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Financial Statements, 2006

Lake St. Louis Fire Protection District

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SUSAN MONTEE, CPA
Missouri State Auditor

August 22, 2007

Board of Directors
Lake St. Louis Fire Protection District
St. Charles County
2533 Lake St. Louis Boulevard
Lake St. Louis, MO 63367

Fiscal Period: One Year Ended December 31, 2006 ✓

Dear Directors:

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 cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**



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 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, 2006, 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 and each major fund, of the Lake Saint Louis Fire Protection District of St. Charles County, Missouri, as of December 31, 2006, 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 21, 2007

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**LAKE SAINT LOUIS FIRE PROTECTION DISTRICT
OF ST. CHARLES COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

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, 2006. 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, 2006 by \$2,909,614.
- The District's net assets decreased by \$89,091.
- At December 31, 2006, unreserved fund balance for the General Fund was \$1,403,688, which covers 100% of the General Fund appropriation for the 2006 fiscal year.
- For the year ended December 31, 2006, the General Fund reported expenditures in excess of revenues.
- Wages, payroll taxes and employee benefits comprise 57% of General Fund expenditures, approximately 2% more than in 2005.
- There was no debt issued by the District during 2006. Principal payments on outstanding obligations were \$46,540, leaving no capital lease obligations payable at December 31, 2006.
- The District purchased the following capital assets in 2006: two thermal imaging cameras, three Panasonic laptops, and a new Dell server.

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 \$2,909,614 as of December 31, 2006. 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, 2006 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

	<u>2006</u>	<u>2005</u>	Increase (Decrease)
Assets:			
Current and other assets	\$ 1,695,123	\$ 1,723,444	\$ (28,321)
Capital assets	<u>1,306,208</u>	<u>1,411,941</u>	<u>(105,733)</u>
Total Assets	<u>3,001,331</u>	<u>3,135,385</u>	<u>(134,054)</u>
Liabilities:			
Current and other liabilities	91,717	90,140	1,577
Long-term liabilities	<u>-</u>	<u>46,540</u>	<u>(46,540)</u>
Total Liabilities	<u>91,717</u>	<u>136,680</u>	<u>(44,963)</u>
Net assets:			
Invested in capital assets, net of related debt	1,306,208	1,365,401	(59,193)
Restricted	152,297	149,646	2,651
Unrestricted	<u>1,451,109</u>	<u>1,483,658</u>	<u>(32,549)</u>
Total Net Assets	<u>\$ 2,909,614</u>	<u>\$ 2,998,705</u>	<u>\$ (89,091)</u>

Governmental activities decreased the District's net assets by \$89,091. The key elements of this decrease are as follows:

Table 2

	Statement Of Activities		Increase (Decrease)
	2006	2005	
Revenues:			
Program revenues:			
Charges for service	\$ 24,534	\$ 25,713	\$ (1,179)
Capital grants and contributions	6,095	56,623	(50,528)
General revenues:			
Taxes	955,388	931,294	24,094
Interest income	42,936	26,464	16,472
Miscellaneous	4,246	4,033	213
Gain on the sale of capital assets	-	28,069	(28,069)
Total Revenues	<u>1,033,199</u>	<u>1,072,196</u>	<u>(38,997)</u>
Expenses:			
Public safety	1,120,136	930,645	189,491
Interest and fiscal charges	2,154	4,170	(2,016)
Total Expenses	<u>1,122,290</u>	<u>934,815</u>	<u>187,475</u>
Increase/(decrease) in net assets	(89,091)	137,381	(226,472)
Net assets, beginning of year	2,998,705	2,861,324	137,381
Net assets, end of year	<u>\$ 2,909,614</u>	<u>\$ 2,998,705</u>	<u>\$ (89,091)</u>

In 2006 total revenues decreased \$38,997 from the previous year. In 2005 the District had received a federal grant for the purchase of personal protective gear for its personnel. In 2006 no grant income was received nor were there any sales of capital assets.

