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Financial Statements, 2004

Lake St. Louis Fire Protection District

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**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004**



BOTZ, DEAL & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI**

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INDEPENDENT AUDITORS' REPORT



Members of the Board of Directors of
LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI

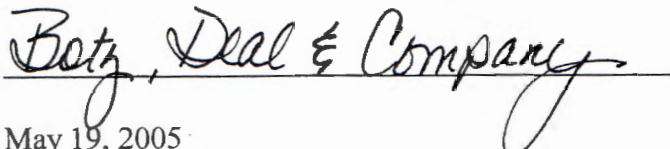
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Saint Louis Fire Protection District of St. Charles County, Missouri, as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Saint Louis Fire Protection District of St. Charles County, Missouri, as of December 31, 2004, and the respective changes in the financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


May 19, 2005

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**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004**

The discussion and analysis of Lake Saint Louis Fire Protection District of St. Charles County, Missouri's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended December 31, 2004. It should be read in conjunction with the accompanying basic financial statements. This discussion and analysis does not include comparative data for prior years, as this information is not available for the first year of implementation of Governmental Accounting Standards Board (GASB) Statement Number 34. Future years will include, when available, comparative analysis of government-wide data.

FINANCIAL HIGHLIGHTS

- In the government-wide financial statements, the District's assets exceed its liabilities at December 31, 2004 by \$2,861,324.
- The District's net assets increased by \$107,387.
- At December 31, 2004, unreserved fund balance for the General Fund was \$1,319,436, which covers 100% of the General Fund appropriation for the 2005 fiscal year.
- For the year ended December 31, 2004, the General Fund reported revenues in excess of expenditures.
- Wages, payroll taxes and employee benefits comprise 66% of General Fund expenditures.
- There was no debt issued by the District during 2004. Principal payments on outstanding obligations were \$42,573, leaving capital lease obligations payable at December 31, 2004 of \$91,063.

REPORT LAYOUT

This report is significantly different from prior years. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statement, notes to the financial statements, and required supplementary information. The first several statements are highly condensed and present a government-wide view of the District's finances. Within this view, all District operations are categorized and reported as either governmental or business-type activities. Governmental activities include fire protections services, capital outlays and debt service payments. The District currently does not have any business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operation. In simple terms, this statement presents a snap-shot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets and long-term liabilities. Also, for the first time, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses on gross and net costs of District programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The District's major governmental funds are presented in their own column and the remaining funds are combined into a column title "Other Non-major Funds". Budgetary comparisons for the General Fund and major special revenue funds are now presented as required supplementary information. A budgetary comparison is presented for the General fund as the District has no major special revenue funds.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. To be an accurate presentation, the prior year would have to be restated to the new reporting format. The District has chosen to not restate the prior year. Nevertheless when possible, significant changes from the prior year are explained in the following paragraphs.

THE DISTRICT AS A WHOLE

Government-wide Financial Analysis

The District's combined net assets were \$2,861,324 as of December 31, 2004. This analysis focuses on the net assets (table 1) and changes in revenues (table 2) and significant expenses of the District's governmental activities. As mentioned earlier, the Lake Saint Louis Fire Protection District of St. Charles County, Missouri has prepared the fiscal year ending December 31, 2004 financial statements in a new format prescribed by the provisions of GASB Statement No. 34.

The District's net assets consist of its investment in capital assets (e.g., land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding and unrestricted balances. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

Net Assets

	<u>Governmental Activities</u>
Assets:	
Current and other assets	\$ 1,597,185
Capital assets	1,439,815
Total assets	<u>3,037,000</u>
Liabilities:	
Current and other liabilities	84,613
Long-term liabilities	91,063
Total liabilities	<u>175,676</u>
Net assets:	
Unrestricted	\$ <u>2,861,324</u>

Governmental activities increased the District's net assets by \$107,387. The key elements of this increase are as follows:

Table 2

Change In Net Assets

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for service	\$ 54,837
Capital grants and contributions	30,059
General revenues:	
Taxes	892,145
Interest income	5,785
Miscellaneous	2,036
Gain on the sale of capital assets	27,872
Total revenues	<u>1,012,734</u>
Expenses:	
Public safety	899,226
Interest and fiscal charges	6,121
Total expenses	<u>905,347</u>
Increase in net assets	107,387
Net assets, beginning of year	2,753,937
Net assets, end of year	\$ <u>2,861,324</u>

Expenditures were down \$16,670 from last year. This is the result of the adoption of GASB 34. In 2003, total expenditures would have included principal payments and all capital asset expenditures.

