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Annual Report, 2004

Jefferson R-7 Fire Protection District

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JEFFERSON R-7 FIRE PROTECTION DISTRICT

ANNUAL REPORT

YEAR ENDED DECEMBER 31, 2004

ROSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

50 CRESTWOOD EXECUTIVE CENTER • SUITE 400

ST. LOUIS, MISSOURI 63126

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jefferson R-7 Fire Protection District
13000 Highway TT
Festus, Missouri 63028

We have audited the accompanying financial statements of the governmental activities, and each major fund of

JEFFERSON R-7 FIRE PROTECTION DISTRICT

as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jefferson R-7 Fire Protection District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

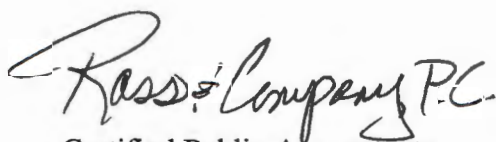
We conducted our audit in accordance with accepted auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes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

As described in Note 1(C), Jefferson R-7 Fire Protection District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities and each major fund of Jefferson R-7 Fire Protection District as of December 31, 2004, and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1(C).

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the modified cash basis of accounting. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


Certified Public Accountants

March 1, 2005

GS/cp

MANAGEMENT'S DISCUSSION AND ANALYSIS

An objective and easily readable analysis of the District's financial activities. The Management's Discussion and Analysis presents an analytical overview of both short-term and long-term financial information.

JEFFERSON R-7 FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS **YEAR ENDED DECEMBER 31, 2004**

The discussion and analysis of the Jefferson R-7 Fire Protection District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2004. The intent is to look at the District's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

- The net assets for the Governmental Activities increased by \$7 thousand.
- Governmental Activities revenue was \$335 thousand.
- Property taxes represented \$330 thousand of the Governmental Activities revenue total or 98%.
- Expenses for the Governmental Activities were \$328 thousand.
- The District paid \$46,000 of principal on its outstanding lease obligation.

1. USING THIS ANNUAL FINANCIAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the District's annual report.

Report Components

This annual report consists of four parts as follows:

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities provide information about the activities of the District's government-wide (or "as a whole") and present a longer-term view of the District's finances.

Fund Financial Statements: Fund financial statements focus on the individual parts of the District's government. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Basis of Accounting

The District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the District's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (*such as accounts receivable and revenue for billed or provided services not yet collected*) and certain liabilities and their related expenses (*such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities*) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the District as a Whole

The District's Reporting Entity Presentation

This annual report includes all activities for which the Jefferson R-7 Fire Protection District is fiscally responsible.

The primary government includes the following legal entity:

- The Jefferson R-7 Fire Protection District

The Government-wide Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the District's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's real estate tax base.

In the Statement of Net Assets and the Statement of Activities, we have one kind of activity:

Governmental activities - All of the District's basic services are reported here. Property taxes and permit fees finance all of the activities.

Reporting the District's Most Significant Funds

The Fund Financial Statements

Governmental fund - All of the District's basic services are reported in the governmental fund, which focuses on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using the report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statement provides a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the District's program. We describe the relationship (or differences) between governmental activity (reported in the Statement of Net Assets and the Statement of Activities) and governmental fund in a reconciliation at the bottom of the fund financial statements. The District considers the General Fund to be its significant or major governmental fund.

The District currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements and similar arrangements.

2. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Our analysis below focuses on the net assets and changes in net assets of the District's Governmental Activities.

<u>Net Assets</u>	<u>Governmental Activities</u> <u>December 31, 2004</u>
Beginning net assets	\$ 518,375.
Increase (Decrease) in net assets	<u>7,326.</u>
Ending net assets	<u>\$ 525,701.</u>

<u>Changes in</u> <u>Net Assets</u>	<u>Governmental Activities</u> <u>December 31, 2004</u>
Revenues	\$ 335,207.
Program expenses	<u>327,881.</u>
Increase (Decrease) in net assets	<u>\$ 7,326.</u>

Since this is the first year to report all activities using this new approach, a comparison of assets, liabilities and net assets to the prior year is not possible (with the exception of the above

comparison of net assets). However, in future years, this section will explain the differences between the components of current and prior year assets, liabilities, and changes in net assets.

