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Financial Statements, 2007

Lake St. Louis Fire Protection District

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SUSAN MONTEE, CPA
Missouri State Auditor

June 19, 2008

Board of Commissioners
Lake St. Louis Fire Protection District
2533 Lake St. Louis Blvd.
Lake St. Louis, MO 63367

Fiscal Period: One Year Ended December 31, 2007 ✓

Dear Board of Commissioners:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

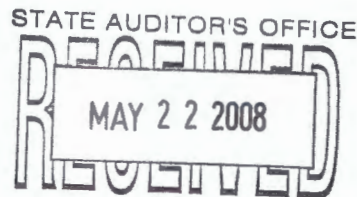
Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

A handwritten signature in black ink that reads "Dana Wansing".

Dana Wansing
Staff Auditor II



To the Board of Directors
of Lake St. Louis Fire Protection District

In planning and performing our audit of the financial statements of Lake St. Louis Fire Protection District as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Lake St. Louis Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. However, as a result of issuance of SAS No. 112 *Communicating Internal Control Related Matters Identified in an Audit*, we are required to communicate certain matters relating to internal control to the governing body of every entity we audit. The new standards require internal control deficiencies identified during the audit be evaluated and reported using a different measure than we have in the past, which has resulted in increased reporting of control deficiencies.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control and we believe the deficiencies constitute material weaknesses:

Significant Deficiencies Considered to be Material Weaknesses

Audit adjustment - As a result of the issuance of SAS No. 112, audit adjustments are now evaluated to determine if they are an indication of a control deficiency and a material weakness. As a result we proposed the following adjustments to management.

- Accounts receivable and deferred taxes - We proposed an adjustment to record taxes collected within 60 days of year-end. We recommend management review tax collections received within 60 days of year-end and determine adjustments required to accurately report accounts receivable and deferred taxes.
- Accrued vacation - We proposed an adjustment to record accrued vacation at year-end. We recommend management review the payroll records at the end of the year, prior to the audit, to determine if an accrual is needed.
- Pension contribution - We proposed an adjustment to accrue the pension payment made in 2008 for 2007 pension contribution. Payables should be recorded in the period in which the expense relates in order to reflect proper cutoff and ensure the financial statements are complete with respect to accounts payable.

We discussed these adjustments with Management and the contracted accountant. In the future, the accountant will make these adjustments prior to the annual audit.

Other Communications

The Auditing Standards Board of the American Institute of Certified Public Accountants requires that we communicate the following matters to the Audit Committee, or its equivalent, of an organization.

- No errors came to our attention.
- No fraud or other illegal acts came to our attention.
- Noted no new accounting policies were adopted and the application of existing policies was not changed during the year.
- We reviewed management's formulations of accounting estimates and concluded they were reasonable.
- We were not consulted by other accountants related to possible alternative application of accounting principles or types of auditor opinion related to the District's financial statements.
- There were no disagreements with management concerning financial accounting, reporting, or auditing matters nor were there any difficulties dealing with management in performing our audit.
- Unadjusted audit differences that require communication are presented in Exhibit 1 of this report.

The above comments are based on observations made during our audit and should not be construed as reflecting on the integrity of your employees. The discussion points are based on our consideration of the internal control structure for audit planning purposes and as such, would not necessarily disclose all matters in the internal control structure that might be considered significant deficiencies.

This communication is intended solely for the information and use of management, Board of Directors, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

Botz, Seal & Company

May 1, 2008

EXHIBIT 1

UNADJUSTED AUDIT DIFFERENCES

	<u>Debit</u>	<u>Credit</u>	<u>Increase (Decrease) In Net Income</u>
Effect of Unadjusted Audit Differences Current Year:			
Fuel	\$ 1,979		
Attorney fees	2,500		
Accounts Payable		\$ 4,479	\$ (4,479)

Record accrued expenses related to goods and services received in 2007.

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

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007***

**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 and each major fund, of the Lake Saint Louis Fire Protection District of St. Charles County, Missouri, as of and for the year ended December 31, 2007, 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 our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Lake Saint Louis Fire Protection District of St. Charles County, Missouri, as of December 31, 2007, and the respective changes in the financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 21 through 23, 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.

