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Financial Statements, 2004

Fenton Fire Protection District

FENTON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2004

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Ahrens & Hoelscher, P.C.
Certified Public Accountants

FENTON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
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FENTON FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31,2004

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fenton Fire Protection District
Fenton, Missouri

We have audited the accompanying financial statements of the governmental activities, each fund and the aggregate remaining fund information of the FENTON FIRE PROTECTION DISTRICT (the District), 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Governmental Auditing Standards* issued by the Comptroller General of the United States. These 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 fund and the aggregate remaining fund information as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of December 31, 2004.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated May 5, 2004 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information as listed in the table of contents 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole

Ahrens & Hoelscher, P.C.

Ahrens & Hoelscher, P.C.
May 5, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

FENTON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

This section of the Fenton Fire Protection District (the District) annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial activity during the fiscal year that ended on December 31, 2004. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, and is meant to be read in conjunction with the District's financial statements and the notes to the financial statements, which follow this section.

This financial statement is reported using the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement #34 issued in June of 1999. The District was required to implement this new reporting model for the fiscal year ending December 31, 2004. These standards require that certain comparative information with the previous year be included in this reporting model. Since this is the first year that the District is using this model, the comparative information will be omitted as permitted by this standard.

FINANCIAL HIGHLIGHTS

- The District was compelled to increase taxes due to the loss of tax revenue from TIF's and tax abatements.
- The District covers an area of land operating as a Tax Increment Financing (TIF) District. The assessed valuation of personal property and real estate within the TIF district was $32 Million. This District is unable to include this amount when calculating tax rates and assessing taxes for collection.
- Assets exceeded liabilities (net assets) by $7 million as of December 31, 2004. Of this amount, $3.5 million is invested in capital assets (net) and $3.5 million is unrestricted and available to meet current and future obligations of the District.
- The District's total net assets increased by $355,874 as a result of this year's operations.
- The fund balance for the General Fund was $6.7 million. An amount of approximately $1 million of this is reserved for the purchase of pumpers and vehicles in the next several years. The remaining $5.7 million of fund balance is unreserved and will be used to purchase equipment and to finance future years of operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements,* and *required supplementary information.* This MD&A section is an overview and introduction to the basic financial statements. The District's basis financial statements are made up of three components, which are as follows:

Government-Wide Financial Statements

The government-wide financial statements present the District's financial status in a consolidated form similar to that of corporate financial statements. The government-wide financial statements focus mainly on activities supported by tax revenue and charges for services. This approach is intended to simplify the user's analysis of the cost of District services. The government-wide financial statements contain the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents the entire District's assets and liabilities on one statement. The amount that the assets exceed the liabilities is reported as net assets. The increase and decrease of net assets is a factor in determining the financial position of the District.

The Statement of Activities presents how the District's net assets changed during the fiscal year as a result of the revenues and expenses. The revenues and expenses are reported in this statement as they occur, even if they result in future period cash flows.

Fund Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. A fund is a grouping of related accounts used to keep track of specific sources of funding and spending for particular purposes. The District is considered a "state and local governmental entity" and uses fund accounting to ensure compliance with statutory requirements. All of the District's funds can be classified as either a *Governmental fund* or a *Fiduciary fund*.

- Governmental funds – Most of the Districts basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. This is reported in the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- Fiduciary funds – The District is the trustee, or fiduciary, for the Retirement Plan for Employees of the Fenton Fire Protection District. It is also responsible for other assets that, because of the trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes To The Financial Statements

The notes to the financial statements include additional information that is essential in obtaining a better understanding of the data provided in both the government-wide financial statements and the fund financial statements. The notes explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. As noted previously, net assets can be used a factor in analyzing a government's financial position. The condensed statement of net assets is as follows:

	December 31 2004
Assets	
Current and other assets	$ 10,676,922
Capital assets (net)	3,582,454
Total Assets	14,259,376
Liabilities	
Current liabilities	71,536
Long-term liabilities	7,199,207
Total Liabilities	7,270,743
Net Assets	
Investment in capital assets (net)	3,582,454
Unrestricted	3,406,179
Net Assets	$ 6,988,633

The total net assets of the District amounted to $7 million. As previously noted, of the total, $3.5 million is invested in capital assets (net of accumulated depreciation) and the remaining $3.5 million is unrestricted and will be used to finance future years of operations.

FENTON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Change in net assets. This analysis focuses on the changes in net assets of the District's governmental activities. The condensed statement of activities is as follows:

	For The Year Ended December 31, 2004
Revenue	
Program revenue:	
Charges for services	$ 563,265
General revenues:	
Taxes	6,694,820
Investment income	92,714
Other income	130,597
Total Revenues	7,481,396
Expenses	
Public Safety	7,125,522
Change In Net Assets	355,874
Net Assets-January 1, 2004	6,632,759
Net Assets-December 31, 2004	$ 6,988,633

Net assets of the District increased by $355,874. The increase is the result of operating and non-operating revenues exceeding expenses during the year ended December 31, 2004. The District's total revenue was $7.4 million. The majority of the District's revenue comes from property taxes, accounting for approximately 89.5%. Another 7.5% comes from fees charged for services. The other 3% is derived from investment earnings and other miscellaneous revenue such as grants.

The total cost of all programs and services was $7.1 million. The District has two major types of expenditures. The first is salaries and personnel costs and the second is equipment purchase and maintenance costs. This year, the salaries and personnel costs have accounted for 82.7% of the total expenditures.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted previously, the District uses fund accounting to ensure compliance with statutory requirements. The focus of the District's governmental funds is to provide information on short-term inflows and outflows, as well as the balance of spendable resources, which is useful in determining the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of $10.2 Million. The combined fund balance is comprised of Reserved and Unreserved amounts. The Reserved fund balance amounted to 1.4 million and is for the purchase of pumpers, vehicles, and equipment. The Unreserved amount is available to meet current and future obligations of the District.

General Fund

The following information is some of the highlights of the General Fund activity for the year ending December 31, 2004:

- The General Fund revenues exceeded expenditures by $1.3 million. The largest expenditure of the General Fund is salaries and personnel cost and amounted to $3,708,686 or 87.6% of the total expenditures. The other large expenditure for this fund is equipment purchase and maintenance costs. This expense amounted to $232,223 or 5.5% of the total expenditures for the General Fund.

- Changes are reflected in this statement resulting from the switch from a budgetary basis under modified accrual for revenue and cash basis for expenditures to a full accrual budget basis. This statement reflects the adoption of GASB 34 for the 2004 fiscal year ended December 31, and a budgetary basis that is consistent with this reporting.

Special Revenue Funds

The District's special revenue funds consist of the Ambulance Fund and the Dispatch Fund. The following is some of the highlights of these two special revenue funds:

- The Ambulance Fund revenue exceeded the expenditures by $709,093 for the year ending December 31, 2004. The salaries and personnel cost were the largest expenditure of the Ambulance Fund, just as it was for the General Fund. The salaries and personnel cost amounted to $2,185,221 for the year ended and accounted for 89.6 % of the total expenditures. The next largest expenditure was for equipment purchase and maintenance. This amount was $149,313 and accounted for 6.1% of the total expenditures for the Ambulance Fund.

