- A. By written notice to Lessee, Lessor may declare all payments and other amounts payable by Lessee hereunder to the end of the then current Original Term or Renewal Term to be due;
- B. With or without terminating this Agreement, retake possession of the Equipment and sell, lease or sublease the Equipment with the net proceeds thereof to be applied as provided herein;
- C. Require Lessee at Lessee's risk and expense to promptly return the Equipment in the manner and in the condition set forth in Section 13.10 hereof;
- D. If Lessee refuses to return the Equipment for any reason, the Equipment shall be deemed a total loss and Lessee shall pay to Lessor the Buy-Out after Payment Amount;
- E. Take whatever other action at law or in equity that may appear necessary or desirable to enforce its rights as the owner of the Equipment; and
- F. The proceeds of such sale, lease or sublease or the Equipment pursuant to Section 12.02(B) shall be applied in the following order: 1) to all expenses of Lessor in exercising its remedies under this Agreement, including without limitation all expenses of taking possession, storing, reconditions and selling, leasing or subleasing of the Equipment and all brokerage, auctioneer's and attorney's fees 2) the applicable Buy-Out After Payment Amount 3) all unpaid Lease Purchase Payments and other amounts payable by Lessee hereunder to the end of the then current Original Term or Renewal Term and 4) the balance to the Lessee unless Lessee shall so waive such payment. If the proceeds of such sale, lease or sublease shall be insufficient to pay all of items 1), 2), and 3), Lessee shall remain liable for any deficiency as to item 3), but will not remain liable for any deficiency as to items 1) and 2) in this Section F.

Section 12.03 No Remedy Exclusive. No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

ARTICLE XIII: MISCELLANEOUS.

Section 13.01 Notices. All notices, certifications or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, to the parties, or their permitted assignees, at their respective addresses.

Section 13.02 Binding Effect. Subject to the limitations on assignment, this Agreement shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 13.03 Severability: Interest Limitations. In the event any court of competent jurisdiction shall hold any provision of this Agreement invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provision hereof. Lessee will not be required to pay and Lessor will not be permitted to collect any amount in excess of the maximum amount of interest permitted by law ("Excess Interest"). If any Excess Interest is provided for or determined to have been provided for under this Agreement, then: (A) this subsection shall govern and control; (B) Lessee will not be obligated to pay any Excess Interest; (C) any Excess Interest that Lessor may have received hereunder shall be, at Lessor's option (1) applied as a credit against the outstanding lease payment obligations (not to exceed the maximum amount permitted by law), (2) refunded to Lessee, or (3) any combination of the foregoing; (D) any interest rate(s) provided for herein shall be automatically reduced to the maximum lawful rate allowed under applicable law, and this Agreement shall be deemed to have been, and shall be, reformed and modified to reflect such reduction; and (E) Lessee will not have any action against Lessor for any damages arising out of the payment or collection of any Excess Interest.

Section 13.04 Advances. In the event Lessee fails to pay any amounts due hereunder or to perform any of its obligations under this Agreement, Lessor may at its option pay such amounts or perform such obligation, and Lessee shall reimburse Lessor the amount of such payment or cost of performance upon demand, together with interest at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is less.

Section 13.05 Execution in Counterparts. This Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument. The counterpart bearing Lessor's signature shall constitute the sole chattel paper original of this Agreement.

Section 13.06 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of the Lessee.

Section 13.07 Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 13.08 Entire Agreement. This Agreement, together with any Amendments or Addendums and including (i) the Detailed Equipment Description annexed hereto, (ii) the Acceptance Certificate executed by Lessee, (iii) the Payment Schedule annexed hereto, (iv) the Incumbency Certificate of Lessor, (v) any documents evidencing Lessor's security interest under the Uniform Commercial Code, and (vi) the Opinion of Lessee's legal Counsel, constitute the entire agreement between Lessor and Lessee and may not be amended, altered or modified except by written instrument signed by Lessor and Lessee. The execution of such writing by Lessor's assignee shall be sufficient for such purposes if Lessor has assigned this Agreement. There are no understandings, agreements, representations or warranties, express or implied, not specified herein regarding this Agreement or the Equipment leased hereunder. Any terms and conditions of any purchase order or other document (with the exception of Supplements) submitted by Lessee in connection with this Agreement which are in addition to or inconsistent with the terms and conditions of this Agreement will not be binding on Lessor and will not apply.

