1-1-2007

Financial Statements, 2006

Fenton Fire Protection District

12-096-0008

SUSAN MONTEE, CPA
Missouri State Auditor

June 14, 2007

Brian D. Ahrens, CPA
Ahrens & Hoelscher, P.C.
1232 Jungermann Road, Suite A
St. Peters, MO 63376

RE: Fenton Fire Protection District of St. Louis County

Fiscal Period: One Year Ended December 31, 2006

Dear Mr. Ahrens:

In accordance with Sections 105.145 and 321.690 RSMo, we acknowledge receipt of the audit report of your fire protection district for the above-described fiscal period. We will review this report for compliance with 15 CSR 40-4 and report to you whether or not it complies with these administrative rules.

Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

Judy Buerky

Judy Buerky
Local Government Analyst

Brian D. Ahrens, CPA
Walter J. Hoelscher, CPA

Ahrens & Hoelscher, P.C.

1232 Jungermann Road, Suite A
St. Peters, MO 63376
Office: 636-477-9130
Fax: 636-936-8418

June 12, 2007

Honorable Susan Montee, CPA
State Auditor of Missouri
PO Box 869
Jefferson City, MO 65102

Dear Ms. Montee:

Enclosed are the Financial Statements for the Fenton Fire Protection District, along with copies of our Management Advisory Letter, Engagement Letter and the Representation Letter for the year ended December 31, 2006.

The Financial Statements were presented and the Management Advisory Letter was discussed for the Fenton Fire Protection District year ended December 31, 2006, during the exit conference held on June 11, 2007.

The district was in agreement with the recommendations we presented in the Management Advisory Letter.

Sincerely,

Ahrens & Hoelscher, P.C.

Ahrens & Hoelscher, P.C.

Enclosure:

Brian D. Ahrens, CPA
Walter J. Hoelscher, CPA

1232 Jungermann Road, Suite A
St. Peters, MO 63376
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Ahrens & Hoelscher, P.C.

May 31, 2007

Board of Directors
Fenton Fire Protection District
Fenton, Missouri

Dear Members of the Board:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fenton Fire Protection District (the District) for the year ended December 31, 2006, and have issued our report thereon dated May 31, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated February 1, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the medical and office supplies inventory is based on experience and knowledge of product prices. We evaluated the key factors and assumptions used to develop the medical and office supplies inventory in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 31, 2007.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship were not a condition of our retention.

Management Comments

In the course of our examination of the financial statements, the following matters came to our attention. None of our findings were considered to be control deficiencies, significant deficiencies, or material weaknesses. Our recommendations regarding these other matters are also included here.

- According to bank confirmations, signature cards have not been updated for the changes to the Board of Directors for checking and payroll accounts held at Commerce Bank. Signatories should be updated to reflect current members.
- The general ledgers for some of the funds were not in balance. However, the amount differences in each of the affected funds were below the amounts considered material for each fund, therefore, adjustments were not required. We would recommend that each fund be balanced for the year to allow for more accurate reporting.
- The fund balance accounts in the general ledger for the individual funds were not closed out for prior year activity. We recommend that the entry to close out all revenue and expenditure accounts be posted each year to the fund balance account. This would better allow for the balancing of the general ledger.
- Interest on certificates of deposits is not being recorded and added to the investment balance until maturity. We recommend that interest income be recognized as earned and added to investment account balance to insure that interest is being reported in the proper period.

Client Response

Management has agreed with our recommendations regarding the above mentioned matters.

Prior Year Recommendation

The prior year recommendation to record all capitalized items into one capital expenditure account and to post other items to the appropriate expense accounts was implemented and will be effective for the entire year ending December 31, 2007.

This information is intended solely for the use of the Board of Directors and management of Fenton Fire Protection District and is not intended to be or should not be used by anyone other than these specified parties.

We wish to express our appreciation for the cooperation and courtesy extended to us by all at the Fenton Fire Protection District during the course of the audit. If you have any questions or comments, please feel free to call us at your convenience.

Sincerely,

Ahrens & Hoelscher, P.C.

Ahrens & Hoelscher, P.C.

FENTON FIRE PROTECTION DISTRICT

845 Gregory Lane
FENTON, MISSOURI 63026
(636) 343-4188
Fax (636) 343-4451

May 31, 2007

Ahrens & Hoelscher, P.C.
1232 Jungermann Rd.
Suite A
Saint Peters, MO 63376

Dear Mr. Ahrens:

We are providing this letter in connection with your audit of the financial statements of Fenton Fire Protection District (the District) as of December 31, 2006 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each fund, and the aggregate remaining fund information of the Fenton Fire Protection District and the respective changes in financial position thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of May 31, 2007, the following representations made to you during you audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government are required by generally accepted accounting principals to be included in the financial reporting entity.
2. We have made available to you all-
    a. Financial records and related data.
    b. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
   a. Management,
   b. Employees who have significant roles in internal control, or
   c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
10. The Fenton Fire Protection District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
11. The following, if any, have been properly recorded or disclosed in the financial statements:
    a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
    b. Guarantees, whether written or oral, under which the District is contingently liable.
    c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
13. There are no-
    a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
    b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
    d. Reservations or designation of fund equity that were not properly authorized and approved.
14. As part of your audit, you prepared the draft financial statements and related notes. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
15. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
16. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
17. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

18. The financial statements properly classify all funds and activities.
19. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
20. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
21. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
22. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
24. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
25. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
26. Required supplementary information (RSI) is measured and presented within prescribed guidelines.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Chairman	June 11, 2007
Name and Title	Date
Secretary	June 11, 2007
Name and Title	Date
Treasurer	June 11, 2007
Name and Title	Date

Brian D. Ahrens, CPA
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St Peters, MO 63376
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Chesterfield, MO 63017
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Fax: 636-532-8878

Ahrens & Hoelscher, P.C.