Expenses increased \$187,475 in 2006 over those of 2005. This is primarily due to the increased cost of fuel for the district vehicle fleet, increased cost in employee health care insurance as well as workers compensation insurance. The single biggest factor however was the decision by the Board of Directors to utilize some reserve funds to repair the majority of the parking lot at Station #2 that was in horrible shape at a cost of roughly \$90,000.

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 2006	Fiscal Year Ending 2005	Increase (Decrease)	Percentage Change
General Fund:				
Taxes	\$ 897,340	\$ 872,237	\$ 25,103	2.9 %
Licenses and permits	24,534	25,713	(1,179)	(4.6)
Investment income	36,864	22,421	14,443	64.4
Miscellaneous	10,341	119,716	(109,375)	(91.4)
Total general revenues	\$ <u>969,079</u>	\$ <u>1,040,087</u>	\$ <u>(71,008)</u>	(6.8)

General Fund revenue decreased \$71,008 or 6.8% from last fiscal year. Nearly 93% of revenue in the General Fund comes from property taxes. The assessed value of property located in the district increased \$6,500,814. Miscellaneous income decreased \$109,375 due to a decrease in grants received and there was no sale of capital assets in 2006.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2006, the District had \$2,311,685 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. (See Table 4 below) This amount represents an increase of \$39,003 or 1.7% over the prior fiscal year.

Table 4

	2006	2005	Increase (Decrease)
Land	\$ 116,235	\$ 116,235	\$ -
Buildings	1,157,630	1,157,630	-
Communication equipment	34,686	18,294	16,392
Fire fighting equipment	197,336	178,936	18,400
Office equipment	35,307	31,096	4,211
Vehicles	770,491	770,491	-
Total	\$ <u>2,311,685</u>	\$ <u>2,272,682</u>	\$ <u>39,003</u>

The most significant portion of capital assets is buildings and vehicles. Buildings account for 50% and vehicles account for 33% of total capital assets. Major purchases of the Districted included two thermal imaging cameras, three Panasonic laptops, and a new Dell server. 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 no outstanding debt compared to \$46,540 at the end of the prior fiscal year.

During the fiscal year, the District made principal payments totaling \$46,540. 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, 2006, the governmental funds of the District reported a combined fund balance of \$1,560,901. This ending balance includes a decrease in fund balance of \$32,122 in the District's General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares its budget on a modified accrual basis. For 2006, actual revenues were \$969,079 as compared to the budget amount of \$946,569. For 2006, actual expenditures were \$1,001,201 compared to the budget amount of \$1,037,055.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the last budget cycle the District's assessed valuation grew roughly 3.8% while the income generated from the assessed value grew by only 2.9%. The low income growth is a result of the constitutional cap placed on ad valorem taxes in Missouri as a result of the Hancock amendment. Information from the County Assessor's office showing the projected growth in assessed value of the District in 2007 as well as information provided by the State Auditor's office estimating revenue growth from this year's reassessment is not yet available.

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, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 838,625
Property taxes receivable	849,060
Prepaid insurance	7,438
Capital assets - net:	
Nondepreciable	116,235
Depreciable	1,189,973
TOTAL ASSETS	<u>3,001,331</u>
 LIABILITIES	
Accounts payable	1,910
Accrued wages	38,345
Pension contribution payable	51,462
TOTAL LIABILITIES	<u>91,717</u>
 NET ASSETS	
Invested in capital assets, net of related debt	1,306,208
Restricted for:	
Pension benefits	152,297
Unrestricted	1,451,109
TOTAL NET ASSETS	<u>\$ 2,909,614</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, 2006

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	\$ 1,120,136	\$ 24,534	\$ 6,095	\$ (1,089,507)
Interest and fiscal charges	2,154	-	-	(2,154)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,122,290</u>	<u>\$ 24,534</u>	<u>\$ 6,095</u>	<u>(1,091,661)</u>
Taxes				955,388
Interest income				42,936
Other miscellaneous revenue				4,246
TOTAL GENERAL REVENUES				<u>1,002,570</u>
CHANGE IN NET ASSETS				<u>(89,091)</u>
NET ASSETS - BEGINNING OF YEAR				<u>2,998,705</u>
NET ASSETS - END OF YEAR				<u>\$ 2,909,614</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, 2006