Section 13.09 Finance Lease. The parties intend that the Lessor shall have all benefits of a lessor under a finance lease under the uniform commercial code. Lessor did not select, manufacture, or supply the leased property and only acquired it (or the right to use such lease property) in connection with this Agreement. Lessee waives any and all rights and remedies Lessee may have under the UCC 2A-508 through 2A-522, including any right to: (a) revoke acceptance of the Equipment; (b) recover damages for any breach of warranty; and (c) make deductions or set-offs, for any reason, from amounts due Lessor or its assigns under this Agreement. If any part of this Agreement is inconsistent with UCC 2A, the terms of this Agreement will govern.

Section 13.10 Return of Equipment. Upon termination of the Agreement for any reason (except purchase by the Lessee), at the option of Lessor, (i) at its sole cost and expense, Lessee will immediately return the Equipment to Lessor in accordance with the provisions of this section, or (ii) Lessor shall transfer ownership of the Equipment to Lessee. If shipped, the Equipment shall be packed in accordance with the Vendor's specifications and returned to Lessor at the location specified by Lessor in the Continental United States reasonably close to where it was originally delivered, in the same condition as when accepted, ordinary wear and tear excepted. Such shipment shall be F.O.B. destination. Lessee shall bear all costs associated with such packing and shipping and the risk of loss shall not pass to Lessor until the Equipment has been received by it.

INSURANCE COVERAGE REQUIREMENTS

In accordance with this Agreement either:

1. We have instructed our insurance agent to issue to you:
 - a. All risk physical damage insurance on the leased Equipment properly reflected by an Evidence of Insurance and Loss Payable Clause (Acord Form 27 or its equivalent) naming Lessor designated above and/or its Assigns as an additional insured and loss payee, and
 - b. Public Liability insurance reflected by an Evidence of Insurance (Acord Form 27 or its equivalent) naming Lessor and/or its assigns as an additional insured and loss payee; or
2. We are self-insured for all risk, physical damage, and public liability and will provide proof of such self-insurance in letter form together with a copy of the statute authorizing this form of insurance.

Proof of insurance coverage will be provided to you prior to the time that the Equipment is delivered to us.

CUSTOMER ACCEPTANCE:

Date: 8-6-2024

By:  (Authorized Official)
Carl Tatum, District Administrator

ESSENTIAL USE/SOURCE OF FUNDS LETTER

Ladies/Gentleman:

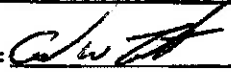
This confirms and affirms that the Equipment described in this Agreement is essential to the function of the undersigned or to the service we provide to our citizens. Further, we have an immediate need for, and expect to make immediate use of, substantially all such Equipment which need is not temporary or expected to diminish in the foreseeable future. Such Equipment will be used by us only for the purpose of performing one or more of our governmental or proprietary functions consistent with the permissible scope of our authority.

The estimated useful life of such Equipment based upon manufacturer's representations and our projected needs is for at least six years. Our source of funds for payments of the rent due under the Agreement for the current fiscal year is: Current/proposed budget. We expect and anticipate adequate funds to be available for all future Lease Purchase Payments due after the current fiscal year.

CUSTOMER ACCEPTANCE:

Date: 8-6-2024

By:  (Authorized Official)
Carl Tatum, District Administrator

<p>ACCEPTED BY:</p> <p><u>LESSOR: Leasing Specialists LLC</u></p> <p>Signature: _____</p> <p>Date: _____</p> <p>Name: John Watts</p> <p>Title: Owner</p>	<p>ACCEPTED BY:</p> <p>Lessee acknowledges reading and receiving a copy of this Agreement. The undersigned affirms that she/he has been duly authorized to execute this Agreement on behalf of the above-named Lessee. Depending on the jurisdiction, this may be the highest elected official.</p> <p><u>LESSEE: Hanover Fire Protection District</u></p> <p>Signature: <u></u></p> <p>Date: <u>8-6-2024</u></p> <p>Name: Carl Tatum</p> <p>Title: District Administrator</p>
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Leasing Specialists, LLC
 8242 Cessna Drive
 Peyton, CO 80831
 (719) 433-9978