3. ANALYSIS OF RESULTS OF OPERATIONS

Governmental Activities

Again, because this is the first year to report governmental activities using the new GASB 34 approach, a comparison to the prior year is not possible. However, in next year's discussion, this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed first with revenues from that particular program reported below it. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the District's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended December 31, 2004, the District's governmental activities were funded as follows:

<u>Sources of Funds for Governmental Activities</u>	<u>General Fund</u> <u>December 31, 2004</u>	
	<u>Amount</u>	<u>Percent</u>
Taxes, penalties and interest	\$ 329,773.	98%
Interest revenue	5,402.	2%
Miscellaneous revenue	32.	0%
Total Revenue Collected	<u>\$ 335,207.</u>	<u>100%</u>

Use of Funds in Governmental Activities

Public safety - fire protection:

Personal services - wages and fringe benefits	\$ 135,990.	42%
Materials, supplies & maintenance	53,931.	16%
Depreciation	76,578.	23%
Interest	10,341.	3%
Insurance	21,517.	7%
Communications - dispatching, telephone & paging	13,511.	4%
General and administrative	16,013.	5%
Total Expenditures	<u>\$ 327,881.</u>	<u>100%</u>

For the year ended December 31, 2004, total expenses for governmental activities amounted to \$327,881. Of these total expenses, taxpayers and other general revenues funded \$327,881.

4. SIGNIFICANT TRANSACTIONS

The District purchased a new 2004 Ford Explorer for \$23,000.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Directors revised the General Fund budget at various times.

For the year ended December 31, 2004, General Fund expenditures were \$285,758 below final appropriations, while actual resources available for appropriation were \$7,210 above the final budgeted amount.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2004, the District has \$382,086 invested in capital assets, net of depreciation (see table below). This represents a net decrease of \$34,804 or 8% below last year.

CAPITAL ASSETS (Net of accumulated depreciation)

	<u>Governmental Activities</u> <u>December 31, 2004</u>
Land	\$ 9,556.
Buildings and improvements	11,813.
Equipment and radios	69,312.
Vehicles	<u>291,405.</u>
TOTALS	<u>\$ 382,086.</u>

This year's more significant capital asset additions included:

The purchase of 2004 Ford Explorer.

Long-Term Debt

At year-end, the District had \$152,862 in long-term debt, which is related to governmental-type activities, as compared to \$198,864 in long-term debt last year (see table below). This represents a decrease of 23%. The District's long-term debt is comprised of a long-term lease obligation for a truck.

	<u>Balance at</u> <u>December 31, 2004</u>	<u>Balance at</u> <u>December 31, 2003</u>
Lease Obligation	\$ <u>152,862.</u>	\$ <u>198,864.</u>
	\$ <u>152,862.</u>	\$ <u>198,864.</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the year ending December 31, 2005, the budget is similar to the December 31, 2004 budget.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions concerning this report or need additional information, contact Fire Chief Jay Katzenberger at 13000 Highway TT, Festus, Missouri.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements
 - Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

JEFFERSON R-7 FIRE PROTECTION DISTRICT

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

ASSETS

Cash	\$ 313,954.20
Land	9,556.50
Capital assets, net of accumulated depreciation	<u>372,529.30</u>
TOTAL ASSETS	\$ <u>696,040.00</u>

LIABILITIES

Payroll withholdings	\$ 708.37
Deferred tax revenue	16,768.15
Long-term liabilities:	
Due within one year	48,393.90
Due in more than one year	<u>104,468.13</u>
TOTAL LIABILITIES	\$ <u>170,338.55</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 219,667.27
Unrestricted	<u>306,034.18</u>
TOTAL NET ASSETS	\$ <u>525,701.45</u>

See accompanying notes to the basic financial statements.

JEFFERSON R-7 FIRE PROTECTION DISTRICT

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

EXPENSES

Public safety - fire protection:

Personal services - wages and fringe benefits	\$ 135,989.76
Materials, supplies and maintenance	53,931.25
Depreciation	76,578.36
Interest	10,340.92
Insurance	21,517.00
Communications - dispatching, telephone and paging	13,510.85
General and administrative	<u>16,013.03</u>

TOTAL PROGRAM EXPENSES \$ 327,881.17

PROGRAM REVENUES

Charges for services	\$ <u>0.00</u>
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NET PROGRAM EXPENSE \$ 327,881.17

GENERAL REVENUES

Property taxes	\$ 329,772.93
Interest earned	5,402.14
Miscellaneous	<u>32.00</u>

TOTAL GENERAL REVENUES \$ 335,207.07

INCREASE (DECREASE) IN NET ASSETS \$ 7,325.90

NET ASSETS - Beginning of year 518,375.55

NET ASSETS - End of year \$ 525,701.45

See accompanying notes to the basic financial statements.

