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Finanical Report, 2004

Centerstate Transportation Development District

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CLAIRE C. McCASKILL
Missouri State Auditor

June 29, 2005

Denise J. Smith, Office Manager
Central County Fire & Rescue
St. Charles County
#1 Timberbrook Drive
St. Peters, MO 63376

Fiscal Period: One Year Ended December 31, 2004 ✓

Dear Ms. Smith:

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

Thank you for your cooperation in sending this information.

Sincerely,

CLAIRE C. McCASKILL
STATE AUDITOR

A handwritten signature in black ink that reads "Judy Buerky".

Judy Buerky
Local Government Analyst



June 22, 2004

Ms. Claire C. McCaskill
Missouri State Auditor
State Auditor's Office
P.O. Box 869
Jefferson City, MO 65102

RE: 2004 Annual Audit

Dear Ms. McCaskill:

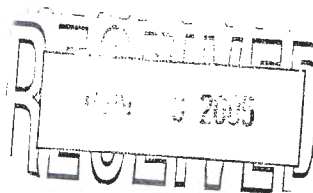
Per State Law enclosed please find our 2004 Annual Financial Audit for Central County Fire and Rescue as required.

If there is any further information you may need, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Denise J. Smith".

Denise J. Smith
Office Manager



CENTRAL COUNTY FIRE AND RESCUE

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004***

CENTRAL COUNTY FIRE AND RESCUE

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors of
CENTRAL COUNTY FIRE AND RESCUE

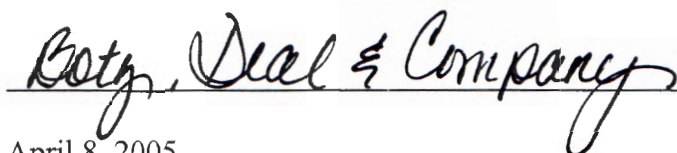
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central County Fire And Rescue, as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central County Fire And Rescue, as of December 31, 2004, and the respective changes in the financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



April 8, 2005

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**CENTRAL COUNTY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004**

The discussion and analysis of Central County Fire and Rescue's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended December 31, 2004. It should be read in conjunction with the accompanying basic financial statements. This discussion and analysis does not include comparative data for prior years, as this information is not available for the first year of implementation of Governmental Accounting Standards Board (GASB) Statement Number 34. Future years will include, when available, comparative analysis of government-wide data.

FINANCIAL HIGHLIGHTS

- In the government-wide financial statements, the District's assets exceed its liabilities at December 31, 2004 by \$10,138,953. Of this amount \$6,362,777 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net assets decreased by \$389,127.
- At December 31, 2004, unreserved fund balance for the General Fund was \$7,317,160, which covers 100% of the General Fund appropriation for the 2005 fiscal year.
- For the year ended December 31, 2004, the General Fund, Capital Projects Fund and the Debt Service Fund all reported expenditures in excess of revenues.
- Wages, payroll taxes and employee benefits comprise 88.3% of General Fund expenditures.
- There was no new debt issued by the District during 2004. Principal payments on outstanding obligations were \$393,891 leaving total bond and capital lease obligations payable at December 31, 2004 of \$10,289,570.

REPORT LAYOUT

This report is significantly different from prior years. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statement, notes to the financial statements, supplementary information. The first several statements are highly condensed and present a government-wide view of the District's finances. Within this view, all District operations are categorized and reported as either governmental or business-type activities. Governmental activities include fire protections services, capital outlays and debt service payments. The District currently does not have any business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operation. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets and long-term liabilities. Also, for the first time, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of District programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The District's major governmental funds are presented in their own column and the remaining funds are combined into a column title "Other Non-major Funds". Budgetary comparisons for the General Fund and major special revenue funds are now presented as required supplementary information. A budgetary comparison is presented for the General fund.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. To be an accurate presentation, the prior year would have to be restated to the new reporting format. The District has chosen to not restate the prior year. Nevertheless when possible, significant changes from the prior year are explained in the following paragraphs.

THE DISTRICT AS A WHOLE

Government-wide Financial Analysis

The District's combined net assets were \$10,138,953 as of December 31, 2004. This analysis focuses on the net assets (table 1) and changes in general revenues (table 2) and significant expenses of the District's governmental activities. As mentioned earlier, the Central County Fire And Rescue has prepared the fiscal year ending December 31, 2004 financial statements in a new format prescribed by the provisions of GASB Statement No. 34.