- The main expenditure of the Dispatch Fund is the cost of emergency dispatching services which represented 90% of the totai expenditures for this fund. Telephone communications and equipment purchases are the only other costs of this fund.

- Changes are reflected in this statement resulting from the switch from a budgetary basis under modified accrual for revenue and cash basis for expenditures to a full accrual budget basis. This statement reflects the adoption of GASB 34 for the 2004 fiscal year ended December 31, and a budgetary basis that is consistent with this reporting.

Budget Analysis

The only budget items that were changed during the course of the year was in the Pension Fund. The revenue items for taxes and interest were increased to more accurately reflect actual results for the year. The budget for administrative expenses was increased by $10,000 and the contribution amount was increased by $5,500 to account for projected increases to those expenditures. The amounts from the original budget were not changed on the final budgets of the General, Ambulance, or Dispatch Funds.

Capital Assets

At the end of 2004, the District had invested $3.5 million (net of accumulated depreciation) in a broad range of capital assets, including land and buildings, fire and medical equipment, communications equipment and maintenance equipment, as well as the furniture and fixtures for the engine houses and administration building. The following table represents the District's capital assets and accumulated depreciation on those assets.

	December 31 2004
Capital Assets	
Land	$ 373,855
Building and improvement	3,361,682
Vehicles	1,798,742
Equipment	651,067
Furniture and fixtures	263,706
Total	6,449,052
Less Accumulated Depreciation	(2,866,598)
Net Capital Assets	$ 3,582,454

The net capital assets decreased by $445,185 for the year ended December 31, 2004. This decreased resulted from the following factors:

- The amount of capital asset purchases for the year amounted to $211,796.
- The amount of capital asset dispositions or deletions amounted to ($315,429).
- Finally, the depreciation expense for fiscal year 2004 amounted to ($341,552).

The following describes some important changes in the reporting of capital assets in the new reporting model implemented as a result of adopting GASB 34:

- Prior to the adoption of GASB 34, the District had no requirement to depreciate fixed assets and maintained those assets in a separate group. All capital assets were expensed when purchased. Upon adoption of GASB 34, the District must recognize the Accumulated Depreciation that would have been taken if we had been depreciating the assets since their purchases. As a result, the District must recognize $2,525,046 of prior years accumulated depreciation in the current year, resulting in a decrease of the capital assets.
- Concurrent with the adoption of GASB 34, the District made changes to the capitalization policy that it has used in the past. As a result, some of the assets that had been represented in the General Long Term Fixed Asset account group in 2003 are no longer reflected in the capital assets.

ECONOMIC FACTORS

- During 2004, the District deemed it necessary to increase taxes due to the loss of tax revenue from TIF's, Chapter 100 tax abatement by Daimler Chrysler Corporation plant located in Fenton, and Chapter 353 tax abatement by Tristar.

- In the above mentioned tax abatement, Daimler Chrysler Corporation sought a $100 million reduction in their assessed valuation. A settlement was reached which resulted in a $70 million reduction in assessed valuation. Legislators are to address this situation in 2005 by statute.

- The District has a contractual agreement with the City of Fenton to pay the District $90,000 per year for the next 10 years in lieu of real estate tax payment for the TIF District. The District collected the fourth of ten payments of $90,000 during the year ended December 31, 2004. The TIF District causes a $32 million reduction assessed valuation annually.

PERSONNEL ISSUES

The Fenton Fire Protection District serves approximately 35,000 residents with a day time population of 1,000,000 people. The higher day time population results from the demographic of our service area which is largely commercial and industrial based and also includes 2 major interstate highways.

Our professional staff consists of 63 full time employees: 1 Fire Chief, 4 Deputy Chiefs, 3 Administrative Personnel, 1 Fire Inspector, 12 Captains, 12 Shift Leads, and 31 Privates. The District provides emergency services from four (4) fire and emergency medical service stations strategically located through out our 26 square mile district located in St. Louis County, a suburb of St. Louis.

2004 brought great sadness and reflection on the history of our District with the passing of Mr. William Slevin, Chairman of our Board of Directors for 44 years. Prior to election to the Board of Directors, Mr. Slevin served the District as a volunteer and the Fire Chief for a total of 12 years. The absence of his 56 years of experience will continually be felt. Board Member Mr. Orville Altholf accepted the position of Board Chairman in June of 2004. Also in 2004, the former Fire Chief, Mr. Dennis Weil, was appointed to the Board to fill the vacant Secretary position.

CONTACTING THE DISTRICTS FINANCIAL MANAGEMENT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fenton Fire Protection District at 845 Gregory Lane, Fenton, MO 63026.

BASIC FINANCIAL STATEMENTS

FENTON FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

ASSETS:

Cash and Cash Equivalents		$ 2,212,050
Investments		3,482,486
Taxes Receivable		4,859,013
Due from other funds		70,273
Other Assets		100
Inventories		53,000
Capital Assets:		
Land	$ 373,855	
Buildings	3,361,682	
Equipment and Other	2,713,515	
Less accumulated depreciation	(2,866,598)	
Total capital assets, net of depreciation		3,582,454
Total Assets		$ 14,259,376

LIABILITIES:

Accounts Payable	$ 34,433
Accrued Wages and Payroll Taxes	37,103
Deferred Revenue	7,162,528
Long-term Liabilities:	
Compensated Absences	36,679
Total Liabilities	$ 7,270,743

NET ASSETS:

Invested in Capital Assets, net of related debt	$ 3,582,454
Unrestricted	3,406,179
Total Net Assets	$ 6,988,633

The accompanying notes are an integral part of the basic financial statements.

FENTON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR DECEMBER 31, 2004

FUNCTIONS/PROGRAMS

Expenses:	
Administrative and General	$ 234,647
Training and Support	52,905
Maintenance and support services	174,825
Professional Fees	63,173
Dispatching services	293,708
Directors' Fees	13,800
Utilities	58,621
Salaries and Personnel Costs	5,892,291
Depreciation Expense	341,552
Total Program Expense	$ 7,125,522
Program Revenue:	
Charges for Permit Fees	$ 250,663
Charges for Ambulance Calls	312,602
Total Program Revenue	$ 563,265
Net Program Expense	$ 6,562,257
General Revenue:	
Taxes Levied	$ 6,604,820
TIF	90,000
Income from Investments	92,714
Grant Proceeds	117,000
Miscellaneous	13,597
Total General Revenue	$ 6,918,131
Increase in Net Assets	$ 355,874
Net Assets - Beginning of year	6,632,759
Net Assets - End of year	$ 6,988,633

The accompanying notes are an integral part of the basic financial statements.