February 1, 2007

We are pleased to confirm our understanding of the services we are to provide Fenton Fire Protection District (the District) for the year ended December 31, 2006. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the entity's basic financial statements, of Fenton Fire Protection District as of and for the year ended December 31, 2006. The following supplementary information accompanying the basic financial statements is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedules

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with US generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with US generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of the management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal control and for compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District and the respective changes in financial position and cash flows, where applicable, in conformity with US generally accepted accounting principles.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud, or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud, or illegal acts affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

As part of the audit, we will prepare a draft of your financial statements and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

This audit will comply with rules issued by the state auditor under Section 15 CSR 40, and all working papers and schedules will be available for inspection by the state auditor at their request.

Audit Procedures—Internal Controls

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinion on the District's financial statements.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the governing body or audit committee of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial statements. We will also inform you of any nonreportable conditions or other matters involving internal control, if any, as required by *Government Auditing Standards*.

Audit Procedures—Compliance

Identifying and ensuring that the District complies with the provisions of laws, regulations, contracts, agreements, and grants is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and will not express such an opinion.

Audit Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in servicing your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure and appropriate confidentiality agreements, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Ahrens & Hoelscher, P.C. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to State of Missouri or its designee, and federal or local agencies providing direct or indirect funding for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Ahrens & Hoelscher, P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit after March 1, 2007 and to issue our reports no later than June 15, 2007. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed $7,800. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered upon completion of engagement and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the Fenton Fire Protection District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Ahrens & Hoelscher, P.C.

Ahrens & Hoelscher, P.C.

RESPONSE:

This letter correctly sets forth the understanding of the Fenton Fire Protection District.

Orville Althoff

Orville Althoff-Director

2-12-07

Date

Gary Herwig

Gary Herwig-Director

2-13-07

Date

Dennis Weil

Dennis Weil-Director

2/12/07

Date

FENTON FIRE PROTECTION DISTRICT

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

DECEMBER 31, 2006

Ahrens & Hoelscher, P.C.

Certified Public Accountants

FENTON FIRE PROTECTION DISTRICT

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

DECEMBER 31, 2006

Ahrens & Hoelscher, P.C.

FENTON FIRE PROTECTION DISTRICT
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FINANCIAL STATEMENTS
DECEMBER 31,2006

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INDEPENDENT AUDITORS' REPORT

Brian D. Ahrens, CPA
Walter J. Hoelscher, CPA

1232 Jungermann Road, Suite A
St. Peters, MO 63376
Office: 636-477-9130
Fax: 636-936-8418

Ahrens & Hoelscher, P.C.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fenton Fire Protection District
Fenton, Missouri

We have audited the accompanying financial statements of the governmental activities and the business type 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, 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 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 in *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, the business type activities, each fund and the aggregate remaining fund information as of December 31, 2006, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated May 31, 2007 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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, budgetary comparison Information, and schedule of insurance coverage 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.

Ahrens & Hoelscher, P.C.

Ahrens & Hoelscher, P.C.
May 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

FENTON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006. 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 beginning with the fiscal year ending December 31, 2004. These standards require that certain comparative information with the previous year be included in this reporting model.

FINANCIAL HIGHLIGHTS

- The District increased taxes due to the loss of tax revenue from Tax Increment Financing (TIF) and tax abatements.

- The District covers an area of land operating as a TIF District. The assessed valuation of personal property and real estate within the TIF district was $49 million. This District is unable to include this amount when calculating tax rates and assessing taxes for collection.

- Assets exceeded liabilities (net assets) by $8.1 million as of December 31, 2006. Of this amount, $3.5 million is invested in capital assets (net) and $4.6 million is unrestricted and available to meet current and future obligations of the District.

- The District's total net assets increased by $1,424,263 as a result of this year's operations.

- The fund balance for the General Fund was $7.8 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 $6.9 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 Fenton Fire Protection District Defined Benefit Plan & Trust. 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 2006
Assets	
Current and other assets	$ 13,084,618
Capital assets (net)	3,553,926
Total Assets	16,638,544
Liabilities	
Current liabilities	79,562
Long-term liabilities	8,443,881
Total Liabilities	8,523,443
Net Assets	
Investment in capital assets (net)	3,553,926
Unrestricted	4,561,175
Net Assets	8,115,101

The total net assets of the District amounted to $8.1 million. As previously noted, of the total, $3.5 million is invested in capital assets (net of accumulated depreciation) and the remaining $4.6 million is unrestricted and will be used to finance future years of operations.