	General Fund	Pension Fund	Total
ASSETS			
Cash and investments	\$ 691,908	\$ 146,717	\$ 838,625
Property taxes receivable	797,014	52,046	849,060
Prepaid insurance	7,438	-	7,438
Due from other funds	-	4,996	4,996
TOTAL ASSETS	\$ 1,496,360	\$ 203,759	\$ 1,700,119
LIABILITIES			
Account payable	\$ 1,910	\$ -	\$ 1,910
Accrued wages	38,345	-	38,345
Pension contribution payable	-	51,462	51,462
Deferred revenue	39,983	2,522	42,505
Due to other funds	4,996	-	4,996
TOTAL LIABILITIES	85,234	53,984	139,218
FUND BALANCES:			
Fund balances:			
Reserved for prepaids	7,438	-	7,438
Unreserved:			
General fund	1,403,688	-	1,403,688
Pension fund	-	149,775	149,775
TOTAL FUND BALANCES	1,411,126	149,775	1,560,901
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,496,360	\$ 203,759	\$ 1,700,119

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, 2006

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

Total fund balance per balance sheet	\$ 1,560,901
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,306,208
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	<u>42,505</u>
Net assets of governmental activities	<u>\$ 2,909,614</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, 2006

	General Fund	Pension Fund	Total
REVENUES			
Taxes	\$ 897,340	\$ 58,504	\$ 955,844
Permits and fees	24,534	-	24,534
Investment income	36,864	6,072	42,936
Miscellaneous	10,341	-	10,341
TOTAL REVENUES	969,079	64,576	1,033,655
EXPENDITURES			
Public safety:			
Wages	415,254	-	415,254
Employee benefits	160,018	9,434	169,452
Directors fees and board expenses	5,511	-	5,511
Fire prevention	3,652	-	3,652
Insurance	12,070	-	12,070
LOSAP	7,459	-	7,459
Membership dues	7,132	-	7,132
Office expense	6,741	-	6,741
Pension contribution	-	51,462	51,462
Personal equipment	11,467	-	11,467
Professional fees	45,598	1,000	46,598
Repairs and maintenance	58,329	-	58,329
Separation agreement	6,000	-	6,000
Training	24,255	-	24,255
Utilities	27,510	-	27,510
Volunteer expenses	14,627	-	14,627
Capital outlay	146,884	-	146,884
Debt service:			
Principal, interest and fiscal charges	48,694	-	48,694
TOTAL EXPENDITURES	1,001,201	61,896	1,063,097
EXCESS OF REVENUES OVER EXPENDITURES	(32,122)	2,680	(29,442)
FUND BALANCES - BEGINNING OF YEAR	1,443,248	147,095	1,590,343
FUND BALANCES - END OF YEAR	\$ 1,411,126	\$ 149,775	\$ 1,560,901

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, 2006

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

Change in fund balance-total governmental funds	\$ (29,442)
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	39,003
Revenues that do not provide current financial resources are not included in the fund financial statements.	(456)
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(144,736)
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>46,540</u>
Change in net assets of governmental activities	<u><u>\$ (89,091)</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, 2006

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**

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

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.

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, 2006, employees had accrued vacation of \$11,195 and accumulated sick leave of \$8,336. A liability for accrued vacation and sick leave has been included in accrued wages in the General Fund.

H. **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.

I. **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.

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

I. **NET ASSETS AND FUND EQUITY - continued**

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.