Municipal Lease/Finance Program
Payment Schedule

Lease Number: 2005

Lessee: Hanover Fire Protection District
 13325 Old Pueblo Road
 Fountain, CO 80817

Vendor: See Exhibit A

Equipment: One (1) 2016 Spartan Firetruck (Unit 3512) VIN# 4S7AU2D92GC81023
 One (1) 2013 International 7600 (unit 3522) VIN# 1HTGSSJT5DJ154669
 as more thoroughly described in Exhibit A to this Agreement.

Lease Number: 2005

Term: 11 Year Term

Interest Rate: 6.25%

Total Amount Financed: \$700,000.00

Payment #	Date	Payment	Interest	Principal
1	09/01/2024	\$50,000.00	4,618.39	45,381.61
2	09/01/2025	\$90,000.00	40,916.58	49,083.42
3	09/01/2026	\$90,000.00	37,848.64	52,151.36
4	09/01/2027	\$90,000.00	34,588.95	55,411.05
5	09/01/2028	\$90,000.00	31,125.51	58,874.49
6	09/01/2029	\$90,000.00	27,445.59	62,554.41
7	09/01/2030	\$90,000.00	23,535.66	66,464.34
8	09/01/2031	\$90,000.00	19,381.34	70,618.66
9	09/01/2032	\$90,000.00	14,967.36	75,032.64
10	09/01/2033	\$90,000.00	10,277.49	79,722.51
11	09/01/2034	\$90,000.00	5,294.49	84,705.51

All payments due under the Agreement, beginning with the first payment, should be made to the Assignee at the following address, as more thoroughly described in the Notice of Assignment within the Agreement.

Farmers State Bank of Calhan
 1500 8th Street
 Calhan, CO 80808

Printed Name: Carl Tatum

Title: District Administrator

Signature: 

*If an early buy-out is desired, please contact Leasing Specialists, LLC at (719) 433-9978