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:

Revenue	
Program revenue:	
Charges for services	$ 654,853
General revenues:	
Taxes	7,892,850
Investment income	370,018
Other income	61,095
Total Revenues	8,978,816
Expenses	
Governmental Activities	7,554,553
Change In Net Assets	1,424,263
Net Assets-January 1, 2005 (as adjusted)	6,690,838
Net Assets-December 31, 2005	8,115,101

The net assets of the District increased by $1,424,263. The increase is the result of operating and non-operating revenues exceeding expenses during the year ended December 31, 2006. The District's total revenue was $8.9 million. The majority of the District's revenue comes from property taxes, accounting for approximately 87.9%. Another 7.3% comes from fees charged for services. The other 4.8% is derived from investment earnings and other miscellaneous revenue.

The total cost of all programs and services was $7.5 million. The District has two major types of expenditures. The first is salaries and personnel costs and the second is equipment depreciation and maintenance costs. This year, the salaries and personnel costs have accounted for 90% of the total expenditures. Depreciation accounted for 4.6% and maintenance for 2.5%.

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 $12.5 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, 2006:

- The General Fund revenues exceeded expenditures by $719,991. The largest expenditure of the General Fund is salaries and personnel cost and amounted to $3,868,035 or 86.9% of the total expenditures. The other large expenditure for this fund is administrative and general costs. This expense amounted to $239,038 or 5.4% of the total expenditures for the General Fund.

- The total revenues increased by $97,124 largely due to the increase in the amount of interest received on District funds. The total expenditures decreased by $129,505 due mainly to the decrease in capital expenditures this year.

- The District also received an in-kind contribution valued at $43,020 from STARS (St. Louis Area Response System) in the form of a truck. This truck is to be used by the District and can be called into service by the Department of Homeland Security.

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 $509,843 for the year ending December 31, 2006. 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 $2,344,225 for the year ended and accounted for 86.3% of the total expenditures. The next largest expenditure was for equipment purchase and maintenance. This amount was $164,928 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 89% of the total expenditures for this fund and amounted to $280,411. Professional fees, telephone and capital expenditures were the only other costs of this fund and accounted for the other 11% of expenditures.

Budget Analysis

The District made reallocations of Operating and Capital Expenditures budget items in both the General Fund and Ambulance Funds to more accurately reflect actual results for the year. The revenue items for taxes and interest were not revised for any funds. The amounts from the original budgets were not changed on the final budgets of the Pension and Dispatch Funds.

Capital Assets

At the end of 2006, 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 2006
Capital Assets	
Land	$ 373,855
Building and improvement	3,519,063
Vehicles	1,949,145
Equipment, furniture & fixtures	1,074,351
Total	6,916,414
Less Accumulated Depreciation	(3,362,488)
Net Capital Assets	$ 3,553,926

The net capital assets decreased by $176,932 for the year ended December 31, 2006. This decreased resulted from the following factors:

- The amount of capital asset purchases for the year amounted to $190,099.
- The amount of capital asset dispositions or (net of depreciation) amounted to ($18,576).
- Finally, the depreciation expense for fiscal year 2006 amounted to ($348,455).

ECONOMIC FACTORS

- The Fenton Fire District increased taxes due to Tax Increment Financing (TIF's), additional Chapter 100 tax abatements for the Daimler Chrysler Corporation plant located in Fenton and Chapter 353 tax abatement by Tristar.
- The District has a contractual agreement with the City of Fenton to pay the District $90,000 per year for 3 years in lieu of real estate tax payment for the TIF District. The District collected the seventh of ten payments of $90,000 in April 2007. The TIF's account for a $49 million reduction annually from the assessed valuation.

- Daimler Chrysler Corporation sought and received a $26 million reduction in their assessed valuation from the State of Missouri, $140 million abatement (Chapter 100) from the City of Fenton for the plant to produce stow and go seating. 70% abatement (Chapter 100) for retooling 2 production plants in Fenton was also received by the Daimler Chrysler Corporation. The estimated tax loss for these abatements is $11 million over the next 14 years.

- Other economic factors affecting the District include continual requests for locations in our service area wanting tax exemption status. Also in 2006, construction started on the new St. Clair Hospital that will require servicing and has tax exemption status.

These challenges have a significant negative impact upon our budget while service requirements continue to increase.

PERSONNEL ISSUES

The Fenton Fire Protection District provides a wide range of services to the people who live, work and/or pass through our District. Currently we serve approximately 35,000 residents with a day time population of 1,000,000. The higher day time population result from the demographic of our service area which is largely commercial/industrial based and includes 2 major interstates.

Our professional staff consists of 64 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 throughout our 26 square mile district located in St. Louis County, a suburb of St. Louis. In 2006, the District responded to 4,044 alarms.

Two personnel changes occurred in the year of 2006. July saw the return of our Private who had previously been on military leave. Our Fire Inspector concluded employment with the Fenton Fire Protection District for a promotion to Fire Marshall with a different district. This occurrence brought about the hiring of a new Fire Inspector that previously worked part-time for Eureka Fire Protection District.