Governmental Funds

The following table presents the amount of revenues from various sources on the modified accrual basis of accounting.

Table 3

	Fiscal Year Ending 2004	Fiscal Year Ending 2003	Increase (Decrease)	Percentage Change
General Fund:				
Taxes	\$ 808,586	\$ 784,582	\$ 24,004	3.0 %
Licenses and permits	54,837	18,312	36,525	199.4
Investment income	4,276	5,647	(1,371)	(24.3)
Miscellaneous	66,896	57,695	9,201	15.9
Total general revenues	\$ <u>934,595</u>	\$ <u>866,236</u>	\$ <u>68,359</u>	7.9

General Fund revenue increased \$68,359 or 7.9% from last fiscal year. 86.5% of revenue in the General Fund comes from property taxes. The assessed value of property located in the district increased \$5,322,559.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2004, the District had \$2,311,398 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. (See Table 4 below) This amount represents a net decrease (including additions and deductions) of \$63,741 or 2.6% over the prior fiscal year.

Table 4

	Governmental Activities
Land	\$ 116,235
Buildings	1,157,630
Communication equipment	18,294
Fire fighting equipment	127,689
Office equipment	36,074
Vehicles	855,476
Total	\$ <u>2,311,398</u>

The most significant portion of capital assets is buildings and vehicles. Buildings account for 50% and vehicles account for 37% of total capital assets. More detailed information on the District's capital assets is presented in the notes to the financial statements.

DEBT

At year-end, the District had \$91,063 in outstanding debt compared to \$133,636 at the end of the prior fiscal year. This is a decrease of 31.8%.

During the fiscal year, the District made principal payments totaling \$42,573. More detailed information on the District's long-term liabilities is presented in the notes to the financial statements.

THE DISTRICT'S FUNDS

At the close of the District's fiscal year on December 31, 2004, the governmental funds of the District reported a combined fund balance of \$1,471,724. This ending balance includes an increase in fund balance of \$185,094 in the District's General Fund.

General Fund Budgetary Highlights

The District prepares its budget on a modified accrual basis. For 2004, actual revenues were \$934,595 as compared to the budget amount of \$902,520. For 2004, actual expenditures were \$749,501 compared to the budget amount of \$820,370.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Over the past 5 years the District's assessed valuation has grown at an average of 7.5% while the income generated from assessed value has grown at an average of 4.9%. The 4.9% average income growth is a result of the constitutional cap placed on ad valorem taxes as a result of the Hancock amendment. Recent information from the County Assessor's office shows that the assessed value of the District will increase 14.7% in 2005. Information provided by the State Auditor's office indicates that revenue growth from reassessment will be capped at 3.5%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Jeffery Smith, Fire Chief
Lake Saint Louis Fire Protection District
of St. Charles County, Missouri
2533 Lake Saint Boulevard
Lake Saint Louis, MO 63367

**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI**

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Governmental Activities
ASSETS	
Cash and investments	\$ 844,250
Property taxes receivable:	746,318
Prepaid insurance	6,617
Restricted assets:	
Cash and investments	
Debt issuance costs	
Capital assets - net:	
Nondepreciable	116,235
Depreciable	1,323,580
TOTAL ASSETS	3,037,000
LIABILITIES	
Accounts payable	10,950
Accrued wages	30,675
Pension contribution payable	42,988
Noncurrent liabilities:	
Due in one year	44,523
Due in more than one year	46,540
TOTAL LIABILITIES	175,676
NET ASSETS	
Unrestricted	2,861,324
TOTAL NET ASSETS	\$ 2,861,324

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

LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Service	Capital Grants and Contributions	Revenue and Change in Net Assets
				Governmental Activities
Governmental Activities				
Public safety	\$ 899,226	\$ 54,837	\$ 30,059	\$ (814,330)
Interest and fiscal charges	6,121	-	-	(6,121)
TOTAL GOVERNMENTAL ACTIVITIES	<u>905,347</u>	<u>54,837</u>	<u>30,059</u>	<u>(820,451)</u>
Taxes				892,145
Interest income				5,785
Other miscellaneous revenue				2,036
Gain on the sale of capital assets				27,872
TOTAL GENERAL REVENUES				<u>927,838</u>
CHANGE IN NET ASSETS				<u>107,387</u>
NET ASSETS - BEGINNING OF YEAR				<u>2,753,937</u>
NET ASSETS - END OF YEAR				<u><u>\$ 2,861,324</u></u>