Municipal Lease/Finance Program

Exhibit A

Description of Equipment

Lease Number: 2005

Lessee: Hanover Fire Protection District

Vendor: Carco Truck & Equipment



Equipment: One (1) 2016 Spartan Firetruck (Unit 3512) VIN# 4S7AU2D92GC81023

One (1) 2013 International 7600 (unit 3522) VIN# 1HTGSSJT5DJ154669

Total Amount: \$640,000.00

Purchase Agreement			
Seller: CARCO A. (MOTIVE INC Address: 13289 25TH AVENUE NW PO BOX 298 RICH MN, 56367 Ph: (320) 393-3697 Fax: (320) 393-4789		Date: 07/12/2024 Sales Person: Dealer#: DLR23561	
Buyer: HANOVER FIRE DEPT DL #: _____ Address: 13325 OLD PUEBLO RD POUNTAIN CO 96017 County: EL PASO Birthday: _____ Home: _____ Business: (719) 482-2729 Email: CARL.TATUM2561@GMAIL.COM		Co-Buyer: _____ DL #: _____ Address: _____ County: _____ Birthday: _____ Home: _____ Business: _____ Email: _____	
Vehicle: 2013 INTERNATIONAL 7600 Color: _____ Stock#: D1154669 VIN: 1HTGSSJT5DJ154669 Mileage: 14815 Actual Exempt			
Trade 1: Vehicle: _____ Color: _____ VIN: _____ Mileage: _____ Allowance: \$ _____ N/A Payoff: \$ _____ N/A Net Trade: \$ _____ N/A Owed to: N/A			
Trade 2: Vehicle: _____ Color: _____ VIN: _____ Mileage: _____ Allowance: \$ _____ N/A Payoff: \$ _____ N/A Net Trade: \$ _____ N/A Owed to: N/A			
APR 9.000	Amount Finance 320000.00	Finance Charge 0.00	Total Payments 320000.00
Lien Holder: NONE			
THIS VEHICLE IS BEING SOLD WITH A 30 DAY DRIVE TRAIN PARTS ONLY WARRANTY. MUST HAVE PRIOR AUTHORIZATION FROM CARCO. THIS VEHICLE IS BEING SOLD WITH A MN SALVAGE TITLE.			
For "AS-IS" Sale Only: I UNDERSTAND THAT THIS VEHICLE IS BEING SOLD "AS IS" WITH ALL FAULTS AND IS NOT COVERED BY ANY DEALER WARRANTY. I UNDERSTAND THAT THE DEALER IS NOT REQUIRED TO MAKE ANY REPAIRS AFTER I BUY THIS VEHICLE. I WILL HAVE TO PAY FOR ANY REPAIRS THIS VEHICLE WILL NEED "AS IS" - No warranty either implied or express.		Buyer & Co-Buyer Initials HANOVER FIRE DEPT Buyer & Co-Buyer Name 07/12/2024 Date	
DEALER MAY RECEIVE A FEE, COMMISSION, OR OTHER COMPENSATION FOR PROVIDING, PROCURING, OR ARRANGING FINANCING FOR THE RETAIL PURCHASE OR LEASE OF A MOTOR VEHICLE, FOR WHICH THE CUSTOMER MAY BE RESPONSIBLE. NO LIABILITY INSURANCE INCLUDED		* The Doc Fee represents costs and profit to the dealer for items such as inspecting, cleaning, adjusting vehicles, and preparing documents related to the sale. ** GAP, Credit Life, and Disability Insurances *** Aftermarket represents items purchased in addition to the vehicle. **** Misc fees could include Smog and other charges	
ALL PRIOR ORAL STATEMENTS, NEGOTIATIONS, COMMUNICATIONS, OR REPRESENTATIONS ABOUT THE PRODUCTS SOLD HEREUNDER ARE SUPERSEDED BY THIS BILL OF SALES/BUYER'S ORDER, AND, IF NOT EXPRESSLY STATED HEREIN, ARE NOT BINDING.			
By signing below, you acknowledge that you have read all pages of this contract. You also acknowledge receipt of (1) A true and completely filled in copy of all pages of this contract at the time you sign it and (2) If Arbitration is agreed upon, a copy of the arbitration agreement pertaining to this contract. Purchaser certifies that he is of legal age to purchase a motor vehicle. If the transaction is to be a retail installment sale, this contract is not effective unless financing is obtained on terms satisfactory to all parties.			
Buyer Signature _____ HANOVER FIRE DEPT Buyer Printed Name		Dealer Signature: CARCO AUTOMOTIVE INC _____ Date: 07/12/2024 Name:	
Co-Buyer Signature _____ Co-Buyer Printed Name		Date: 07/12/2024	