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, 2006

ASSETS:		
Cash and Cash Equivalents		$ 356,134
Investments		8,351,956
Taxes Receivable		4,314,628
Other Assets		100
Inventories		61,800
Capital Assets:		
Land	$ 373,855	
Buildings	3,519,063	
Equipment and Other	3,023,496	
Less accumulated depreciation	(3,362,488)	
Total capital assets, net of depreciation		3,553,926
Total Assets		$ 16,638,544
LIABILITIES:		
Accounts Payable		28,913
Accrued Wages and Payroll Taxes		50,649
Deferred Revenue		7,522,350
Long-term Liabilities:		
Compensated Absences		921,531
Total Liabilities		8,523,443
NET ASSETS:		
Invested in Capital Assets, net of related debt		3,553,926
Unrestricted		4,561,175
Total Net Assets		8,115,101

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

FENTON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR DECEMBER 31, 2006

	Expenses	Program Revenue- Charges For Services	Net Revenues (Expenses) And Change In Net Assets
FUNCTIONS/PROGRAMS			
Governmental Activities			
Public safety	$ 6,902,711	$ 654,853	$ (6,247,858)
Dispatching services	303,387	-	(303,387)
Depreciation	348,455	-	(348,455)
Total Governmental Activities	$ 7,554,553	$ 654,853	$ (6,899,700)
General Revenues:			
Taxes Levied			7,892,850
Income from Investments			370,018
Miscellaneous			18,075
In-kind Contribution			43,020
Total General Revenue			8,323,963
CHANGE IN NET ASSETS			1,424,263
NET ASSETS-BEGINNING OF YEAR			6,690,838
NET ASSETS-END OF YEAR			$ 8,115,101

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

FENTON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General Fund	Ambulance Fund	Dispatch Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	$ 312,179	$ 37,977	$ 5,978	$ 356,134
Investments	5,101,700	2,724,727	525,529	8,351,956
Taxes Receivable	2,596,430	1,477,931	240,267	4,314,628
Due from Other Funds	184,275	-	-	184,275
Other Assets	100	-	-	100
Total Assets	$ 8,194,684	$ 4,240,635	$ 771,774	$ 13,207,093
LIABILITIES AND FUND BALANCES:				
Accounts Payable	$ 19,779	$ 7,061	$ 2,073	$ 28,913
Deferred Revenue	257,220	146,414	23,803	427,437
Accrued Wages & Payroll Taxes	35,706	14,943	-	50,649
Due to Other Funds	-	184,275	-	184,275
Total Liabilities	312,705	352,693	25,876	$ 691,274
FUND BALANCE:				
Reserved	936,000	420,000	12,000	$ 1,368,000
Unreserved	6,945,979	3,467,942	733,898	11,147,819
Total Fund Balance	7,881,979	3,887,942	745,898	12,515,819
				$ -
Total Liabilities and Fund Balance	$ 8,194,684	$ 4,240,635	$ 771,774	$ 13,207,093

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, 2006

Total fund balances - governmental funds	$ 12,515,819
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 $6,916,414 and the accumulated depreciation is ($3,362,488).	3,553,926
Tax revenues received in 2006 are intended to fund the 2007 budget. Therefore, 2006 tax revenue reported as received and receivable in the governmental funds is reported as deferred tax revenue in the statement of net assets.	(7,094,913)
Other long term assets (inventory) are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	61,800
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.	(921,531)
Net assets of governmental activities:	$ 8,115,101

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, 2006

	General Fund	Ambulance Fund	Dispatch Fund	Total
REVENUE				
Tax Levies	$ 4,622,960	$ 2,631,464	$ 427,788	$ 7,682,212
TIF	48,240	27,459	4,464	80,163
Ambulance Billings	-	450,025	-	450,025
Inspections and Permits	204,828	-	-	204,828
Income from Investments	236,556	117,429	16,033	370,018
In-Kind Contribution	43,020	-	-	43,020
Miscellaneous	18,075	-	-	18,075
Total revenue	$ 5,173,679	$ 3,226,377	$ 448,285	$ 8,848,341
EXPENDITURES				
Administrative and General	$ 239,038	$ 121,001	$ 2,800	$ 362,839
Training and Support	31,780	34,711	-	66,491
Maintenance and Support Services	125,958	64,715	-	190,673
Professional Fees	78,724	34,073	-	112,797
Dispatching Fees	-	-	280,411	280,411
Directors' Fees	7,600	7,000	-	14,600
Utilities	24,431	10,596	20,176	55,203
Salaries and Personnel Costs	3,868,035	2,344,225	-	6,212,260
Capital Expenditures	78,122	100,213	11,764	190,099
Total Expenditures	$ 4,453,688	$ 2,716,534	$ 315,151	$ 7,485,373
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 719,991	$ 509,843	$ 133,134	$ 1,362,968
FUND BALANCE-Beginning of year	7,161,988	3,378,099	612,764	11,152,851
FUND BALANCE-End of year	$ 7,881,979	$ 3,887,942	$ 745,898	$12,515,819

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, 2006

Total net change in fund balances - governmental funds	$ 1,362,968
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 ($348,455) exceed capital outlays ($190,099) for the period.	(158,356)
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.	130,475
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 reported last year by $87,376.	87,376
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 $1,800.	1,800
Change in net assets of governmental activities:	$ 1,424,263