FENTON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General Fund	Ambulance Fund	Dispatch Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	$ 1,019,038	$ 999,747	$ 193,265	$ 2,212,050
Investments	2,435,820	888,910	157,756	3,482,486
Taxes Receivable	2,991,180	1,657,034	210,799	4,859,013
Due from Other Funds	489,045	-	-	489,045
Other Receivables	100	-	-	100
Total Assets	$ 6,935,183	$ 3,545,691	$ 561,820	$ 11,042,694
LIABILITIES AND FUND BALANCES:				
Accounts Payable	$ 27,995	$ 4,180	$ 2,258	$ 34,433
Deferred Revenue	211,727	116,423	14,630	342,780
Accrued Wages & Payroll Taxes	23,835	13,268	-	37,103
Due to Other Funds	-	394,194	24,578	418,772
Total Liabilities	263,557	528,065	41,466	833,088
FUND BALANCE:				
Reserved	978,500	350,000	32,000	1,360,500
Unreserved	5,693,126	2,667,626	488,354	8,849,106
Total Fund Balance	6,671,626	3,017,626	520,354	10,209,606
Total Liabilities and Fund Balance	$ 6,935,183	$ 3,545,691	$ 561,820	$ 11,042,694

The accompanying notes are an integral part of the basic financial statements.

FENTON FIRE PROTECTION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Total fund balances - governmental funds	$ 10,209,606
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of those assets is $6,449,052 and the accumulated depreciation is ($2,866,598).	3,582,454
Tax revenues received in 2004 are intended to fund the 2005 budget. Therefore, 2004 tax revenue reported as received and receivable in the governmental funds is reported as deferred tax revenue in the statement of net assets.	(6,819,748)
Other long term assets (inventory) are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	53,000
Certain long term liabilities (compensated absences) are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(36,679)
Net assets of governmental activities:	$ 6,988,633

The accompanying notes are an integral part of the basic financial statements.

FENTON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Ambulance Fund	Dispatch Fund	Total
REVENUE				
Tax Levies	$ 5,029,012	$ 2,820,101	$ 362,878	$ 8,211,991
TIF	90,000	-	-	90,000
Ambulance Billings	-	312,602	-	312,602
Inspections and Permits	250,663	-	-	250,663
Income from Investments	76,050	14,699	1,965	92,714
Grant Proceeds	117,000	-	-	117,000
Miscellaneous	13,597	-	-	13,597
Total revenue	$ 5,576,322	$ 3,147,402	$ 364,843	$ 9,088,567
EXPENDITURES				
Administrative and General	$ 204,102	$ 28,104	$ 2,441	$ 234,647
Training and Support	19,870	33,035	-	52,905
Maintenance and Support Services	101,722	73,553	-	175,275
Professional Fees	40,118	23,055	-	63,173
Dispatching Fees	-	-	293,708	293,708
Directors' Fees	7,000	6,800	-	13,800
Utilities	19,592	12,781	26,248	58,621
Salaries and Personnel Costs	3,708,686	2,185,221	-	5,893,907
Capital Expenditures	130,501	75,760	5,535	211,796
Total Expenditures	$ 4,231,591	$ 2,438,309	$ 327,932	$ 6,997,832
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,344,731	$ 709,093	$ 36,911	$ 2,090,735
FUND BALANCE-Beginning of year	5,326,895	2,308,533	483,443	8,118,871
FUND BALANCE-End of year	$ 6,671,626	$ 3,017,626	$ 520,354	$ 10,209,606

The accompanying notes are an integral part of the basic financial statements.

FENTON FIRE PROTECTION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2004

Total net change in fund balances - governmental funds	$ 2,090,735
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expenses ($341,552) exceeds capital outlays ($211,796) for the period.	(129,756)
Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenue and are deferred in the governmental funds. Deferred tax revenue increased (decreased) by this amount this year.	(1,607,171)
In the statement of activities, certain operating expenses - compensated absences (sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used, (essentially the amounts actually paid). This year, sick leave earned exceeded the amount of sick leave used by $1,616.	1,616
In the statement of activities, certain operating expenses-cost of inventory, are measured by the amounts used during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used, (essentially the amounts actually paid). This year, inventory on hand exceeded the amount actually used by $450.	450
Change in net assets of governmental activities:	$ 355,874

The accompanying notes are an integral part of the basic financial statements.

FENTON FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004

	Pension Trust Fund
ASSETS:	
Cash and Cash Equivalents	$ 304,676
Investments (at fair market value)	15,615,315
Taxes Receivable	591,751
Total Assets	$ 16,511,742
LIABILITIES:	
Accounts Payable	$ 950
Due to Other Funds	70,273
Deferred Revenue	41,201
Total Liabilities	$ 112,424
NET ASSETS:	
Held in Trust for Employees Retirement	$ 16,399,318

The accompanying notes are an integral part of the basic financial statements.

FENTON FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

		PENSION FUND
ADDITIONS		
Property taxes	$	1,022,138
Investment earnings/appreciation		1,195,083
Total additions	$	2,217,221
DEDUCTIONS		
Benefit payments	$	1,043,759
Administrative expenses		53,912
Total deductions	$	1,097,671
CHANGES IN NET ASSETS	$	1,119,550
NET ASSETS-BEGINNING OF YEAR		15,279,768
NET ASSETS-END OF YEAR	$	16,399,318

The accompanying notes are an integral part of the basic financial statemens.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fenton Fire Protection District (the District) provides fire protection, fire prevention, and emergency ambulance service to its residents. The financial statements include all accounts of the District that are controlled by the Board of Directors. The accounting principles of the District conform to generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant accounting policies:

Reporting Entity

The District's financial statements include all funds controlled by the District. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

A component unit is an organization that is included in the District's financial statements for which the District is financially accountable, or for which the District is not accountable, but for which the nature and significance or their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

Basis of Presentation

Government-wide Statements: the statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize double-counting of internal activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expense and program revenue for the different functions of the District's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenue include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements: The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented.

The District reports the following governmental funds:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those accounted for in another fund.
- *Special Revenue Fund I Ambulance Fund* – This fund is a special revenue fund that is used to account for the proceeds of a special tax levy which is restricted for the provision of emergency medical services.
- *Special Revenue Fund/ Dispatching Fund* – This fund receives tax revenue and disburses funds in order to participate with other fire protection districts in a centralized dispatching service for the dispatching of fire and ambulance calls.

The District reports the following fiduciary fund.

- *Pension Trust Fund* – The fund is used to account for assets held by the District in a trustee capacity. The fund is accounted for by using the accrual basis of accounting. The fund accumulates contributions from the District generated from a pension tax levy as well as earnings from the fund's investments. Disbursements are made from the fund for retirement and administrative expense.

Implementation of Governmental Accounting Standards Board Statements

GASB Statements No. 34 and 37

In June 1999 and in June 2001, the GASB issued Statement No. 34, *Basis Financial Statements – and Management's Discussion and analysis – for State and Local Governments,* and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus,* respectively. These statements provide for the most significant change in financial reporting in over twenty years. The District has adopted these statements for its fiscal year ended December 31, 2004.

GASB Statement No. 38

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosure.* This statement modifies, adds and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt. The District has adopted this statement for its fiscal year ended December 31, 2004.

GASB Interpretation No. 6

In March 2000, GASB issued Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.* This interpretation clarifies the application of standards for modified and accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District has adopted this statement for its fiscal year ended December 31, 2004.

Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, property taxes are recognized in the fiscal year for which the taxes are levied.

Government Fund Financial Statements: Basis of accounting refers to when revenues and expenditures or expenses are recognized in accounts and reported in the financial statements. Basis of accounting relates to timing measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after year-end. Property taxes are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matures. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term and acquisitions under capital leases are reported as other financing sources.