Botz, Deal & Company

May 1, 2008

**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

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, 2007. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- In the government-wide financial statements, the District's assets exceed its liabilities at December 31, 2007 by \$2,793,840.
- The District's net assets decreased by \$115,774.
- At December 31, 2007, unreserved fund balance for the General Fund was \$1,424,450, which covers 100% of the General Fund appropriation for the 2007 fiscal year.
- For the year ended December 31, 2007, the General Fund reported revenues in excess of expenditures in the amount of \$15,600.
- Wages, payroll taxes and employee benefits comprise 65% of General Fund expenditures, approximately 9% more than in 2006.
- The District purchased the following capital assets in 2007: 4 sets of bunker gear, 4 Kenwood mobile radios, 21 Kenwood portable radios, 8 SCUBA regulators, 4 Viking dry suits, 5 SCUBA buoyancy compensators, 1 Zodiac inflatable boat, and 1 portable 4 station gear dryer.

REPORT LAYOUT

The District's financial statements are prepared using the reporting model prescribed by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. The District's basic financial statements are designed to emulate corporate representation models whereby all District activities are consolidated. This approach is intended to summarize and simplify the analysis of the costs associated with various emergency services provided by the District for the benefit of its residents. 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.

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. Governmental activities reflect capital assets and long-term liabilities and 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 and the Pension Fund.
- 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.

THE DISTRICT AS A WHOLE

Government-wide Financial Analysis

The District's combined net assets were \$2,793,840 as of December 31, 2007. This analysis focuses on the net assets (table 1) and changes in net assets (table 2) 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, 2007 financial statements in a 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 - Statement Of Net Assets

	2007	2006	Increase (Decrease)
Assets:			
Current and other assets	\$ 1,728,609	\$ 1,695,123	\$ 33,486
Capital assets	1,178,624	1,306,208	(127,584)
Total Assets	<u>2,907,233</u>	<u>3,001,331</u>	<u>(94,098)</u>
Liabilities:			
Current and other liabilities	95,111	91,717	3,394
Long-term liabilities	18,282	-	18,282
Total Liabilities	<u>113,393</u>	<u>91,717</u>	<u>21,676</u>
Net assets:			
Invested in capital assets, net of related debt	1,178,624	1,306,208	(127,584)
Restricted	154,052	152,297	1,755
Unrestricted	1,461,164	1,451,109	10,055
Total Net Assets	<u>\$ 2,793,840</u>	<u>\$ 2,909,614</u>	<u>\$ (115,774)</u>

Governmental activities decreased the District's net assets by \$115,774. The key elements of this decrease are as follows:

Table 2 - Statement Of Activities

	2007	2006	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for service	\$ 56,787	\$ 24,534	\$ 32,253
Capital grants and contributions	41,589	6,095	35,494
General revenues:			
Taxes	1,000,961	955,388	45,573
Interest income	50,599	42,936	7,663
Miscellaneous	3,736	4,246	(510)
Gain on the sale of capital assets	662	-	662
Total Revenues	<u>1,154,334</u>	<u>1,033,199</u>	<u>121,135</u>
Expenses:			
Public safety	1,270,108	1,120,136	149,972
Interest and fiscal charges	-	2,154	(2,154)
Total Expenses	<u>1,270,108</u>	<u>1,122,290</u>	<u>147,818</u>
Increase/(decrease) in net assets	(115,774)	(89,091)	(26,683)
Net assets, beginning of year	2,909,614	2,998,705	(89,091)
Net assets, end of year	<u>\$ 2,793,840</u>	<u>\$ 2,909,614</u>	<u>\$ (115,774)</u>

In 2007 total revenues increased \$121,135 from the previous year. This increase can be attributed to three major areas. One, an increase in property taxes collected due to reassessment; two, an increase in commercial building permits being issued for the Meadows mall project; and three, an increase in federal grants received of over \$35,000.

Expenses increased \$147,818 in 2007 over those of 2006. The single biggest increase in total wages is attributed to the Board's decision to hire two additional full-time firefighters and a full-time fire marshal in 2007.

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 2007	Fiscal Year Ending 2006	Increase (Decrease)	Percentage Change
Governmental Funds:				
Taxes	\$ 987,450	\$ 955,844	\$ 31,606	3.3 %
Licenses and permits	56,787	24,534	32,253	131.5
Investment income	50,599	42,936	7,663	17.8
Miscellaneous	46,676	10,341	36,335	351.4
Total general revenues	<u>\$ 1,141,512</u>	<u>\$ 1,033,655</u>	<u>\$ 107,857</u>	10.4

Revenue in the governmental funds increased \$107,857 or 10.4% from last fiscal year. Nearly 86% of revenue in the governmental funds comes from property taxes. The assessed value of property located in the district increased \$23,505,845. Miscellaneous income increased \$36,335 due to an increase in grants received in 2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2007, the District had \$2,304,769 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. (See Table 4 below) This amount represents a decrease of \$6,916 or 0.3% from the prior fiscal year.