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

FENTON FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2006

	Pension Trust Fund
ASSETS:	
Cash and Cash Equivalents	$ 446,630
Investments (at fair market value)	18,939,809
Taxes Receivable	529,459
Total Assets	19,915,898
LIABILITIES:	
Accounts Payable	-
Due to Other Funds	-
Deferred Revenue	52,452
Total Liabilities	52,452
NET ASSETS:	
Held in Trust for Employees Retirement	$ 19,863,446

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, 2006

	PENSION FUND
ADDITIONS	
Property taxes	$ 942,713
TIF	9,837
Investment earnings/appreciation	1,695,861
Total additions	2,648,411
DEDUCTIONS	
Benefit payments	300,085
Administrative expenses	21,264
Total deductions	321,349
CHANGES IN NET ASSETS	2,327,062
NET ASSETS-BEGINNING OF YEAR	17,536,384
NET ASSETS-END OF YEAR	$ 19,863,446

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

NOTES TO 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 / 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 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 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 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, 2006 amounted to $479,887. They are distributed as follows:

General Fund	$ 257,220
Dispatch Fund	23,802
Ambulance Fund	146,413
Pension Trust Fund	52,452
Total	$ 479,887

Tax Rate and Assessed Valuations

The tax rate for the District for 2006 was $.769 for residential, $.948 for agricultural, $.939 for commercial, and $.964 for personal property, all per $100 of assessed valuation. This was allocated to the funds as follows:

TAX RATE (Per $100 of Assessed Valuation)

	2006 Residential	2006 Agricultural	2006 Commercial	2006 Personal Property
General Fund	0.409	0.551	0.499	0.514
Ambulance Fund	0.230	0.264	0.294	0.300
Dispatch Fund	0.035	0.044	0.048	0.050
Pension Fund	0.095	0.089	0.098	0.100
	0.769	0.948	0.939	0.964

ASSESSED VALUATION

Assessed valuations were made on real and personal properties owned by taxpayers on January 1, 2006.

Residential	$ 365,734,490
Commercial	310,939,560
Agricultural	152,960
State	7,806,127
Total Real Estate	684,633,137
Regular	256,614,190
State	1,934,831
Total Personal Property	258,549,021
Total Assessed Valuation	$ 943,182,158

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, 2006:

Capital Assets Schedule:

	Balance Jan. 1, 2005	Additions & Transfers	Deletions & Transfers	Balance Dec. 31, 2005
Land	$ 373,855	$ -	$ -	373,855
Buildings and impovements	3,495,443	23,620	-	3,519,063
Vehicles	1,875,913	129,671	56,439	1,949,145
Equipment, furniture & fixtures	1,068,045	36,808	30,502	1,074,351
	$ 6,813,256	$ 190,099	$ 86,941	$ 6,916,414

Accumulated Depreciation:

	Jan. 1, 2006	2006 Depreciation	2006 Dispositions	Dec. 31, 2006
Land	$ -	$ -	$ -	-
Buildings and impovements	1,369,352	116,793	-	1,486,145
Vehicles	1,195,463	155,429	57,493	1,293,399
Equipment, furniture & fixtures	517,583	76,233	10,872	582,944
	$ 3,082,398	$ 348,455	$ 68,365	$ 3,362,488

NOTE 4: CASH AND CASH INVESTMENTS

The following is a reconciliation of the District's cash and investment balances as of December 31, 2006:

	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Cash	$ 356,134	$ 446,630	$ 802,764
Investments	$ 8,351,956	$ 18,939,809	$ 27,291,765
Total	$ 8,708,090	$ 19,386,439	$ 28,094,529

The year end book balance of the District's cash deposits was $356,949, while the bank balance was $354,168. 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:

	Matures	Amount	Bank Balances
Commerce Bank NA			
FHLMC	11/15/2021	$ 1,300,000	$ 354,168
Reliance Bank			
FHLB	1/23/2012	$ 2,000,000	
FHLB	6/29/2007	$ 500,000	
FNMA	5/12/2016	$ 2,000,000	
		$ 4,500,000	$ 4,071,199
Totals		$ 5,800,000	$ 4,425,367

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, 2006:

	1	2	3	Value
FDIC insurance (2 Banks @ 100,000)	X			$ 200,000
Commerce Bank-US Govt Securities		X		4,080,757
Reliance Bank-Certificates of Deposit		X		4,071,199
Massachusetts Mutual Life Ins. Co.		X		5,560,508
ING Life Insurance Co.		X		13,032,043
Commerce Trust Co.		X		$ 347,255
				$ 27,291,762

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.

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	$936,000
Ambulance Fund: Amounts needed for vehicles and equipment	420,000
Dispatch Fund: Amounts needed for equipment purchases	12,000
	$1,368,000

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, 2005 is 64. The number of eligible active employees for 2006 is 62.