J. **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, 2006, the carrying amount of the District's demand deposits and certificates of deposit totaled \$838,625 with bank balances of \$864,780. The total insured and uninsured balances are as follows:

Total cash held at banks	\$ 864,780
Portion insured by FDIC, guaranty bond or collateralized by securities held by pledging financial institution	<u>(864,780)</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, 2006, upon which the 2006 levy was based on an assessed value for real, personal and public utility property of \$231,768,033. The District's tax rate was levied per \$100 of assessed value as follows:

General Fund	\$.3898
Pension Fund	.0255

5. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended December 31, 2006 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	16,392	-	34,686
Fire fighting equipment	178,936	18,400	-	197,336
Office equipment	31,096	4,211	-	35,307
Vehicles	770,491	-	-	770,491
Total capital assets, being depreciated	<u>2,156,447</u>	<u>39,003</u>	<u>-</u>	<u>2,195,450</u>
Less accumulated depreciation for:				
Buildings	(346,018)	(33,308)	-	(379,326)
Communication equipment	(14,532)	(2,897)	-	(17,429)
Fire fighting equipment	(85,221)	(23,122)	-	(108,343)
Office equipment	(20,190)	(3,865)	-	(24,055)
Vehicles	(394,780)	(81,544)	-	(476,324)
Total accumulated depreciation	<u>(860,741)</u>	<u>(144,736)</u>	<u>-</u>	<u>(1,005,477)</u>
Total capital assets, being depreciated, net	<u>1,295,706</u>	<u>(105,733)</u>	<u>-</u>	<u>1,189,973</u>
Total governmental activities	<u>\$ 1,411,941</u>	<u>\$ (105,733)</u>	<u>\$ -</u>	<u>\$ 1,306,208</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, 2006 actual expenditures in the Pension Fund exceeded budgeted expenditures by \$1,657.

7. **LONG-TERM DEBT**

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

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Capital lease	\$ 46,540	\$ -	\$ (46,540)	\$ -	\$ -

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 2006 was \$51,462.

LAKE ST. LOUIS FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 870,724	\$ 870,724	\$ 897,340	\$ 26,616
Charges for services	11,000	23,250	24,534	1,284
Investment income	22,000	34,500	36,864	2,364
Miscellaneous	-	18,095	10,341	(7,754)
TOTAL REVENUE	<u>903,724</u>	<u>946,569</u>	<u>969,079</u>	<u>22,510</u>
EXPENDITURES				
Public safety:				
Wages	421,650	418,750	415,254	3,496
Employee benefits	139,000	161,775	160,018	1,757
Directors fees and board expenses	8,200	4,750	5,511	(761)
Fire prevention	4,550	4,150	3,652	498
Insurance	12,145	12,125	12,070	55
LOSAP	10,000	7,500	7,459	41
Membership dues	7,810	7,505	7,132	373
Office expense	7,500	7,250	6,741	509
Personal equipment	24,350	17,100	11,467	5,633
Professional fees	22,900	50,000	45,598	4,402
Repairs and maintenance	53,950	59,200	58,329	871
Separation agreement	6,000	6,000	6,000	-
Training	31,250	26,250	24,255	1,995
Utilities	28,150	26,950	27,510	(560)
Volunteer expenses	11,000	13,250	14,627	(1,377)
Capital outlay	65,469	164,700	146,884	17,816
Debt service:				
Principal, interest and fiscal charges	49,800	49,800	48,694	1,106
TOTAL EXPENDITURES	<u>903,724</u>	<u>1,037,055</u>	<u>1,001,201</u>	<u>35,854</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(90,486)</u>	<u>(32,122)</u>	<u>\$ 58,364</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,443,248</u>	<u>1,443,248</u>	<u>1,443,248</u>	
FUND BALANCE - END OF YEAR	<u>\$ 1,443,248</u>	<u>\$ 1,352,762</u>	<u>\$ 1,411,126</u>	