JEFFERSON R-7 FIRE PROTECTION DISTRICT

**BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

ASSETS

Cash	\$ 313,954.20
TOTAL ASSETS	<u>\$ 313,954.20</u>

LIABILITIES

Payroll withholdings	\$ 708.37
Deferred tax revenue	<u>16,768.15</u>
TOTAL LIABILITIES	<u>\$ 17,476.52</u>

FUND BALANCE

Fund Balance - unreserved	\$ 296,477.68
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 313,954.20</u>

RECONCILIATION TO STATEMENT OF NET ASSETS

Fund balance - unrestricted	\$ 296,477.68
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Amounts reported for governmental activities in the statement of the net assets are different because:

Capital assets used in governmental activities of \$1,247,487.12 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$865,401.32	382,085.80
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Long-term liabilities of \$152,862.03 are not due and payable in the current period and are not reported in the funds.	<u>(152,862.03)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 525,701.45</u>
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See accompanying notes to the basic financial statements.

JEFFERSON R-7 FIRE PROTECTION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (3,871.66)

Amounts reported for general fund activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense as to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	41,774.11
Depreciation expense	(76,578.36)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>46,001.81</u>
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CHANGES IN NET ASSETS OF GOVERNMENTAL FUNDS \$ 7,325.90

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS.

JEFFERSON R-7 FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of a modified cash basis of accounting as discussed in Note 1(C), the district complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Implementation of GASB Statement 34

Although the District presents its annual financial statements on a comprehensive basis of accounting other than GAAP, the aspects of financial statements content and format, as prescribed by GASB Statement 34, have been implemented in the financial statements, effective for the year ended December 31, 2004.

The primary changes from the prior years' financial presentations include:

- The addition of a Management Discussion and Analysis as required supplementary information.
- A new format for the District's basic financial statements including a government-wide Statement of Net Assets and Statement of Activities, in addition to fund financial statements, with emphasis on major funds, for governmental activities.
- The reporting of budget and actual information for the General Fund in a new format as required supplementary information.
- Beginning net assets reported in government-wide financial statements will differ from the amounts reported as ending fund equity in the prior year financial statements due to this implementation.

A. Financial Reporting Entity

The District's financial reporting entity is comprised of the following:

Primary Government:	Jefferson R-7 Fire Protection District
Component Units:	None

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for

fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

Fund Financial Statement

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds.

The funds of the financial report entity are described as follows:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Major and Nonmajor Funds

The funds are classified as major or nonmajor as follows:

Major Funds

General Fund

Nonmajor Funds

None

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities governmental activities are presented using the economic resources measurement focus.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

D. Assets, Liabilities and Equity

Cash

For the purpose of financial reporting, "cash" includes all demand and savings accounts, and certificates of deposit.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings	30 years
- Equipment and radios	5 - 10 years
- Vehicles	7 years

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

All long-term debt arising from cash transaction to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the government-wide or fund financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use by external groups such as creditors, grantors, contributors or laws and regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance.

E. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 15 and payable by December 31. Taxes paid after December 31 are subject to penalties. Jefferson County bills, collects and remits the taxes to the District. The District records the revenues from property taxes when collected after the year of assessment. Those revenues collected before that time are deferred until the following year.

F. Program Revenues

In the Statement of Activities, revenues that are derived from inspections and permits are reported as program revenues.

All other revenues are reported as general.

G. Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the modified cash basis and are classified by function for governmental-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current
	Capital Outlay
	Debt Service

In the fund financial statements, governmental funds report expenditures of financial resources.

H. Budgets and Budgetary Practices

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to August 1, the Financial Administrator prepares a proposed operating budget for the upcoming year. The operating budget includes proposed expenditures and the means of financing them.
- b. Open meetings of the Board of Directors are held to obtain taxpayer comments.
- c. Prior to December 31, the budget for the upcoming year is adopted by the Board of Directors.
- d. Budgets are adopted on a basis consistent with the modified cash basis of accounting.
- e. Any revisions that alter the total expenditures must be approved by the Board of Directors.
- f. Prior to year-end, the Board of Directors adopts an amended budget approving any additional expenditures, if necessary.
- g. All annual appropriations lapse at fiscal year-end.

I. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense). Accordingly, actual results could differ from those estimates.

J. Differences From GAAP

As discussed in Note 1(C), the District reports both the government-wide financial statements and the fund financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

K. Post - Employment Health Care Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in

full by the insured to the District. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the District under this program, and there are no participants in the program as of December 31, 2004.