ACTIVE EMPLOYEES AS OF JANUARY 1, 2006	64
INCREASE IN ACTIVE GROUP DUE TO NEW EMPLOYEES	1
DECREASE IN ATIVE GROUP DUE TO RETIREMENT	(1)
ACTIVE EMPLOYEES AS OF DECEMBER 31, 2006	64
EMPLOYEES EXCLUDED DUE TO PLAN ELIGIBILITY REQUIREMENTS	(2)
ELIGIBLE ACTIVE EMPLOYEES AS OF DECEMBER 31, 2006	62

OTHER PARTICIPANTS INCLUDED IN VALUATION COST:

Retired employees	12
Disabled employees	2
Beneficiaries	1
Terminated Vested employees	1
	16

(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. For terminations during 2006, 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. For terminations in 2007, the highest 4 years is used, and for terminations in 2008 and beyond, the highest 5 years is used.

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 Special 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 service through February 26, 2006 only) 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, 2006, (1) a rate of return on the investment of assets of 7.5% per year before retirement and 7.50% after retirement (2) projected salary increases of 4.25% per year (3) expenses are $30,000 per year, spread over future pay, (4) normal form of retirement annuity is monthly life annuity, (5) non-disabled life mortality 1983 Group Annuity Table for males and 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 3.0% per annum.

Funding Requirement Determinations and Actual Contributions:

Employer contributions for the year were $927,396. This consists of $927,396 from the Pension Fund.

Amounts actually contributed by employer were in accordance with actuarially computed funding requirement determinations. The recommended contribution for 2006 was $962,023.

Total employer normal cost as a percentage of eligible payroll is 19.03%. The unfunded frozen initial liability is $0 as of January 1, 2007. Present value of un-purchased vested benefits is $14,335,375 and present value of non-vested benefits is $1,495,067.

The actuarial value of plan assets is $20,018,373. The plan's net assets at market value available for benefits are $18,939,809. 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, 2006

1. Net Pension Obligation as January 1, 2006		$ 3,584,275
2. Annual Recommended Contribution for 2006	962,023	
3. Interest on Net Pension Obligation	(286,742)	
4. Adjustment to Annual Required Contribution	-	
5. 2006 Annual Pension Cost under GASB 27		675,281
		2,908,994
6. Employer Contributions Made		927,396
7. Interest on Employer Contributions to December 31, 2006		60,798
8. Net Pension Obligation as of end of year		$ 3,897,188

Development of the Annual Pension Cost for 2007

1. Annual Required Contribution for 2007	$ 950,365
2. Interest on Net Pension Obligation	(292,289)
3. Adjustment to Annual Required Contribution	-
4. 2007 Annual Pension Cost under GASB 27	$ 658,076

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 Life Insurance Company	Babson Core Bond Fund	$ 4,440,025	Intermediate Bonds
	Fidelity Blue Chip Growth	238,952	Large Stocks
	Oppenheimer Cap Appr.	215,803	Mid Stocks
	Baron Growth	381,622	Small Stocks
	Oppenheimer Small Mid Cap Value	284,106	Small Cap Stocks
		$ 5,560,508	
ING	ING VP Intermediate Bond	$ 4,458,276	Intermediate Bonds
	Pioneer Equity Income	2,167,280	Large Stocks
	Vanguard VIF Diversified Value	3,063,179	Large Stocks
	ING UBS Large Cap Value	175,074	Large Stocks
	Feidelity VIP Contrafund	588,113	Large Stocks
	Growth Fund of America	710,716	Large Stocks
	ING VP Index Plus Mid Cap	808,648	Mid Stock
	FTVIP Franklin Small Cap Value	468,901	Small Cap Stocks
	ING Baron Small Cap Growth	591,856	Small Cap Stocks
		$ 13,032,043	
Commerce Trust Company	Cash & Bond Account	$ 347,255	Short Term Bonds
		$ 18,939,806	

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, 2007	$ 20,018,373	$ 20,018,373	-	100.00%	$ 4,645,613	0.00%
Jan 1, 2006	18,158,960	18,158,960	-	100.00%	4,579,752	0.00%
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, 2007	$ 950,365	N/A	N/A	$ 658,076	N/A	N/A
Jan 1, 2006	962,023	988,194	102.72%	675,281	146.34%	(3,897,188)
Jan 1, 2005	1,259,898	864,315	68.60%	965,094	89.56%	(3,584,275)
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 Fee	$ 1,900
Actuarial Fee	7,920
Audit Fee	900
Consulting Fee	22,000
Investment Expense	12,533
Legal Fee	11,989
	$ 57,242 *

*These expenses were paid from the following sources: $21,265 from Pension Fund and $35,977 from General Fund

NOTE 9: COMPENSATION OF OFFICERS

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

Orville Althoff (Chairman)	4,800
Gary Herwig (Treasurer)	4,800
Dennis Weil (Secretary)	5,000
	$ 14,600

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 an annual 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, 2006, the district collected the sixth payment of $90,000, which is shown in the tax revenue of the General, Ambulance, Dispatch, and Pension Funds.

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. The amount due to General Fund a year end was $184,275.

NOTE 14: IN-KIND CONTRIBUTION

In September 2006, the District received an in-kind contribution (truck) valued at $43,020 from the organization STARS (St. Louis Area Response System). This truck is to be used by the District and can be called into service by the Department of Homeland Security from which STARS receives its funding.