All governmental and enterprise funds of the District follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinion, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgets and Budgetary Accounting

The district follows these procedures in establishing the budgetary data reflected in the financials statements:

1) Formal budgetary integration is employed as a management control device during the year for the general, ambulance, dispatch, capital projects, debt service and pension trust funds. These budgets are adopted on a cash basis of accounting.
2) The Board of Directors approves the tax rate by ordinance to fund District operations. Once this rate has been established, the Board of Directors approves the total budget appropriation and amendments.
3) Unused appropriations for all pf the above annually budgeted funds lapse at the end of the year.
4) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year by the Board of Directors.
5) The District's budgetary process is based upon accounting for certain transactions on a basis other than generally accepted account principles (GAAP). To provide a meaningful comparison of actual results with the budget, the actual results of operations are presented in the combined statement of revenues, expenditures, and changes in fund balances – budget and actual – all governmental fund types in accordance with the budget basis of accounting. The differences between the budget and GAAP basis of accounting are that revenues are recorded when received in cash (budget) as opposed to when they are measurable and available (GAAP) and expenditures are recorded when paid (budget) as opposed to when the obligation is incurred (GAAP). In addition, tax revenue for budget purposes is reflected based on the prior year levy which is utilized to fund expenditures of the subsequent year.

NOTE 2: PROPERTY TAX- REVENUE RECOGNITION- DELINQUENT TAXES

Property tax attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before December 31. All unpaid taxes levied not collected by January 1 the subsequent year are delinquent. The county collects the property tax and remits it the District. The District includes in revenue collections received from the current period assessment which is designated for use in the subsequent year.

At the fund reporting level, property taxes revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty (60) days after year end. Revenue recognition of delinquent taxes not collected within sixty (60) days of fiscal year end is deferred.

Delinquent Taxes

Delinquent taxes for the year ended December 31, 2004 amounted to $383,981. They are distributed as follows:

General Fund	$ 211,727
Dispatch Fund	14,630
Ambulance Fund	116,423
Pension Trust Fund	41,201
Total	$ 383,981

Tax Rate and Assessed Valuations

The tax rate for the District for 2004 was $.770 for residential, $1.003 for agricultural, $.939 for commercial, and $.947 for personal property, all per $100 of assessed valuation. This was allocated to the funds as follows:

TAX RATE (Per $100 of Assessed Valuation)

	2004 Residential	2004 Agricultural	2004 Commercial	2004 Personal Property
General Fund	0.405	0.596	0.504	0.512
Ambulance Fund	0.230	0.279	0.300	0.300
Dispatch Fund	0.035	0.035	0.035	0.035
Pension Fund	0.100	0.093	0.100	0.100
	0.770	1.003	0.939	0.947

ASSESSED VALUATION

Assessed valuations were made on real and personal properties owned by taxpayers on January 1.

Residential	$ 306,063,760
Commercial	267,468,810
Agricultural	281,700
State	7,369,488
Total Real Estate	581,183,758
Regular	273,110,540
State	1,986,276
Total Personal Property	275,096,816
Total Assessed Valuation	$ 856,280,574

NOTE 3: CAPITAL ASSETS

Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are recorded at cost (or estimated historical cost) and are updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold for all stand alone units for both inventory purposes and financial reporting purposes. The District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's life are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed and placed in service.

Improvements are depreciated over the remaining useful lives of the related capital assets. Except for land, all reported capital assets are depreciated using the straight-line method over the estimated useful life of the assets.

The estimated useful lives are as follows:

	Estimated Useful Life	Capitalized Limits
Building and improvements	30 Years	$ 3,000
Vehicles	5 – 15 Years	1,000
Equipment	5 – 15 Years	500
Furniture and fixtures	5 - 10 Years	250

The following is a summary of the activity of capital assets for the year ending December 31, 2004:

Capital Assets Schedule:

	Balance Jan. 1, 2004	Additions & Transfers	Deletions & Transfers	Balance Dec. 31, 2004
Land	$ 373,855	$ -	$ -	$ 373,855
Buildings and impovements	3,453,688	-	92,006	3,361,682
Vehicles	1,822,983	1,395	25,636	1,798,742
Equipment	793,016	181,166	323,115	651,067
Furniture and fitures	109,144	154,562	-	263,706
	$ 6,552,686	$ 337,123	$ 440,757	$ 6,449,052

Accumulated Depreciation:

	Jan. 1, 2004	2004 Depreciation	Dec. 31, 2004
Land	$ -	$ -	$ -
Buildings and impovements	1,142,894	112,280	$ 1,255,174
Vehicles	1,016,284	145,984	$ 1,162,268
Equipment	247,647	49,807	$ 297,454
Furniture and fitures	118,221	33,481	$ 151,702
	$ 2,525,046	$ 341,552	$ 2,866,598

NOTE 4: CASH AND CASH INVESTMENTS

The following is a reconciliation of the District's cash and investment balances as of December 31, 2004:

	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Cash	$ 2,212,050	$ 304,676	$ 2,516,726
Investments	$ 3,482,486	$ 15,615,315	$ 19,097,801
Total	$ 5,694,536	$ 15,919,991	$ 21,614,527

The year end book balance of the District's cash deposits was $2,516,726, while the bank balance was $140,025. The main reason for the large difference is that there was a bond trade on December 31, 2004 for the amounts of $950,000 in the General Fund, $979,000 in Ambulance Fund, $173,000 in Dispatch Fund, and $303,000 in Pension Fund, for a total of $2,405,000. These trades were done and confirmed on December 31, 2004, however, the bank did not post to the District's accounts until January 2, 2005. The remaining difference between the bank balance and book balance amounts represents outstanding checks and deposits in transit. The bank balance amounts are covered by FDIC insurance of $100,000 and pledged collateral held in the District's name as follows:

Pledge Securities as of December 31, 2004:

	Matures	Amount	
Commerce Bank NA:			
FNMA	03/04/05	$ 300,000	
FNMA	06/09/05	300,000	
FNMA	05/02/05	300,000	
FHLB	05/11/05	1,000,000	
Bank Certificate of Deposit	04/04/05	200,000	
FHLMC	06/27/05	300,000	$ 2,400,000
National City Bank - Midwest:			
FNMA	08/01/13	$ 350,000	
FHLB	05/15/06	1,000,000	
FNMA	08/01/13	150,000	
FFCB	05/12/08	250,000	
FHLB	02/15/07	175,000	1,925,000
			$ 4,325,000

The investment policy of the District is guided by state statute and, as result, has invested wholly owned corporations of the United States or other short-term obligations of the United States. The District is also authorized to invest in commercial paper and bankers acceptances as allowed by state law. The Pension Fund is authorized to also invest in corporate stocks and bonds as allowed by state law.

The District's investments are divided into categories to indicate the level of credit risk assumed by the District. Category 1 includes investments that are insured or collateralized with securities held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments that are collateralized with securities held by the pledging institution's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments that are collateralized with securities held by the pledging institution, or by its trust department or agent, but not in the District's name. The following is a table showing the investments as of December 31, 2004:

	Category 1	Category 2	Category 3	Fair Value
FDIC insurance	X			$ 100,000
Commerce Bank-letter of credit			X	1,000,000
Commerce Bank-US Govt Securities		X		1,383,903
National City Bank-US Govt Securities		X		1,807,482
				$ 4,291,385

NOTE 5: NET ASSETS/FUND BALANCES

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in Capital Assets, restricted and unrestricted.