L. 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three years.

2. CASH

The District has determined through experience, that interest bearing checking accounts, certificates of deposit, and government securities are appropriate types of investments for its needs.

Deposits

The District's deposits are categorized to give an indication of the level of risk assumed by the District at December 31, 2004. The categories are described as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the District (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uninsured and Uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name; or properly collateralized with no written and approved collateral agreement.

<u>Type of Deposit</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	\$ 100,000.00	\$ 100,000.00	\$ 0.00	\$ 0.00	
Uninsured deposits:					
Collateralized	233,120.71	0.00	233,120.71	0.00	
Uncollateralized	0.00	0.00	0.00	0.00	
 Total deposits	 \$ 333,120.71	 \$ 100,000.00	 \$ 233,120.71	 \$ 0.00	 \$ 313,954.20

3. CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended December 31, 2004 was as follows:

<u>Governmental Activities:</u>	<u>Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2004</u>
Land	\$ 9,556.50	\$ 0.00	\$ 0.00	\$ 9,556.50
Buildings and improvements	118,420.00	0.00	0.00	118,420.00
Equipment and radio	155,936.51	18,774.11	0.00	174,710.62
Vehicles	<u>921,800.00</u>	<u>23,000.00</u>	<u>0.00</u>	<u>944,800.00</u>
Totals at historical cost	<u>\$ 1,205,713.01</u>	<u>\$ 41,774.11</u>	<u>\$ 0.00</u>	<u>\$ 1,247,487.12</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 103,659.81	\$ 2,947.33	\$ 0.00	\$ 106,607.14
Equipment and radio	95,877.43	9,521.49	0.00	105,398.92
Vehicles	<u>589,285.72</u>	<u>64,109.54</u>	<u>0.00</u>	<u>653,395.26</u>
Total accumulated depreciation	<u>\$ 788,822.96</u>	<u>\$ 76,578.36</u>	<u>\$ 0.00</u>	<u>\$ 865,401.32</u>
Governmental activities capital assets, net	<u>\$ 416,890.05</u>	<u>\$ (34,804.25)</u>	<u>\$ 0.00</u>	<u>\$ 382,085.80</u>

Depreciation expense was charged to the public safety function in the Statement of Activities.

Depreciation expense totaled \$76,578.36 for fiscal year end December 31, 2004.

4. LONG-TERM DEBT

Governmental Activities

As of December 31, 2004, the long-term debt payable from the general revenue fund resources consisted of the following:

Lease Obligation, 2002 Pierce Dash Pumper/Rescue, payable in semi-annual installments, final payment due October 25, 2007.	\$ 152,862.03
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Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2004:

<u>Type of Debt</u>	<u>Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2004</u>	<u>Amount Due Within One Year</u>
Capital Lease Obligation	\$ 198,863.84	\$ 0.00	\$ 46,001.81	\$ 152,862.03	\$ 48,393.90
	<u>\$ 198,863.84</u>	<u>\$ 0.00</u>	<u>\$ 46,001.81</u>	<u>\$ 152,862.03</u>	<u>\$ 48,393.90</u>

Capitalized Lease Obligation

The District has a lease agreement with Oshkosh Capital for a 2002 Pierce Dash Pumper/Rescue Truck.

<u>Date of Payment</u>	<u>Payment Number</u>	<u>Lease Payment Amount</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Termination Value</u>
10/25/2005	5	\$ 56,342.73	\$ 7,948.83	\$ 48,393.90	\$ 155,919.27
10/25/2006	6	56,342.73	5,432.34	50,910.39	106,557.49
10/25/2007	7	56,342.73	2,784.99	53,557.74	54,628.89
TOTALS		<u>\$ 169,028.19</u>	<u>\$ 16,166.16</u>	<u>\$ 152,862.03</u>	

Interest Expense Allocated By Function

Interest expense, including fiscal agent fees, on long-term debt was charged to functions in the Statement of Activities as follows:

Governmental-Type Activities:

General Fund	<u>\$ 10,340.92</u>
	<u>\$ 10,340.92</u>

5. ASSESSED VALUATION AND TAX LEVY

	<u>2 0 0 4</u>	<u>2 0 0 3</u>
Aggregate Assessed Valuation	<u>\$ 126,337,474.00</u>	<u>\$ 109,695,926.00</u>
	<u>Tax Levy Per \$100.00 of Assessed Valuation</u>	<u>Tax Levy Per \$100.00 of Assessed Valuation</u>
General Fund	<u>.3000</u>	<u>.3000</u>
Total taxes assessed	<u>\$ 379,012.42</u>	<u>\$ 329,087.78</u>
Less: 1.6% assessment and collection fee	<u>(6,064.20)</u>	<u>(5,265.40)</u>
	<u>\$ 372,948.22</u>	<u>\$ 323,822.38</u>
Total tax collections (including delinquent taxes)	<u>\$ 16,768.15</u>	<u>\$ 329,772.93</u>