NOTE 15: CONTINGENCIES

There is a potential for a future employees' wage claim based upon controversy from the interpretation of the Missouri Minimum Wage Act that was passed in 2006 by referendum that will affect 2007 wages. It is the opinion of the District that first responders should be exempt under this law as is the Federal law. The provision excluding these workers was not included in the new Act. The 2006 Act requires employees to be paid overtime wages on the basis of a calendar week. In the past, fire service workers were permitted to be paid overtime wages for a work period that is longer that a work week. Groups have attempted to obtain an amendment to the 2006 Act and/or participated in a suit for declaratory judgment that has been instituted in Jefferson City. There is a potential that the outcome of these efforts will not be favorable which may support employees who wish to claim that they were underpaid. The extent of such a claim, if asserted, could be in the range of $240,000 to $250,000 for the period from January 1, 2007 up to the date of this report.

NOTE 16: 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. See Schedule of Insurance Coverage in the Required Supplementary Information section of this report for the coverage amounts.

NOTE 17: 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, 2006

	2006				2005
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE	
REVENUE	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)	ACTUAL
Tax revenue & TIF	$ 4,378,000	$ 4,378,000	$ 4,671,200	$ 293,200	$ 4,507,366
Inspections & permits	175,000	175,000	204,828	29,828	282,944
Interest	125,000	125,000	236,556	111,556	97,532
Miscellaneous	15,000	15,000	18,075	3,075	84,913
Grant proceeds	-	-	-	-	100,800
In-kind contribution	-	-	43,020	-	-
Total revenues	$ 4,693,000	$ 4,693,000	$ 5,173,679	$ 437,659	$ 5,073,555
EXPENDITURES					
Building maintenance	$ 20,000	$ 20,000	$ 13,079	$ 6,921	$ 23,901
Capital expenditures	410,300	229,500	78,122	151,378	344,262
Dues & subscriptions	6,000	6,200	6,117	83	6,057
Equip. & vehicle repairs	83,000	83,000	73,598	9,402	90,814
Gas & oil expense	25,000	35,000	31,607	3,393	27,076
General & election expense	20,000	24,700	22,161	2,539	22,679
Group medical insurance	455,000	476,000	474,258	1,742	423,268
Insurance	195,000	195,000	193,160	1,840	173,120
Medical examinations	3,500	3,500	274	3,226	16,086
Office supplies	9,800	9,800	17,326	(7,526)	8,893
Payroll processing	4,200	5,200	5,051	149	4,527
Payroll taxes	232,000	242,000	235,387	6,613	228,369
Professional fees	82,000	87,200	73,673	13,527	69,304
Salaries	3,041,200	3,175,100	3,135,047	40,053	3,050,799
Supplies & laundry	8,000	8,000	7,674	326	9,428
Training school expense	35,000	35,000	31,780	3,220	27,571
Uniforms & allowances	34,000	34,000	30,944	3,056	33,845
Utilities	29,000	29,000	24,430	4,570	23,194
Contingency fund	-	-	-	-	-
Total expenditures	$ 4,693,000	$ 4,698,200	$ 4,453,688	$ 244,512	$ 4,583,193
NET CHANGES IN FUND BALANCI	$ -	$ (5,200)	$ 719,991	$ 682,171	$ 490,362
FUND BALANCE-Beginning of year			7,161,988		6,671,626
FUND BALANCE-End of year			$ 7,881,979		$ 7,161,988

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, 2006

	2006				2005
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE	
REVENUE	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)	ACTUAL
Tax revenue & TIF	$ 2,492,000	$ 2,492,000	$ 2,658,923	$ 166,923	$ 2,562,507
Interest	50,000	50,000	117,429	67,429	45,912
Ambulance fees	300,000	300,000	450,025	150,025	441,877
Total revenues	$ 2,842,000	$ 2,842,000	$ 3,226,377	$ 384,377	$ 3,050,296
EXPENDITURES					
Building maintenance	$ 9,000	$ 9,000	$ 6,780	$ 2,220	$ 8,829
Capital expenditures	175,000	158,600	100,213	58,387	139,675
Dues & subscriptions	3,000	3,300	3,800	(500)	2,838
Equip. & vehicle repairs	57,000	57,000	40,076	16,924	46,375
Gas & oil expense	12,000	15,000	14,446	554	11,481
General & election expense	9,600	16,000	15,682	318	18,900
Group medical insurance	270,000	270,000	270,000	-	270,000
Insurance	90,000	90,000	90,000	-	96,000
Medical examinations	1,500	1,500	1,391	109	7,234
Office supplies	4,900	5,000	10,127	(5,127)	4,907
Payroll processing	1,800	2,300	2,157	143	1,933
Payroll taxes	148,700	148,700	148,700	-	142,000
Professional fees	34,000	34,000	31,916	2,084	30,875
Salaries	1,941,000	1,941,400	1,919,079	22,321	1,847,987
Supplies & laundry	3,500	3,500	3,414	86	4,207
Training school expense	30,000	35,000	34,711	289	32,260
Uniforms & allowances	15,000	15,000	13,446	1,554	14,252
Utilities	10,000	10,700	10,596	104	10,070
Contingency fund	26,000	26,000	-	26,000	-
Total expenditures	$ 2,842,000	$ 2,842,000	$ 2,716,534	$ 125,466	$ 2,689,823
NET CHANGES IN FUND BALANCE	$ -	$ -	$ 509,843	$ 509,843	$ 360,473
FUND BALANCE-Beginning of year			3,378,099		3,017,626
FUND BALANCE-End of year			$ 3,387,942		$ 3,378,099