Purchase Agreement

Seller: CARCO AUTOMOTIVE INC Address: 13289 25TH AVENUE NW PO BOX 288 RICE MN, 54367 Ph: (320) 393-3687 Fax: (320) 393-4789		Date: 07/12/2024 Sales Person: Dealer#: DLR25561	
Buyer: HANOVER FIRE DEPT DL #: Address: 13325 OLD PUEBLO RD FOUNTAIN CO 80617 County: EL PASO Birthday: Home: Email: CARL.TATUM3500@GMAIL.COM		Co-Buyer: DL #: Address: County: Birthday: Home: Email: Business:	
Vehicle: 2016 SPARTAN FIRETRUCK VIN: 4S7AU2D92GC081022		Color: RED Stock#: GC081023 Mileage: 58139 Actual Exempt	
Trade 1: Vehicle: _____ VIN: _____		Color: _____ Mileage: _____ Allowance: \$ N/A Payoff: \$ N/A Net Trade: \$ N/A Owed to: N/A	
Trade 2: Vehicle: _____ VIN: _____		Color: _____ Mileage: _____ Allowance: \$ N/A Payoff: \$ N/A Net Trade: \$ N/A Owed to: N/A	
APR 0.000	Amount Finance 320000.00	Finance Charge 0.00	Total Payments 320000.00
Lien Holder: NONE			
THIS VEHICLE IS BEING SOLD WITH A 30 DAY DRIVE TRAIN PARTS ONLY WARRANTY. MUST HAVE PRIOR AUTHORIZATION FROM CARCO. THIS VEHICLE IS BEING SOLD WITH A MN SALVAGE-FLOOD TITLE.			
For "AS-IS" Sale Only: I UNDERSTAND THAT THIS VEHICLE IS BEING SOLD "AS IS" WITH ALL FAULTS AND IS NOT COVERED BY ANY DEALER WARRANTY. I UNDERSTAND THAT THE DEALER IS NOT REQUIRED TO MAKE ANY REPAIRS AFTER I BUY THIS VEHICLE. I WILL HAVE TO PAY FOR ANY REPAIRS THIS VEHICLE WILL NEED. "AS IS" - No warranty either implied or express.			
HANOVER FIRE DEPT Buyer & Co-Buyer Name		NA Buyer & Co-Buyer Initials 07/12/2024 Date	
DEALER MAY RECEIVE A FEE, COMMISSION, OR OTHER COMPENSATION FOR PROVIDING, PROCURING, OR ARRANGING FINANCING FOR THE RETAIL PURCHASE OR LEASE OF A MOTOR VEHICLE, FOR WHICH THE CUSTOMER MAY BE RESPONSIBLE. NO LIABILITY INSURANCE INCLUDED			
ALL PRIOR ORAL STATEMENTS, NEGOTIATIONS, COMMUNICATIONS, OR REPRESENTATIONS ABOUT THE PRODUCTS SOLD HEREUNDER ARE SUPERSEDED BY THIS BILL OF SALE/BUYER'S ORDER, AND, IF NOT EXPRESSLY STATED HEREIN, ARE NOT BINDING.			
By signing below, you acknowledge that you have read all pages of this contract. You also acknowledge receipt of: (1) A true and complete filed in copy of all pages of this contract at the time you sign it and (2) if Arbitration is agreed upon, a copy of the arbitration agreement pertaining to this contract. Purchaser certifies he/she is of legal age to purchase a motor vehicle. If this transaction is to be a retail installment sale, this contract is not effective unless financing is obtained on terms satisfactory to all parties.			
Buyer Signature:  NA Co-Buyer Signature:		DealerShip: CARCO AUTOMOTIVE INC Date: 07/12/2024 Name: 	

Lessor: Leasing Specialists, LLC
 John Watts, Owner

Signature: _____

Lessee: Hanover Fire Protection District
 Carl Tatum, District Administrator

Signature:  _____

Date: 8-6-2024

Municipal Lease/Finance Program

Exhibit B

Description of Equipment

Lease Number: 2005

Lessee: Hanover Fire Protection District

Vendor(S): TBD

Equipment: TBD

Allocated Funds in the amount of \$60,000.00 put in Escrow for Exhibit B Vendor(s)

Lessor: Leasing Specialists, LLC
John Watts, Owner

Signature: _____

Lessee: Hanover Fire Protection District
Carl Tatum, District Administrator

Date: _____
Signature:  _____

Date: 8-6-2024

Municipal Lease/Finance Program
Municipal Certificate

Lease Number: 2005
Lessee: Hanover Fire Protection District
13325 Old Pueblo Road
Fountain, CO 80817

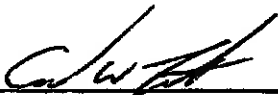
Dated: August 5, 2024

I, the undersigned, the duly appointed, qualifying, and acting Authorized Signer of the
aforementioned Lessee, do hereby certify:

1. Lessee did at a regular or special meeting of the governing body of the Lessee by motion duly made seconded and carried, in accordance with all requirements of law, approve and authorize the execution and delivery of the above-referenced Municipal Rental Lease Agreement (the "Agreement").
2. A true, correct and complete copy of the minutes of the governing body is attached hereto.
3. The below-named representative of the Lessee held at the time of such authorization and holds at the present time the office set forth above.
4. No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default (as such term is defined in the Agreement) exists at the date hereof.
5. All insurance required by the Agreement is currently maintained by the Lessee.
6. Lessee has in accordance with the requirements of law, fully budgeted and appropriated sufficient funds for the current budget year to make the Lease Payments scheduled to come due during the Original Term and to meet its other obligations for the Original Term (as such terms are defined in the Agreement) and such funds have not been expended for other purposes.