LAKE ST. LOUIS FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET POSITIVE (NEGATIVE)
OPERATING REVENUE				
Taxes	\$ 56,739	\$ 56,739	\$ 58,504	\$ 1,765
Investment income	2,000	3,500	6,072	2,572
TOTAL REVENUE	<u>58,739</u>	<u>60,239</u>	<u>64,576</u>	<u>4,337</u>
EXPENDITURES				
Public safety:				
Employee benefits	7,500	9,450	9,434	16
Pension contribution	49,239	49,289	51,462	(2,173)
Professional fees	2,000	1,500	1,000	500
TOTAL EXPENDITURES	<u>58,739</u>	<u>60,239</u>	<u>61,896</u>	<u>(1,657)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,680</u>	<u>\$ 2,680</u>
FUND BALANCE - BEGINNING OF YEAR	<u>147,095</u>	<u>147,095</u>	<u>147,095</u>	
FUND BALANCE - END OF YEAR	<u>\$ 147,095</u>	<u>\$ 147,095</u>	<u>\$ 149,775</u>	

LAKE ST. LOUIS FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2006

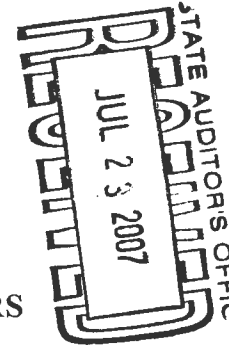
1. BUDGETARY INFORMATION

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.

**LAKE SAINT LOUIS FIRE
PROTECTION DISTRICT**

**REPORT TO BOARD OF DIRECTORS
AND MANAGEMENT**

DECEMBER 31, 2006



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

May 21, 2007

Members of the Board
Lake Saint Louis Fire Protection District
2533 Lake St. Louis Boulevard
Lake Saint Louis, Missouri 63367

We are pleased to discuss the results of our audit of the financial statements of Lake Saint Louis Fire Protection District for the year ended December 31, 2006.

The accompanying report addresses matters with respect to our 2006 audit and other information which we believe will be of assistance and interest to you, as well as specific matters required by professional standards to be reported to you. This report is intended solely for the information and use of the Board of Directors and management.

Very truly yours,

Boty, Deal & Company

INDEX TO REPORT

OVERVIEW OF 2006 AUDIT	1
OTHER MATTERS	2
RECOMMENDATIONS TO MANAGEMENT	3

OVERVIEW OF 2005 AUDIT

RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)	<ul style="list-style-type: none">* Audit performed in accordance with auditing standards generally accepted in the United States of America.* Objective being reasonable - not absolute - assurance about the financial statements being free of material misstatement.
REPORT ON 2006 AUDIT	<ul style="list-style-type: none">* Issued an unmodified opinion dated May 21, 2007.
COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS AND GRANTS	<ul style="list-style-type: none">* Obtained no evidence that the District was not in compliance in all material respects, with certain provisions of laws, regulations, contracts and grants that were tested.
INTERNAL CONTROL OVER FINANCIAL REPORTING	<ul style="list-style-type: none">* Reviewed controls to extent necessary to obtain an understanding of the structure in order to render an opinion on financial statements.* Recommendations set forth on page 3.
MANAGEMENT COOPERATION	<ul style="list-style-type: none">* Received full cooperation.

OTHER MATTERS

The Auditing Standards Board of the AICPA requires that we communicate certain matters to the Audit Committee, or its equivalent of an organization. These requirements are set out in Statement on Auditing Standards Nos. 54, 82, 89, 99 and 114 and our comments thereto are presented below.

ERRORS	* None came to our attention.
FRAUD AND OTHER ILLEGAL ACTS	* None came to our attention.
SIGNIFICANT ACCOUNTING POLICIES	* No new policies or changes to existing policies.
MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES	* Reviewed management's formulation of accounting estimates and concluded they were reasonable.
CONSULTATIONS WITH OTHER ACCOUNTANTS	* None.
UNADJUSTED AUDIT DIFFERENCES	* No reportable differences.

RECOMMENDATIONS TO MANAGEMENT

OVERALL

- * Considered internal control over financial reporting to determine auditing procedures.
- * Audit procedures would not necessarily disclose all matters in internal control over financial reporting that may be material weaknesses.

CURRENT YEAR

- * We have no recommendations that warrant management's attention at this time.