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, 2006

	2006				2005
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE	
REVENUE	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)	ACTUAL
Tax revenue & TIF	$ 405,000	$ 405,000	$ 432,252	$ 27,252	$ 413,373
Interest	5,000	5,000	16,033	11,033	6,640
Prior year balance	-	-	-	-	-
Total revenues	$ 410,000	$ 410,000	$ 448,285	$ 38,285	$ 420,013
EXPENDITURES					
Telephone	40,000	40,000	20,176	19,824	24,413
Administrative expense	3,000	3,000	2,800	200	2,500
Dispatching fees	265,000	265,000	228,198	36,802	236,984
Communications expense	90,000	90,000	52,213	37,787	54,490
Capital expenditures	-	-	11,764	(11,764)	9,216
Contingency	12,000	12,000	-	12,000	
Total expenditures	$ 410,000	$ 410,000	$ 315,151	$ 94,849	$ 327,603
NET CHANGES IN FUND BALANCE	$ -	$ -	$ 133,134	$ 133,134	$ 92,410
FUND BALANCE-Beginning of year			612,764		520,354
FUND BALANCE-End of year			$ 745,898		$ 612,764

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, 2006

	2006				2005
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE	
REVENUE	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)	ACTUAL
Tax revenue & TIF	$ 893,000	$ 893,000	$ 952,550	$ 59,550	$ 917,591
Interest	1,500	1,500	5,693	4,193	5,291
Investment earnings	-	-	1,690,168	1,690,168	509,492
Prior year balance	-	-	-	-	-
Total revenues	$ 894,500	$ 894,500	$ 2,648,411	$ 1,753,911	$ 1,432,374
EXPENDITURES					
Contribution to investments	894,500	894,500	$ -	894,500	$ -
Administrative expense	-	-	21,264	(21,264)	13,072
Retiree distributions	-	-	300,085	(300,085)	282,236
Total expenditures	$ 894,500	$ 894,500	$ 321,349	$ 573,151	$ 295,308
NET CHANGES IN FUND BALANCE	$ -	$ -	$ 2,327,062	$ 2,327,062	$ 1,137,066
FUND BALANCE-Beginning of year			17,536,384		16,399,318
FUND BALANCE-End of year			$ 19,863,446		$ 17,536,384

FENTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INSURANCE COVERAGE
DECEMBER 31, 2006

Standard Insurance Company

Agent-Complete Benefit Strategies

Life Insurance, Accident & Long-term Disability

(long-term disbility-60% of covered monthly compensation after 90 days-maximum of $5,000)	$	50,000	life insurance
July 1, 2006 to June 30, 2007			

Blue Cross-Blue Shield

Agent-Arch Brokerage Property & Liability, Inc.

Basic Benefits for Blue Cross-Blue Shield

Major Medical Coverage-Alliance Choice-area employers	Unlimited	life time benefit
In network - no deductible		
Office visits $20/$25, 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%)		
Major Medical Coverage-Alliance Choice-out of area employe	Unlimited	life time benefit
In network - $250 deductible		
Office visits $10, E.R. $75		
Out of network - $250 individual and $750 family deductibles		
Renewable annually		
(Plan pays 70% of first $10,000 per person and 90% thereafter in each calendar year. When care is received from network providers, this program pays 100%)		
July 1, 2006 to June 30, 2007		

Aetna

Agent-Arch Brokerage

Dental Max Program

Annual benefit	$	1,000
Individual Deductible		25
Family Deductible		75
July 1, 2006 to June 30, 2007		

FENTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INSURANCE COVERAGE
DECEMBER 31, 2006

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		

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, Contents limit $425,828				
Real & Personal Property Coverage Limit				
Personal Property Coverage-$1,000 deductible		Guaranteed replacement cost		
Real Property Coverage-$1,000 deductible		$	4,345,073	Limit of Insurance
Flood Coverage			1,000	Deductible
Earthquake Coverage:	House 1		96,423	Deductible per occurrence
5% deductible	House 2		64,708	Deductible per occurrence
	House 3		45,284	Deductible per occurrence
	House 4		32,130	Deductible per occurrence

Commercial General: Liability Section

$1,000 deductible per occurrence		
Limits of Liability:		
General Aggregate	$	3,000,000
Product/Completed Operations 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, 2006 to June 15, 2007		

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		
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, 2005 to June 15, 2006		
Umbrella Policy	$1,000,000	each occurrence
	2,000,000	aggregate
Management Liability	1,000,000	each wrongful act
June 15, 2006 to June 15, 2007	3,000,000	aggregate
	5,000	defense expense for "injunctive relief"

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, 2006 to June 15, 2007		

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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Ahrens & Hoelscher, P.C.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the FENTON FIRE PROTECTION DISTRICT (the District), as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 31, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated May 31, 2007.

This report is intended solely for the information and use 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. Though restricted in use, reports issued in connection with an audit of a local government may be a matter of public record.

Ahrens & Hoelscher, P.C.

Ahrens & Hoelscher, PC
May 31, 2007