- *Invested Capital Assets* – This category groups all capital assets into one component of net assets. Accumulated depreciation and if any outstanding balances of debt that attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by laws through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the District, not restricted for any project or other purposes.

Net Assets

The beginning net asset amount for governmental activities in the government-wide financial statements reflects the effect on fund balances for governmental funds at December 31, 2003 caused by the adoption of GASB Statement No. 34.

The transition from governmental fund balances to net assets of the governmental activities is presented below:

Fund Balances - Modified Accrual Basis, December 31, 2003	$ 8,118,871
GASB 34 Adjustments:	
Revenue deferred that was previously recognized	(5,528,006)
Capital assets, net of accumulated depreciation	4,027,639
Inventory	52,550
Compensated absences	(38,295)
TOTAL NET ASSETS, DECEMBER 31, 2003	$ 6,632,759

Fund Balance Reserves

The fund balance reserve amounts on the balance sheet represent amounts to be disbursed within the next 5 years from and for the following:

General Fund: Amounts needed for vehicles and equipment	$978,500
Ambulance Fund: Amounts needed for vehicles and equipment	350,000
Dispatch Fund: Amounts needed for equipment purchases	32,000
	$1,360,500

NOTE 6: ACCUMULATED VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFITS AMOUNTS

Holiday, vacation, and sick pay policy is as follows:

1) There is no holiday pay for shift personnel.
2) Vacation pay:

firemen and paramedics

- after 1 year of service - 3 work days
- after 2 years of service - 5 work days
- after 5 years of service - 7 work days
- after 10 years of service - 10 work days
- after 15 years of service - 13 work days
- after 20 years of service - 16 work days
- Vacation pay cannot be accumulated year to year therefore; there is no accrued leave liability at the end of the year.

office & administrative

- after 1 year of service - 2 weeks
- after 5 years of service - 3 weeks
- after 10 years of service - 4 weeks
- after 15 years of service - 5 weeks
- after 20 years of service - 6 weeks
- after 20 years of service, the employee may bank 2 weeks per year (10 maximum)

3) Sick pay:

Sick pay will be awarded at 5 calendar days per year, for shift personnel, and 10 days for administrative personnel. An additional 1 sick day will be paid as an incentive for both administrative and shift personnel when no sick days are taken during the year. The maximum that can be accumulated is 25 days for shift personnel, and 50 days for administrative personnel. All unused days after maximum accumulation is sold back to district at ½ the rate. All accumulated days are forfeited upon termination or are fully reimbursed at normal retirement.

NOTE 7: RETIREMENT COMMITMENTS

Description of Plan:

(A) Effective Date:

The plan became effective January 1, 1968 and was amended on January 1, 1989, October 23, 1995, and on June 1, 1998. The following is a summary of the major provisions included in the plan through the amendment adopted effective August 1, 1999, upon which this valuation is based.

(B) Plan Membership:

The District provides for all full time employees, including duty staff, clerical, and administrative employees a pension plan. It is accounted for as a Pension Trust Fund. It covers all District employees who meet the eligibility requirements.

The eligibility requirements under the plan are that each employee will be included in the plan on the first January 1 following the attainment of age 20 and the completion of two years of continuous service. Continuous service is defined as an employee's period of employment by the district, which continues chronologically without interruption. The number of active employees as of December 31, 2004 is 64. The number of eligible active employees for 2004 is 59.

ACTIVE EMPLOYEES AS OF JANUARY 1, 2004	63
INCREASE IN ACTIVE GROUP DUE TO NEW EMPLOYEES	4
DECREASE IN ATIVE GROUP DUE TO RETIREMENT	(3)
ACTIVE EMPLOYEES AS OF DECEMBER 31, 2004	64
EMPLOYEES EXCLUDED DUE TO PLAN ELIGIBILITY REQUIREMENTS	(5)
ELIGIBLE ACTIVE EMPLOYEES AS OF DECEMBER 31, 2004	59

OTHER PARTICIPANTS INCLUDED IN VALUATION COST:

Retired employees	15
Disabled employees	2
Beneficiaries	1
Terminated Vested employees	1
	19

(C) Plan Benefits:

A member may retire at normal retirement date the first day of the month coincident with or next following attainment of age 55. The normal retirement benefit is the monthly-accrued benefit as of any date of determination and is calculated by multiplying 3% of average monthly earnings by the number of years of credited service, but not exceeding 30 such years. The average monthly earnings is the average of the highest three consecutive years of monthly base salary which excludes overtime pay, bonuses, and other compensation.

Credited service is the number of full years of continuous service. Early retirement date is the first day of the month coincident with or next following attainment of age 50 or if he has become disabled .Early retirement benefit is the accrued benefit as of the early retirement date using credited service to normal retirement date and average monthly earnings to early retirement date, reduced by one-half of one percent for each month, early retirement date precedes normal retirement date. A deferred retirement benefit is provided as of the deferred retirement date. The deferred retirement amounts to the accrued benefit at the deferred retirement date. An employee also has a fixed vested right to a percentage of his accrued benefit as of date of termination of employment provided, that he has completed 10 years of credited service. The percentage is determined as follows:

50% after 10 years of credited service, increased by 10% per year for the 11th through 15th years

If an employee included within the pension system dies before retirement in the performance of their duties, survived by their widow (er) or children, a service pension death benefit shall be payable:

1) To the widow - 100% of benefit accrued to date of death, reduced by the 100% joint, and survivor factor, payable to the earlier of her death or remarriage.

2) To the children (if no qualified surviving widow) - 100% of benefit accrued to the date of death, payable until the earlier of age 18 or death.

A participant who retires from active employment after July 1, 1999 and reaches Early Retirement Age as an active participant is entitled to an Early Retirement Supplement payable monthly from age 55 until his eligibility age (currently age 65). The supplement is equal to $13.00 times his years of credited service, but not more than $ 390.00 per month.