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

LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI
 BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2004

	General Fund	Non-major Fund Pension Fund	Total
ASSETS			
Cash and investments	\$ 703,292	\$ 140,958	\$ 844,250
Property taxes receivable	700,563	45,755	746,318
Due to/from other funds	(4,450)	4,450	-
Prepaid insurance	6,617	-	6,617
TOTAL ASSETS	<u>\$ 1,406,022</u>	<u>\$ 191,163</u>	<u>\$ 1,597,185</u>
LIABILITIES			
Account payable	\$ 10,950	\$ -	\$ 10,950
Accrued wages	30,675	-	30,675
Pension contribution payable	-	42,988	42,988
Deferred revenue	38,344	2,504	40,848
TOTAL LIABILITIES	<u>79,969</u>	<u>45,492</u>	<u>125,461</u>
FUND BALANCES:			
Fund balances:			
Reserved for prepaids	6,617	-	6,617
Unreserved:			
General fund	1,319,436	-	1,319,436
Pension fund	-	145,671	145,671
TOTAL FUND BALANCES	<u>1,326,053</u>	<u>145,671</u>	<u>1,471,724</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,406,022</u>	<u>\$ 191,163</u>	<u>\$ 1,597,185</u>

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

**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI**

RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
DECEMBER 31, 2004

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

Total fund balance per balance sheet	\$ 1,471,724
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,439,815
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	40,848
Long-term liabilities which consist of a capital leases payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(91,063)</u>
Net assets of governmental activities	<u><u>\$ 2,861,324</u></u>

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

**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Nonmajor Fund	Total
		Pension Fund	
REVENUES			
Taxes	\$ 808,586	\$ 52,711	\$ 861,297
Permits and fees	54,837	-	54,837
Investment income	4,276	1,509	5,785
Miscellaneous	66,896	-	66,896
TOTAL REVENUES	<u>934,595</u>	<u>54,220</u>	<u>988,815</u>
EXPENDITURES			
Public safety:			
Wages	373,710	-	373,710
Employee benefits	122,759	-	122,759
Directors fees and board expenses	6,139	-	6,139
Fire prevention	3,762	-	3,762
Insurance	4,727	-	4,727
LOSAP	18,500	9,413	27,913
Membership dues	4,967	1,163	6,130
Office expense	4,984	42,988	47,972
Personal equipment	7,600	-	7,600
Professional fees	23,590	-	23,590
Repairs and maintenance	41,000	-	41,000
Separation agreement	18,927	-	18,927
Training	19,811	-	19,811
Utilities	26,875	-	26,875
Volunteer expenses	6,865	-	6,865
Capital outlay	16,591	-	16,591
Debt service:			
Principal, interest and fiscal charges	48,694	-	48,694
TOTAL EXPENDITURES	<u>749,501</u>	<u>53,564</u>	<u>803,065</u>
EXCESS OF REVENUES OVER EXPENDITURES	185,094	656	185,750
FUND BALANCES - BEGINNING OF YEAR	<u>1,140,959</u>	<u>145,015</u>	<u>1,285,974</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,326,053</u>	<u>\$ 145,671</u>	<u>\$ 1,471,724</u>

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

**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI**

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, 2004

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

Change in fund balance-total governmental funds	\$ 185,750
Revenues that do not provide current financial resources are not included in the fund financial statements.	30,848
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(144,855)
The proceeds from the disposal of capital assets is revenue in the governmental funds.	(6,929)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>42,573</u>
Change in net assets of governmental activities	<u><u>\$ 107,387</u></u>

The accompanying notes are integral part of these financial statements.

**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lake Saint Louis Fire Protection District of St. Charles County, Missouri was founded in 1971 and operates under a three person Board of Directors. The District provides fire protection services to the City of Lake Saint Louis in St. Charles County, Missouri.

A. **REPORTING ENTITY**

The District applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The District presently has no component units included within its reporting entity.

B. **IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Governmental Accounting Standards Board Statement No. 34 - For the fiscal year ended December 31, 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). The statement affects the manner in which the District records transactions and presents financial information.