Table 4

	2007	2006	Increase (Decrease)
Land	\$ 116,235	\$ 116,235	\$ -
Buildings	1,157,630	1,157,630	-
Communication equipment	21,907	34,686	(12,779)
Fire fighting equipment	193,625	197,336	(3,711)
Office equipment	33,571	35,307	(1,736)
Vehicles	781,801	770,491	11,310
Total	<u>\$ 2,304,769</u>	<u>\$ 2,311,685</u>	<u>\$ (6,916)</u>

The most significant portion of capital assets is buildings and vehicles. Buildings account for 50% and vehicles account for 34% of total capital assets. Major purchases of the District include 4 sets of bunker gear, 4 Kenwood mobile radios, 21 Kenwood portable radios, 8 SCUBA regulators, 4 Viking dry suits, 5 SCUBA buoyancy compensators, 1 Zodiac inflatable boat, and 1 portable 4 station gear dryer. More detailed information on the District's capital assets is presented in note 5 to the financial statements.

THE DISTRICT'S FUNDS

At the close of the District's fiscal year on December 31, 2007, the governmental funds of the District reported a combined fund balance of \$1,577,482. This ending balance includes an increase in fund balance of \$15,600 in the District's General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares its budget on a modified accrual basis. For 2007, actual revenues were \$1,071,593 as compared to the budget amount of \$1,030,714. For 2007, actual expenditures were \$1,055,993 compared to the budget amount of \$1,046,944.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2007 budget cycle, the District's assessed valuation grew roughly 3.5% while the income generated from the assessed value grew by roughly 3.3%. This allowed the district to maintain a break-even budget prior to the decision to hire additional full-time staff. On April 8, 2008, the voters of the District approved a \$0.17 tax levy increase to fund the hiring of 5 additional full-time employees. This increase will go into effect starting with the 2008 tax levy. Already the District has hired two additional full-time firefighters in 2008 utilizing reserve funds and will hire the remaining 3 firefighters later this year to start January 1, 2009. Beginning in 2009, with this tax levy increase, the District will maintain an annual operating budget closer to \$1,500,000.

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, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 782,219
Property taxes receivable	944,114
Prepaid insurance	2,276
Capital assets - net:	
Nondepreciable	116,235
Depreciable	1,062,389
TOTAL ASSETS	<u><u>2,907,233</u></u>
 LIABILITIES	
Accounts payable	7,145
Accrued wages	30,789
Pension contribution payable	57,177
Noncurrent liabilities:	
Due in one year	9,141
Due in more than one year	9,141
TOTAL LIABILITIES	<u><u>113,393</u></u>
 NET ASSETS	
Invested in capital assets, net of related debt	1,178,624
Restricted for:	
Pension benefits	154,052
Unrestricted	1,461,164
TOTAL NET ASSETS	<u><u>\$ 2,793,840</u></u>

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, 2007

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Assets
		Charges for Service	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Public safety	\$ 1,270,108	\$ 56,787	\$ 41,589	\$ (1,171,732)
				1,000,961
				50,599
				662
				3,736
				1,055,958
				CHANGE IN NET ASSETS
				(115,774)
				NET ASSETS - BEGINNING OF YEAR
				2,909,614
				NET ASSETS - END OF YEAR
				\$ 2,793,840

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, 2007**

	General Fund	Pension Fund	Total
ASSETS			
Cash and investments	\$ 628,784	\$ 153,435	\$ 782,219
Property taxes receivable	886,320	57,794	944,114
Prepaid insurance	2,276	-	2,276
TOTAL ASSETS	\$ 1,517,380	\$ 211,229	\$ 1,728,609
LIABILITIES			
Account payable	\$ 7,145	\$ -	\$ 7,145
Accrued wages	30,789	-	30,789
Pension contribution payable	-	57,177	57,177
Deferred revenue	52,720	3,296	56,016
TOTAL LIABILITIES	90,654	60,473	151,127
FUND BALANCES:			
Fund balances:			
Reserved for prepaids	2,276	-	2,276
Unreserved:			
General fund	1,424,450	-	1,424,450
Pension fund	-	150,756	150,756
TOTAL FUND BALANCES	1,426,726	150,756	1,577,482
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,517,380	\$ 211,229	\$ 1,728,609