The receipts of current and delinquent property taxes during the year ended December 31, 2004 aggregated approximately 4.50% of the 2004 assessed taxes and 101.84% of the 2003 assessed taxes. Taxes collected on the 2004 assessment are considered deferred revenue and will be recognized as revenue in 2005.

6. PENSION PLAN

The Jefferson R-7 Fire Protection District has established a Simplified Employee Pension Plan (SEP) for eligible employees. Contributions are deposited directly into employee individual retirement accounts, which are self-directed by the employees. The District contributes 10% of eligible salaries. For the year ending December 31, 2004, the District had four participants and contributed \$7,126.74 to their retirement accounts.

7. COMMITMENTS

The District has signed a contract for the purchase of a 2005 Pierce Dash 2000 Pumper for \$383,800.00. The truck will be financed with a lease purchase obligation with Oshkosh Capital. The truck will be delivered in May 2005.

8. DISTRICT OFFICIALS

2 0 0 4

Director / President
Director/Secretary
Director/Treasurer
Director
Fire Chief

Terry Jokisch
Angie Edmond
Kent Bequette
Ron Siebert
Jay Katzenberger

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Modified Cash Basis - General Fund
- Notes to RSI - Budgetary Comparison Schedule

JEFFERSON R-7 FIRE PROTECTION DISTRICT**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
<u>BEGINNING BUDGETARY FUND BALANCE</u>	\$ 300,349.34	\$ 300,349.34
<u>RESOURCES (inflows):</u>		
Tax revenue	327,997.00	329,772.93
Interest earned	0.00	5,402.14
Miscellaneous revenue	<u>0.00</u>	<u>32.00</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>\$ 628,346.34</u>	<u>\$ 635,556.41</u>
<u>CHARGES TO APPROPRIATIONS (outflows):</u>		
Current:		
Salaries	\$ 81,400.92	\$ 81,400.92
Payroll taxes	15,645.48	6,135.70
Benefits	10,226.02	9,927.65
Dues and subscriptions	832.13	796.95
Utilities and telephone	6,587.62	6,508.75
Training	8,343.99	7,625.20
Office expense	4,147.24	4,147.24
Vehicle operating expense	17,258.22	17,258.22
Uniforms and turnout	900.00	900.00
Insurance	22,375.92	21,517.00
Building maintenance	2,670.46	2,670.46
Volunteer expense	30,000.00	25,079.29
Professional fees	1,283.85	1,248.00
Directors' fees	4,979.00	4,921.00
Election cost	2,000.00	2,000.00
Mileage	294.60	294.60
Fire prevention and public education	1,017.49	1,017.49
Firefighting equipment expense	23,706.65	24,807.00
Radio maintenance	3,953.46	3,953.46
Pagers expense	2,568.65	2,295.77
Cellular phones	2,000.00	1,857.08
Dispatching	9,463.11	9,358.00
General reserve	<u>273,839.50</u>	<u>5,242.11</u>
	<u>\$ 525,494.31</u>	<u>\$ 240,961.89</u>

JEFFERSON R-7 FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
Capital outlay:		
Equipment	\$ 20,000.00	\$ 18,774.11
Vehicles	<u>23,000.00</u>	<u>23,000.00</u>
	<u>\$ 43,000.00</u>	<u>\$ 41,774.11</u>
Debt Service:		
Lease payments	\$ 46,001.81	\$ 46,001.81
Lease interest	<u>10,340.92</u>	<u>10,340.92</u>
	<u>\$ 56,342.73</u>	<u>\$ 56,342.73</u>
 TOTAL CHARGES TO APPROPRIATIONS	 <u>\$ 624,837.04</u>	 <u>\$ 339,078.73</u>
 <u>ENDING BUDGETARY FUND BALANCE</u>	 <u><u>\$ 3,509.30</u></u>	 <u><u>\$ 296,477.68</u></u>

See accompanying notes to the Budgetary Comparison Schedule.

JEFFERSON R-7 FIRE PROTECTION DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2004**

Budgetary Accounting

The District prepares its budget for the General Fund on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year-end.