Summary of Actuarial Methods and Assumptions:

a.) The actuarial cost method used for funding is the frozen initial liability method. In the initial valuation, the annual normal cost for each employee is determined as a level percentage of pay from entry age to expected retirement or termination date. The sum of the present values of all normal costs for years before the initial valuation date is the initial unfunded frozen liability. The sum of all individual normal costs is the normal cost for the initial plan year. In subsequent plan years, the frozen initial liability is reduced each year by employer contributions in excess of the normal cost and interest on the frozen initial liability. The normal cost is determined by deducting the plan assets and the remaining frozen initial liability from the present value of projected future benefits to determine the present value of future normal cost, and spreading these costs over future plan years as level percentage of payroll.

b.) When new amendments, assumptions, or funding methods are introduced, the liability created by the events is amortized over a period of years. This frozen liability is reduced each year by employer contributions in excess of the normal cost and interest on the frozen initial liability. The remaining amount is then amortized over the remaining period. Therefore, the amortizations are expected to change from year to year.

c.) The actuarial value of plan assets is based upon a smoothing method, which recognizes 20% of past gains and losses each year. The actuarial value of plan assets is required to be within 20% of the market value.

d.) The assumptions used to anticipate mortality, employee turnover, investment income, expense, and other factors have been based on long-range trends and expectations. Actual experience can vary from these expectations. The variance is measured by the gain or loss each year. Gains are reflected by decreases in the percentage of eligible payroll required to fund the Plan, and losses by increases in this percentage. If significant long-term experience reveals consistent deviation from what has been expected and that deviation is expected to continue, the assumptions should be modified.

e.) Annuities for retired participants have been purchased from the Travelers. Both the liabilities for these retirees and the retired life reserves held by the Travelers were excluded from the valuation. The following significant assumptions were used in the actuarial valuations as of January 1, 2005, (1) a rate of return on the investment of assets of 8.0% per year before retirement and 7.50% after retirement (2) projected salary increases of 5.5% per year (3) expenses and contingencies are 2.5% load, (4) normal form of retirement annuity is monthly life annuity, (5) non-disabled life mortality 1983 Group Annuity Table (male), for females, ages are set back six years, (6) rates of disablement are 160% of rates from the 1972 Society of Actuaries Reports, (7) allowance is made for turnover among eligible employees, (8) the IRC maximum salary and benefit limitations are assumed to increase 4.0% per annum.

Funding Requirement Determinations and Actual Contributions:

Employer contributions for the year were $1,105,000. This consists of $1,105,000 from the Pension Fund.

Amounts actually contributed by employer were in accordance with actuarially computed funding requirement determinations. The recommended contribution for 2004 was $1,128,817.

Total employer normal cost as a percentage of eligible payroll is 22.74%. The unfunded frozen initial liability is $419,959 as of January 1, 2005. Present value of un-purchased vested benefits is $11,113,792 and present value of non-vested benefits is $1,162,082.

The actuarial value of plan assets is $16,635,685. The plan's net assets at market value available for benefits are $15,615,315. Current contributions expressed as a percentage of payrolls will remain approximately level from year to year.

GASB 27 Development of the Net Pension Obligation (NPO) as of December 31, 2004

1. Net Pension Obligation as of January 1, 2004		$	3,377,144
2. Annual Recommended Contribution for 2004	$ 1,128,817		
3. Interest on Net Pension Obligation	(270,172)		
4. Adjustment to Annual Required Contribution	-		
5. 2004 Annual Pension Cost under GASB 27			858,645
			2,518,499
6. Employer Contributions Made			1,105,000
7. Interest on Employer Contributions to December 31, 2004			61,555
8. Net Pension Obligation as of end of year		$	3,685,054

Development of the Annual Pension Cost for 2005		
1. Annual Required Contribution for 2005	$	1,259,898
2. Interest on Net Pension Obligation		(294,804)
3. Adjustment to Annual Required Contribution		-
4. 2005 Annual Pension Cost under GASB 27	$	965,094

PENSION INVESTMENT ALLOCATION

All Pension Plan assets are reported at market value and invested in various classes of accounts held by the following companies:

INVESTMENT COMPANY	NAME OF INVESTMENT		AMOUNT	TYPE OF INVESTMENT
Massachusetts Mutual	Babson Core Bond Fund	$	4,074,414	Intermediate Bonds
Life Insurance Company	Babson DBL Value fund		2,595,755	Large Stocks
	Fidelity Blue Chip Growth		187,355	Large Stocks
	Oppenheimer Cap Appr.		190,629	Large Stocks
	Baron Growth		273,191	Large Stocks
	Babson Small Cap Value		190,245	Small Cap Stocks
	Oppenheimer Small Cap Value		190,183	Small Cap Stocks
		$	7,701,772	
Standard Insurance Company	Harbor Bond Fund	$	4,050,799	Intermediate Bonds
	T. Rowe Price Equity Income Fund		1,931,719	Large Stocks
	T. Rowe Price Blue Chip Growth		159,257	Large Stocks
	American Century Ultra		210,716	Large Stocks
	TCW Galileo Value Opp		688,869	Large Stocks
	Vanguard 500 Index		104,653	Large Stocks
	Vanguard Prime Cap		131,648	Small Cap Stocks
	Pimco Small Cap Value		134,525	Small Cap Stocks
	Harris Insight Small Cap		225,956	Small Cap Stocks
		$	7,638,142	
Commerce Trust Company	Cash & Bond Account	$	275,401	Short Term Bonds
		$	15,615,315	

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF PLAN ASSETS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY *	FUNDED RATIO	COVERED PAYROLL	UAAL RATIO TO COVERED PAYROLL
Jan 1, 2005	$ 16,635,685	$ 17,055,644	419,959	97.54%	$ 4,514,932	9.30%
Jan 1, 2004	15,563,823	16,138,226	574,403	96.44%	4,008,030	14.33%
Jan 1, 2003	15,246,113	15,835,974	589,861	96.28%	3,450,611	17.09%
Jan 1, 2002	14,266,711	15,020,453	753,742	94.98%	3,450,611	21.84%
Jan 1, 2001	14,293,694	16,354,477	2,060,783	87.40%	3,274,276	62.94%
Jan 1, 2000	13,193,495	15,501,462	2,307,967	85.11%	2,998,451	76.97%
Jan 1, 1999	13,282,646	13,282,646	-	100.00%	2,946,238	0.00%
Jan 1, 1998	12,565,669	12,565,669	-	100.00%	2,657,349	0.00%
Jan 1, 1997	11,453,788	11,453,788	-	100.00%	2,572,407	0.00%
Jan 1, 1996	9,986,797	10,176,399	189,602	98.14%	2,314,215	8.19%
Jan 1, 1995	8,497,312	8,497,312	-	100.00%	2,233,402	0.00%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

ACTUARIAL VALUATION DATE	RECOMMEND * CONTRIBUTIONS	ACTUAL* CONTRIBUTIONS	PERCENTAGE CONTRIBUTED	ANNUAL PENSION COST	PERCENTAGE CONTRIBUTED	NET PENSION OBLIGATION EDY
Jan 1, 2005	$ 1,259,898	N/A	N/A	$ 965,094	N/A	N/A
Jan 1, 2004	1,128,817	$ 1,166,555	103.34%	858,645	135.86%	$ (3,685,054)
Jan 1, 2003	960,418	880,993	91.73%	704,376	125.07%	(3,377,144)
Jan 1, 2002	872,769	900,000	103.12%	642,583	140.06%	(3,200,528)
Jan 1, 2001	860,322	800,000	92.99%	646,644	123.72%	(2,877,324)
Jan 1, 2000	722,474	760,000	105.19%	531,132	143.09%	(2,670,979)
Jan 1, 1999	365,186	800,000	219.07%	224,151	356.90%	(2,391,773)
Jan 1, 1998	319,645	750,000	234.64%	226,096	331.72%	(1,762,936)
Jan 1, 1997	279,278	725,000	259.60%	228,888	316.75%	(1,169,356)
Jan 1, 1996	319,750	600,000	187.65%	N/A	N/A	(629,879)
Jan 1, 1995	410,605	500,000	121.77%	N/A	N/A	(286,933)

* Annual Recommended Contributions are reported as of the end of the year and include accrued interest. The Actual Contributions paid during the year do not include accrued interest.