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, 2007

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

Total fund balance per balance sheet	\$ 1,577,482
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,178,624
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	56,016
Long-term liabilities not due and payable in the current period and therefore, are not reported in the funds.	<u>(18,282)</u>
Net assets of governmental activities	<u><u>\$ 2,793,840</u></u>

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

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Pension Fund	Total
REVENUES			
Taxes	\$ 924,797	\$ 62,653	\$ 987,450
Permits and fees	56,787	-	56,787
Investment income	43,333	7,266	50,599
Miscellaneous	46,676	-	46,676
TOTAL REVENUES	1,071,593	69,919	1,141,512
EXPENDITURES			
Public safety:			
Wages	502,118	-	502,118
Employee benefits	188,910	8,358	197,268
Directors fees and board expenses	7,089	-	7,089
Fire prevention	5,525	-	5,525
Insurance	15,064	-	15,064
LOSAP	6,306	-	6,306
Membership dues	8,733	-	8,733
Office expense	4,409	-	4,409
Pension contribution	-	59,580	59,580
Personal equipment	17,503	-	17,503
Professional fees	46,282	1,000	47,282
Repairs and maintenance	66,303	-	66,303
Training	22,551	-	22,551
Utilities	29,693	-	29,693
Volunteer expenses	21,466	-	21,466
Capital outlay	114,041	-	114,041
TOTAL EXPENDITURES	1,055,993	68,938	1,124,931
EXCESS OF REVENUES OVER EXPENDITURES	15,600	981	16,581
FUND BALANCES - BEGINNING OF YEAR	1,411,126	149,775	1,560,901
FUND BALANCES - END OF YEAR	\$ 1,426,726	\$ 150,756	\$ 1,577,482

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, 2007

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

Change in fund balance-total governmental funds	\$ 16,581
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	16,824
Revenues that do not provide current financial resources are not included in the fund financial statements.	13,511
The net effect of other miscellaneous transactions involving capital assets (ie. sales or trade-ins) that decrease net assets.	(689)
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(143,719)
Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds.	<u>(18,282)</u>
Change in net assets of governmental activities	<u><u>\$ (115,774)</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, 2007

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. 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.

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 statements include the following:

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

B. **BASIC FINANCIAL STATEMENTS** - 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.

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. 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 and the Pension Fund are considered major governmental funds. 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 District currently has no nonmajor funds.

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 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.

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.

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

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

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

D. **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.

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

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

E. **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.

F. **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.

G. **COMPENSATED ABSENCES**

The District has adopted a formal personnel policy relating 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 and upon retirement an employee receives 50% of unused sick leave. At December 31, 2007, employees had accrued vacation of \$11,060 and accumulated sick leave of \$18,282. A liability for accrued vacation has been included in accrued wages in the General Fund. Accrued sick leave has been recorded separately in the government-wide financial statements, as a long term liability.

H. **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. It is the District's policy to use restricted net assets before unrestricted net assets. The District has restricted net assets of \$154,052, all of which is restricted by enabling legislation.

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.

I. 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 and the Pension Fund. Annual appropriations lapse at year-end.

3. CASH AND TEMPORARY INVESTMENTS

The District's bank deposits are required by state statute 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, 2007, the carrying amount of the District's demand deposits and certificates of deposit totaled \$782,219 with bank balances of \$801,584. The total insured and uninsured balances are as follows:

Total cash held at banks	\$ 801,584
Portion insured by FDIC, guaranty bond or collateralized by securities held by pledging financial institution	<u>(801,584)</u>
TOTAL UNINSURED BALANCE	<u><u>\$ -</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, 2007, upon which the 2007 levy was based on an assessed value for real, personal and public utility property of \$255,273,878. The District's tax rate was levied per \$100 of assessed value as follows:

General Fund	\$.3671
Pension Fund	.0240

5. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended December 31, 2007 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	34,686	-	(12,779)	21,907
Fire fighting equipment	197,336	5,514	(9,225)	193,625
Office equipment	35,307	-	(1,736)	33,571
Vehicles	770,491	11,310	-	781,801
Total capital assets, being depreciated	<u>2,195,450</u>	<u>16,824</u>	<u>(23,740)</u>	<u>2,188,534</u>
Less accumulated depreciation for:				
Buildings	(379,326)	(33,226)	-	(412,552)
Communication equipment	(17,429)	(2,540)	12,090	(7,879)
Fire fighting equipment	(108,343)	(23,321)	9,225	(122,439)
Office equipment	(24,055)	(3,860)	1,736	(26,179)
Vehicles	(476,324)	(80,772)	-	(557,096)
Total accumulated depreciation	<u>(1,005,477)</u>	<u>(143,719)</u>	<u>23,051</u>	<u>(1,126,145)</u>
Total capital assets, being depreciated, net	<u>1,189,973</u>	<u>(126,895)</u>	<u>(689)</u>	<u>1,062,389</u>
Total governmental activities	<u>\$ 1,306,208</u>	<u>\$ (126,895)</u>	<u>\$ (689)</u>	<u>\$ 1,178,624</u>

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

6. **EXPENDITURES IN EXCESS OF BUDGET**

For the year ended December 31, 2007 actual expenditures in the Pension Fund exceeded budgeted expenditures by \$6,542. Actual expenditures in the General Fund exceeded budgeted expenditures by \$9,049.

7. LONG-TERM LIABILITIES

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

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Accrued sick leave	\$ 8,336	\$ 18,282	\$ (8,336)	\$ 18,282	\$ 9,141

Funds to retire accrued sick leave come from the General Fund.

8. 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.

9. 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 for 2007 was \$59,580.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE ST. LOUIS FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2007

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 900,314	\$ 900,314	\$ 924,797	\$ 24,483
Charges for services	26,000	43,150	56,787	13,637
Investment income	30,000	41,000	43,333	2,333
Miscellaneous	-	46,250	46,676	426
TOTAL REVENUE	<u>956,314</u>	<u>1,030,714</u>	<u>1,071,593</u>	<u>40,879</u>
EXPENDITURES				
Public safety:				
Wages	455,221	504,300	502,118	2,182
Employee benefits	179,175	182,325	188,910	(6,585)
Directors fees and board expenses	6,250	5,750	7,089	(1,339)
Fire prevention	4,050	4,300	5,525	(1,225)
Insurance	13,100	15,422	15,064	358
Length of service award program	7,500	6,400	6,306	94
Membership dues	8,411	8,685	8,733	(48)
Office expense	5,825	4,975	4,409	566
Personal equipment	16,250	23,800	17,503	6,297
Professional fees	41,800	54,525	46,282	8,243
Repairs and maintenance	49,625	55,525	66,303	(10,778)
Training	30,350	16,600	22,551	(5,951)
Utilities	28,200	28,000	29,693	(1,693)
Volunteer expenses	14,525	20,553	21,466	(913)
Capital outlay	96,032	115,784	114,041	1,743
TOTAL EXPENDITURES	<u>956,314</u>	<u>1,046,944</u>	<u>1,055,993</u>	<u>(9,049)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	(16,230)	15,600	<u>\$ 31,830</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,411,126</u>	<u>1,411,126</u>	<u>1,411,126</u>	
FUND BALANCE - END OF YEAR	<u>\$ 1,411,126</u>	<u>\$ 1,394,896</u>	<u>\$ 1,426,726</u>	

LAKE ST. LOUIS FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2007

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 58,896	\$ 58,896	\$ 62,653	\$ 3,757
Investment income	3,500	3,500	7,266	3,766
TOTAL REVENUE	<u>62,396</u>	<u>62,396</u>	<u>69,919</u>	<u>7,523</u>
EXPENDITURES				
Public safety:				
Employee benefits	9,450	9,450	8,358	1,092
Pension contribution	51,446	51,446	59,580	(8,134)
Professional fees	1,500	1,500	1,000	500
TOTAL EXPENDITURES	<u>62,396</u>	<u>62,396</u>	<u>68,938</u>	<u>(6,542)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	981	<u>\$ 981</u>
FUND BALANCE - BEGINNING OF YEAR	<u>149,775</u>	<u>149,775</u>	<u>149,775</u>	
FUND BALANCE - END OF YEAR	<u>\$ 149,775</u>	<u>\$ 149,775</u>	<u>\$ 150,756</u>	

LAKE ST. LOUIS FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

1. BUDGETARY INFORMATION

The District prepares its budget on the modified accrual basis of accounting. The budgetary process is detailed in footnote 2 of the notes to the financial statements.