Printed Name: Carl Tatum
Authorized Signer

Date: 8-6-2024

Signature: 

Municipal Lease/Finance Program
Notice of Assignment

Lease Number: 2005
Lessee: Hanover Fire Protection District
13325 Old Pueblo Road
Fountain, CO 80817

Dear Mr. Carl Tatum,

Re: Tax-Exempt Lease Purchase Agreement dated August 5, 2024 between Leasing Specialists, LLC. and Hanover Fire Protection District.

Please be advised that Leasing Specialists, LLC. has assigned all of his rights, title and interest in, to and under the above-referenced agreement, the equipment purchased thereunder, and the right to receive payments to Farmers State Bank of Calhan.

All payments due under the Agreement, beginning with the **first** payment, should be made to the Assignee at the following address:

**Farmers State Bank of Calhan
1500 8th Street
Calhan, CO 80808**

Please acknowledge the Assignment and your agreement to make payments due under the Agreement to the Assignee by the signature of a duly authorized officer in the space provided on the bottom of this letter and return it to Leasing Specialists, LLC.

Sincerely,

John Watts, Owner
Leasing Specialists

Acknowledged

Signature: 

Carl Tatum, District Administrator
Authorized Signer



Leasing Specialists, LLC
8242 Cessna Drive
Peyton, CO 80831
(719) 433-9978

Municipal Lease/Finance Program
Incumbency Certificate

Leasing Specialists, LLC ("Lessor")
Hanover Fire Protection District ("Lessee")

Lease Number: 2005

I, Dwayne Baker, Board President
Printed Name Title

for Hanover Fire Protection District, hereby certify that:

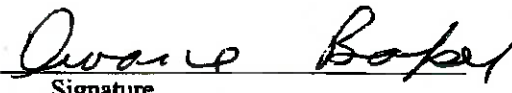
Carl Tatum
Printed Name of Authorized Signer

District Administrator
Title of Authorized Signer


Signature of Authorized Signer

8-6-2024
Date

of the Hanover Fire Protection District, has been, is and, until further notice, continues to be duly authorized to execute any and all documents related to the Municipal Lease and Finance Program No. 2005, for the equipment described therein and that the signature shown is his or her signature.


Signature

8-6-24
Date

Dwayne Baker
Printed Name

Board President
Title



Leasing Specialists, LLC
8242 Cessna Drive
Peyton, CO 80831
(719) 433-9978

Municipal Lease/Finance Program
Invoice for Payment

TO: Accounts Payable
Hanover Fire Protection District
13325 Old Pueblo Road
Fountain, CO 80817

Date of Invoice: 08/05/2024

Lease Number: 2005

Equipment Description:

One (1) 2016 Spartan Firetruck (Unit 3512) VIN# 4S7AU2D92GC81023
One (1) 2013 International 7600 (unit 3522) VIN# 1HTGSSJT5DJ154669

Please make check for \$50,000.00 payable to:

Farmers State Bank of Calhan
1500 8th Street
Calhan, CO 80808

Service	Description	Amount
First Payment	FIRST PAYMENT FOR LEASE AGREEMENT 2005	\$50,000.00

When Payment is Due: Upon return of Signed Documents



Leasing Specialists, LLC
8242 Cessna Drive
Peyton, CO 80831
(719) 433-9978

Municipal Lease/Finance Program
Invoice for Payment

TO: Accounts Payable
Hanover Fire Protection District
13325 Old Pueblo Road
Fountain, CO 80817

Date of Invoice: 08/05/2024

Lease Number: 2005

Equipment Description:

One (1) 2016 Spartan Firetruck (Unit 3512) VIN# 4S7AU2D92GC81023

One (1) 2013 International 7600 (unit 3522) VIN# 1HTGSSJT5DJ154669

Please make check for \$400.00 payable to:
Leasing Specialists, LLC
8242 Cessna Drive
Peyton, CO 80831

Service	Description	Amount
DOC FEE	DOCUMENTATION FEE FOR LEASE AGREEMENT 2005	\$400.00

When Payment is Due: Upon return of Signed Documents