Management's Discussion and Analysis - GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all the District's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statement include the following:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued
- B. **IMPLEMENTATION OF NEW ACCOUNTING STANDARDS** - continued

Governmental Accounting Standards Board Statement No. 34 - continued

Statement of Net Assets - The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The District reports capital assets in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The net assets of the District are broken down into three categories 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the District's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the District has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. The District has elected to implement the requirements of GASB 34 related to infrastructure assets from January 1, 2004 forward. The District does not currently have any infrastructure assets.

Governmental Accounting Standards Board Statement No. 37 - For the fiscal year ended December 31, 2004, the District implemented GASB Statement No. 37, *Basic Financial Statement and Management's Discussion and Analysis-for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the District considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

Governmental Accounting Standards Board Statement No. 38 - The District adopted the provisions of GASB No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB 38.

Governmental Accounting Standards Board Interpretations No. 6 - For the fiscal year ended December 31, 2004, the District implemented GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. This interpretation clarifies the application standards for modified accrual recognition of certain liabilities and in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation affects the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB, but has no direct effect on the government-wide financial statements. Accordingly, the District has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental funds financial statements for amounts not considered to be due and payable as of December 31, 2004. The District also considered the effects of this interpretation when implementing the provisions of GASB 34 as previously described.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

C. **BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the only major governmental fund. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

D. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

D. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** - continued

Governmental funds 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. The District in general considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental funds financial statements, the District considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, charges for services and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The District reports the following major governmental funds:

The General Fund - The District's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in other specialized funds.

The Pension Tax Fund of the District is considered non-major. It is a special revenue fund, which accounts for property tax revenue collected to make contributions the District's employee retirement plan.

E. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$2,500 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

E. **CAPITAL ASSETS - continued**

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

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	10 - 40 years
Fire fighting equipment	7 - 10 years
Communication equipment	10 years
Office equipment	5 - 10 years
Vehicles	5 - 10 years

F. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

G. **INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as equity transfers. All other interfund transfers are reported as operating transfers.

H. **COMPENSATED ABSENCES**

The District has adopted a formal personnel policy with policies in effect that relate to vacation and sick pay. District employees are allowed to carry forward a limited number of vacation days past year-end. In the event of termination, an employee is paid for accumulated vacation days. Employees are paid for accumulated sick leave upon resignation of employment up to 25% of unused sick time. At December 31, 2004, employees had accrued vacation of \$10,015 and accumulated sick leave of \$6,876. A liability for accrued vacation and sick leave has been included in accrued wages in the General Fund.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

I. **LONG-TERM LIABILITIES**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized portion of applicable premium or discount. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discount, and issuance costs are included in interest expense.

J. **NET ASSETS AND FUND EQUITY**

In government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal on related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the District (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. **INVESTMENTS**

The District is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker's Acceptance and Commercial Paper. Investments are carried at cost or amortized cost.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The District adopts an annual operating budget on a modified accrual basis for the General Fund. Annual appropriations lapse at year-end.

3. **CASH AND TEMPORARY INVESTMENTS**

The District's bank deposits are required by state law to be secured by the deposit of certain securities with the District or trustee institution. The value of the securities must amount to the total of the District's cash not insured by the Federal Deposit Insurance Corporation. As of December 31, 2004, the carrying amount of the District's bank deposits totaled \$844,250 with bank balances of \$747,482. The total insured and uninsured balances are as follows:

Total cash held at banks	\$ 747,482
Less: portion insured by FDIC or collateral	<u>(642,955)</u>
TOTAL UNINSURED BALANCE	<u><u>\$ 104,527</u></u>

4. **PROPERTY TAX**

The District's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are levied on September 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The assessed value at January 1, 2004, upon which the 2004 levy was based on an assessed value for real, personal and public utility property of \$196,056,038. The District's tax rate was levied per \$100 of assessed value as follows:

General Fund	\$.4134
Pension Fund	.0270

5. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended December 31, 2004 is as follows:

	BALANCE, BEGINNING OF YEAR	TRANSFERS AND ADDITIONS	TRANSFERS AND DELETIONS	BALANCE, END OF YEAR
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 116,235	\$ -	\$ -	\$ 116,235
Capital assets, being depreciated:				
Buildings	1,157,630	-	-	1,157,630
Communication equipment	18,294	-	-	18,294
Fire fighting equipment	127,689	-	-	127,689
Office equipment	36,074	-	-	36,074
Vehicles	919,217	-	(63,741)	855,476
Total capital assets, being depreciated	<u>2,258,904</u>	<u>-</u>	<u>(63,741)</u>	<u>2,195,163</u>
Less accumulated depreciation for:				
Buildings	(279,403)	(33,308)	-	(312,711)
Communication equipment	(10,874)	(1,829)	-	(12,703)
Fire fighting equipment	(57,892)	(12,564)	-	(70,456)
Office equipment	(15,464)	(3,874)	-	(19,338)
Vehicles	(419,907)	(93,280)	56,812	(456,375)
Total accumulated depreciation	<u>(783,540)</u>	<u>(144,855)</u>	<u>56,812</u>	<u>(871,583)</u>
Total capital assets, being depreciated, net	<u>1,475,364</u>	<u>(144,855)</u>	<u>(6,929)</u>	<u>1,323,580</u>
Total governmental activities	<u>\$ 1,591,599</u>	<u>\$ (144,855)</u>	<u>\$ (6,929)</u>	<u>\$ 1,439,815</u>

All depreciation expense was charged to public safety on the government-wide financial statements.

6. **LONG-TERM DEBT**

Capital Lease Obligation - The District has entered into a lease/purchase of a custom pumper fire truck. The asset has been capitalized at cost of \$185,917, with accumulated amortization of \$55,775 at December 31, 2004. The obligation under the capital lease is as follows:

Leasing 2, Inc.	<u>\$91,063</u>
Interest rate - 4.18%	
Payments - annual payments of \$48,694, which include principal and interest	

Annual lease payments are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2005	\$ 48,694
2006	48,694
Total minimum lease payments	97,388
Less: amounts representing interest	(6,325)
Present value of minimum lease payments	<u>\$ 91,063</u>

The following is a summary of changes in long-term debt:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE, END OF YEAR</u>	<u>DUE WITHIN ONE YEAR</u>
Capital lease	\$ 133,636	\$ -	\$ (42,573)	\$ 91,063	\$ 44,523

7. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to tort; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District purchases commercial insurance to cover risks related to building and other District property, crimes, business, travel, earthquakes, and employee blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

8. **RETIREMENT PLAN**

The District provides pension benefits and life insurance for all of its full-time employees through a Money Purchase Plan and Trust (the Plan), which is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The plan is administered by Union Central Retirement and Investment Services. Employees who were 21 or older were eligible to participate after reaching 1,000 hours of service in a twelve month period. The District makes a discretionary contribution annually, which is allocated to eligible employees based on their salaries. The District's contributions for each employee (and earnings allocated to the employee's account) are fully vested after six years of service. District contributions for, and earnings forfeited by employees who leave employment before six years of service are used to reduce subsequent contributions. The District's contribution in 2004 was \$42,988.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE ST. LOUIS FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 780,485	\$ 780,485	\$ 808,586	\$ 28,101
Charges for services	18,500	53,750	54,837	1,087
Investment income	6,500	3,500	4,276	776
Miscellaneous	-	64,785	66,896	2,111
TOTAL REVENUE	<u>805,485</u>	<u>902,520</u>	<u>934,595</u>	<u>32,075</u>
EXPENDITURES				
Public safety:				
Wages	366,650	360,800	373,710	(12,910)
Employee benefits	99,600	123,250	122,759	491
Directors fees and board expenses	8,400	6,600	6,139	461
Fire prevention	7,000	7,000	3,762	3,238
Insurance	10,285	11,400	4,727	6,673
LOSAP	22,682	18,550	18,500	50
Membership dues	6,425	6,531	4,967	1,564
Office expense	10,500	10,600	4,984	5,616
Personal equipment	19,000	19,750	7,600	12,150
Professional fees	28,050	25,625	23,590	2,035
Repairs and maintenance	48,950	55,550	41,000	14,550
Separation agreement	18,927	18,927	18,927	-
Training	35,000	35,000	19,811	15,189
Utilities	30,400	30,800	26,875	3,925
Volunteer expenses	15,000	10,000	6,865	3,135
Capital outlay	78,616	79,987	16,591	63,396
Debt service:				
Principal, interest and fiscal charges	-	-	48,694	(48,694)
TOTAL EXPENDITURES	<u>805,485</u>	<u>820,370</u>	<u>749,501</u>	<u>70,869</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>82,150</u>	<u>185,094</u>	<u>\$ 102,944</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,140,959</u>	<u>1,140,959</u>	<u>1,140,959</u>	
FUND BALANCE - END OF YEAR	<u>\$ 1,140,959</u>	<u>\$ 1,223,109</u>	<u>\$ 1,326,053</u>	