SCHEDULE OF PENSION EXPENSES

Accounting and Audit Fee	$	2,675
Actuarial Fee		9,900
Consulting Fee		20,000
Investment Expense		13,845
Legal Fee		7,492
	$	53,912

NOTE 9: COMPENSATION OF OFFICERS

The Board Members who held office during the period of examination and the amount of compensation are as follows:

William Slevin (Chairman)	$ 1,600
Orville Althoff (Secretary/Chairman)	4,800
Gary Herwig (Treasurer)	4,800
Dennis Weil (Secretary)	2,600
	$ 13,800

The board of directors is normally comprised of three members. The directors are elected for six-year terms, one every two years. In the event of withdrawal from the board, the remaining directors may appoint a new member to replace the withdrawing director.

NOTE 10: CONTRACTUAL AGREEMENTS

The District has a contractual agreement with South County Fire Alarm Association to provide fire alarm dispatching services and emergency dispatching services. Payment for such services is made through the Dispatching Fund and the terms of the contract have been complied with.

The District has a contractual agreement with the City of Fenton to pay the district $90,000 per year for 10 years in lieu of real estate tax for the TIF District. This payment is to be made after interest is paid on the TIF bonds, but before principal payments. For the year ended December 31, 2004, the district collected the fourth payment of $90,000, which is shown in the revenue of the General Fund.

NOTE 11: COMPLIANCE

No statutory violations were disclosed during the audit of the financial statements of the District.

NOTE 12: BUDGET CONSIDERATIONS

The District has prepared a ten-year plan that includes long-range capital improvements and staffing recommendations. This plan includes detail schedule for the replacement of major equipment and vehicles such as pumpers, rescue vehicles, ambulances and staff vehicles. The plan also addresses known staffing requirements over the next 10 years.

NOTE 13: DUE TO/FROM OTHER FUNDS

All bills for the Ambulance fund are paid through the General fund and charged to the Ambulance fund as paid. The Ambulance fund reimburses the General fund monthly thus, the balance remaining in the due to/from other funds account is results of bills charged that have not been reimbursed at month end. In addition, tax revenue was received by the district on December 31, 2004 and a direct deposit from St Louis County was deposited into the General Fund bank account. The actual distribution to the other funds did not occur until January 2005 resulting in the balance in due to/from other funds.

NOTE 14: GRANTS

In fiscal year 2002, Congress appropriated a total of $360,000,000 to carry out the activities of the Assistance to Firefighters Grant Program. A decision was made that applicants may apply for grants in one program; however, the program may have multiple categories. The maximum amount an applicant may be awarded is $750,000 in one program during any fiscal year.

At this time, there is no predetermined funding level for the average size of grants FEMA will make. The grants will consist of Federal Funds in the amount of 90% and Applicant funds of 10%. The four programs selected for funding under this grant program are as follows:

1. Fire Operations and Firefighter Safety Program
2. Fire Prevention Program
3. Emergency Medical Service program
4. Firefighters Vehicles Acquisition Program

The District applied for and received a grant in 2004 in the amount of $130,000, of which $117,000 was Federal Funds and $13,000 was Applicant Funds for the Fire Operations and Firefighter Safety Program, to purchase protective equipment, specifically, self contained breathing apparatus.

NOTE 15: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries workmen's compensation insurance with Missouri Employers Mutual for all bodily injury and disease for the required amount. The District carries commercial insurance for all other risks of loss. All buildings and contents are covered for guaranteed replacement cost.

NOTE 16: MANAGEMENT LETTER

A management letter has been prepared by the independent auditors; a copy was submitted to the State Auditor along with a copy of the audit report. The letter is kept on file at the District.

REQUIRED SUPPLEMENTARY INFORMATION

FENTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
REVENUE	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
Tax revenue & TIF	$ 4,106,000	$ 4,106,000	$ 5,119,012	$ 1,013,012
Inspections & permits	100,000	100,000	250,663	150,663
Interest	20,000	20,000	76,050	56,050
Miscellaneous	95,000	95,000	13,597	(81,403)
Grant proceeds	-	-	117,000	117,000
Total revenues	$ 4,321,000	$ 4,321,000	$ 5,576,322	$ 1,255,322
EXPENDITURES				
Building maintenance	$ 13,000	$ 13,000	$ 9,680	$ 3,320
Capital expenditures	237,000	237,000	130,501	106,499
Dues & subscriptions	4,800	4,800	2,607	2,193
Equip. & vehicle repairs	93,000	93,000	47,292	45,708
Gas & oil expense	15,000	15,000	17,509	(2,509)
General & election expense	20,240	20,240	15,030	5,210
Group medical insurance	425,000	425,000	397,154	27,846
Insurance	120,000	120,000	172,123	(52,123)
Medical examinations	6,000	6,000	492	5,508
Office supplies	6,600	6,600	7,081	(481)
Payroll processing	3,500	3,500	3,555	(55)
Payroll taxes	218,000	218,000	238,314	(20,314)
Professional fees	46,100	46,100	36,563	9,537
Salaries	2,851,300	2,851,300	3,080,221	(228,921)
Supplies & laundry	10,000	10,000	6,762	3,238
Training school expense	51,000	51,000	16,826	34,174
Uniforms & allowances	42,000	42,000	30,289	11,711
Utilities	24,000	24,000	19,592	4,408
Contingency fund	134,460	134,460	-	134,460
Total expenditures	$ 4,321,000	$ 4,321,000	$ 4,231,591	$ 89,409
NET CHANGES IN FUND BALANCE	$ -	$ -	$ 1,344,731	$ 1,344,731
FUND BALANCE-Beginning of year			5,326,895	
FUND BALANCE-End of year			$ 6,671,626	

FENTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-AMBULANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
REVENUE	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
Tax revenue	$ 2,427,000	$ 2,427,000	$ 2,820,101	$ 393,101
Interest	10,000	10,000	14,699	4,699
Ambulance fees	300,000	300,000	312,602	12,602
Total revenues	$ 2,737,000	$ 2,737,000	$ 3,147,402	$ 410,402
EXPENDITURES				
Building maintenance	$ 9,000	$ 9,000	$ 6,262	$ 2,738
Capital expenditures	106,000	106,000	75,760	30,240
Dues & subscriptions	3,200	3,200	1,978	1,222
Equip. & vehicle repairs	55,000	55,000	36,122	18,878
Gas & oil expense	10,000	10,000	10,855	(855)
General & election expense	12,100	12,100	16,361	(4,261)
Group medical insurance	260,000	260,000	260,000	-
Insurance	80,000	80,000	80,000	-
Medical examinations	4,000	4,000	1,733	2,267
Office supplies	5,000	5,000	4,957	43
Payroll processing	2,300	2,300	2,502	(202)
Payroll taxes	135,000	135,000	135,000	-
Professional fees	27,800	27,800	20,553	7,247
Salaries	1,768,600	1,768,600	1,715,288	53,312
Supplies & laundry	6,000	6,000	4,808	1,192
Training school expense	34,000	34,000	33,035	965
Uniforms & allowances	28,000	28,000	20,314	7,686
Utilities	16,000	16,000	12,781	3,219
Contingency fund	175,000	175,000	-	175,000
Total expenditures	$ 2,737,000	$ 2,737,000	$ 2,438,309	$ 298,691
NET CHANGES IN FUND BALANCE	$ -	$ -	$ 709,093	$ 709,093
FUND BALANCE-Beginning of year			2,308,533	
FUND BALANCE-End of year			$ 3,017,626	

FENTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-DISPATCH FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
REVENUE	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
Tax revenue	$ 326,000	$ 326,000	$ 362,878	$ 36,878
Interest	3,000	3,000	1,965	(1,035)
Prior year balance	29,000	29,000	-	(29,000)
Total revenues	$ 358,000	$ 358,000	$ 364,843	$ 6,843
EXPENDITURES				
Telephone	30,000	30,000	26,248	3,752
Administrative expense	3,000	3,000	2,441	559
Dispatching fees	265,000	265,000	253,261	11,739
Communications expense	60,000	60,000	40,447	19,553
Capital expenditures	-	-	5,535	(5,535)
Total expenditures	$ 358,000	$ 358,000	$ 327,932	$ 30,068
NET CHANGES IN FUND BALANCE	$ -	$ -	$ 36,911	$ 36,911
FUND BALANCE-Beginning of year			483,443	
FUND BALANCE-End of year			$ 520,354	

FENTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
REVENUE	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
Tax revenue	$ 934,000	$ 944,000	$ 1,022,138	$ 78,138
Interest	500	1,000	-	(1,000)
Investment earnings	-	-	1,195,083	1,195,083
Prior year balance	85,000	90,000	-	(90,000)
Total revenues	$ 1,019,500	$ 1,035,000	$ 2,217,221	$ 1,182,221
EXPENDITURES				
Contribution to investments	979,500	985,000	$ -	985,000
Administrative expense	40,000	50,000	53,912	(3,912)
Retiree distributions			1,043,759	(1,043,759)
Total expenditures	$ 1,019,500	$ 1,035,000	$ 1,097,671	$ (62,671)
NET CHANGES IN FUND BALANCE	$ -	$ -	$ 1,119,550	$ 1,119,550
FUND BALANCE-Beginning of year			15,279,768	
FUND BALANCE-End of year			$ 16,399,318	

FENTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INSURANCE COVERAGE
DECEMBER 31, 2004

Standard Insurance Company			
Agent-Complete Benefit Strategies			
Life Insurance, Accident & Long-term Disability			
(long-term disbility-60% of covered	$	35,000	life insurance
monthly compensation after 90 days)			
July 1, 2004 to June 30, 2005			
Alliance Blue Cross-Blue Shield			
Agent-Arch Brokerage Property & Liability, Inc.			
Basic Benefits for Blue Cross-Blue Shield			
Major Medical Coverage		Unlimited	life time benefit
In network - no deductible			
Office visits $10/$20, E.R. $75			
Out of network - $250 individual and			
$750 family deductibles			
Renewable annually			
(Plan pays 80% of first $10,000 per person and 100% thereafter in each calendar year. When care is received from network providers, this program pays 100%)			
Mental Health and Chemical			
Dependency Care Benefits	$	100,000	max. per person
Essex Benefits			
Agent-Maples & Associates			
Dental Max Program			
Annual benefit	$	1,000	
Individual Deductible		25	
Family Deductible		75	
Fidelity & Deposit Company of Maryland			
Agent-Agents Insurance Company			
Treasurers Bond #9076686-Gary L. Herwig	$	15,000	
Directors Bond #8390703-Orville Althoff		1,000	
Directors Bond #9076688-Gary L. Herwig		1,000	
Directors Bond #8445823-Dennis Weil		1,000	
Renew according to running dates			

FENTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INSURANCE COVERAGE
DECEMBER 31, 2004

V.F.I.S.

Agent-Arch Brokerage Property & Liability, Inc.			
Blanket Building & Contents Coverage on the			
Property Coverage Limit-For all buildings at all locations	Guaranteed replacement cost		
Replacement cost basis with			
$1,000 deductible			
Real & Personal Property Coverage Limit			
Personal Property Coverage-$1,000 deductible	Guaranteed replacement cost		
Real Property Coverage-$1,000 deductible	$	4,017,269	Limit of Insurance
Flood Coverage		1,000	Deductible
Earthquake Coverage: House 1		89,149	Deductible per occurrence
House 2		59,826	Deductible per occurrence
House 3		41,867	Deductible per occurrence
House 4		29,706	Deductible per occurrence

Commercial General: Liability Section

$1,000 deductible per occurrence		
Limits of Liability:		
General Aggregate	$	3,000,000
Product Aggregate		3,000,000
Occurrence Limit		1,000,000
Personal Injury		1,000,000
Fire Damage		1,000,000
Medical Expense		5,000
June 15, 2004 to June 15, 2005		

Professional Health Care Liability-Included in the Commercial General Liability section above. All associated limits of liability apply.

Mobile Property Insurance - all equipment on blanket basis with all risk replacement cost coverage and a $1,000 deductible	Guaranteed replacement cost		
Crime-Employee Dishonesty	$	50,000	Limit
Commercial Blanket $0.00 deductible			
Commandeered Property and/or impounded property	Agreed Value		
$100 deductible each vehicle			
$500 maximum			

FENTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INSURANCE COVERAGE
DECEMBER 31, 2004

Commercial Auto Policy - Liability Section		
Limits of Liability:		
Combined Single Limit Bodily injury and property damage including hired and non-owned liability	$ 1,000,000	
Hired and borrowed physical damage	$ 150,000	
Uninsured and Underinsured motorist		
Bodily injury	$ 1,000,000	
Deductible-Comprehensive	500	
Deductible-Collision	500	
June 15, 2004 to June 15, 2005		
Missouri Employers Mutual		
Agent-Arch Brokerage Property & Liability, Inc.		
Primary insurance is as follows:		
Standard workers' compensation and		
Employers Liability		
Bodily injury by accident	$1,000,000	each accident
Bodily injury by disease	1,000,000	policy limit
Bodily injury by disease	1,000,000	each employee
June 15, 2004 to June 15, 2005		
V.F.I.S.		
Agent-J.W. Terrill, Inc.		
Umbrella Policy	$1,000,000	each occurrence
	2,000,000	aggregate
Commercial Automobile Liability	1,000,000	combined single limit
Management Liability	1,000,000	each wrongful act
June 15, 2004 to June 15, 2005	3,000,000	aggregate
	5,000	each action for "injunctive relief"

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Ahrens & Hoelscher, P.C.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Fenton Fire Protection District
Fenton, MO

We have audited the financial statements of the FENTON FIRE PROTECTION DISTRICT as of and for the year ended December 31, 2004, and have issued our report thereon dated May 5, 2005. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the FENTON FIRE PROTECTION DISTRICT'S financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results or our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of FENTON FIRE PROTECTION DISTRICT, in a separate letter dated May 5, 2005.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the FENTON FIRE PROTECTION DISTRICT'S internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report may be a matter of public record and its distribution in not limited.

Ahrens & Hoelscher, P.C.

Ahrens & Hoelscher, PC
May 5, 2005