The District's net assets consist of its investment in capital assets (e.g., land, buildings and improvements, equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding, restricted and unrestricted balances. The District uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

	<u>Governmental Funds</u>
Current and other assets	\$ 13,063,838
Capital assets	8,881,442
Total assets	<u>21,945,280</u>
Current and other liabilities	348,625
Long-term liabilities	11,457,702
Total liabilities	<u>11,806,327</u>
Net assets:	
Invested in capital assets net of related debt	1,406,908
Restricted	2,369,268
Unrestricted	6,362,777
Total net assets	<u>\$ 10,138,953</u>

Governmental activities decreased the District's net assets by \$389,127. The key elements of this decrease are as follows:

Table 2

	<u>Governmental Funds</u>
Revenues:	
Program revenues:	
Charges for service	\$ 112,296
General revenues:	
Taxes	8,297,172
Interest income	136,615
Miscellaneous	18,515
Gain on the sale of capital assets	10,787
Total revenues	<u>8,575,385</u>
Expenses:	
Public safety	8,457,248
Interest and fiscal charges	507,264
Total expenses	<u>8,964,512</u>
Increase in net assets	(389,127)
Net assets, beginning of year	<u>10,528,080</u>
Net assets, end of year	<u>\$ 10,138,953</u>

Total expenditures for 2004 exceeded total revenues. This was due in part to having one additional pay period for a total of 27 pay periods in 2004. The District pays its employees on a by-weekly basis and normally will only experience 26 pay periods. The cost to the District for this additional pay period was \$160,000.

Expenditures were down \$1,404,343 from last year. This is the result of the adoption of GASB 34. In 2003 total expenditures would have included principal payments and all capital asset expenditures.

Governmental Funds

The following table presents the amount of revenues from various sources on the modified accrual basis of accounting.

Table 3

	Fiscal Year Ending 2004	Fiscal Year Ending 2003	Increase (Decrease)	Percentage Change
General Fund:				
Taxes	\$ 6,728,990	\$ 6,540,301	\$ 188,689	2.9 %
Licenses and permits	112,296	118,259	(5,963)	(5.0)
Investment income	64,307	67,079	(2,772)	(4.1)
Miscellaneous	36,865	19,922	16,943	85.0
Total general revenues	<u>\$ 6,942,458</u>	<u>\$ 6,745,561</u>	<u>\$ 196,897</u>	2.9

General Fund Revenue increased \$196,897 or 2.9% from last fiscal year. 96.9% of revenue in the General Fund comes from property taxes. The assessed value of property located in the district increased \$3,704,269.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2004, the District had \$11,056,952 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. (See Table 4 below.) This amount represents a net decrease (including additions and deductions) of \$353,576 or 3.8% over the prior fiscal year.

Table 4

	Governmental Activities
Land	\$ 1,222,417
Buildings	4,562,882
Improvements	735,089
Fire fighting equipment	269,946
Office equipment	201,350
Vehicles	4,065,268
Total	<u>\$ 11,056,952</u>

The most significant portion of capital assets is buildings and vehicles. Buildings account for 41% and vehicles account for 36% of total capital assets. More detailed information on the District's capital assets is presented in the notes to the financial statements.

DEBT

At year-end, the District had \$10,289,570 in outstanding debt compared to \$10,683,461 at the end of the prior fiscal year, a decrease of 3.7%.

Table 5

	<u>Governmental Activities</u>
General Obligation Bonds	\$ 8,875,000
Capital Lease	<u>1,414,570</u>
Total	<u>\$ 10,289,570</u>

During the fiscal year, the District made principal payments totaling \$393,891. More detailed information on the District's long-term liabilities is presented in the notes to the financial statements.

THE DISTRICT'S FUNDS

At the close of the District's fiscal year on December 31, 2004, the governmental funds of the District reported a combined fund balance of \$12,430,342. This ending balance includes a decrease in fund balance of \$308,367 in the District's General Fund. The primary reason for the General Fund's decrease was due to expenditures exceeding revenues.

General Fund Budgetary Highlights

The District prepares its budget on a cash basis. For 2004, actual revenues on a budgetary basis were \$7,023,403 as compared to the budget amount of \$7,023,950. For 2004, actual expenditures on a budgetary basis were \$7,398,625 compared to the budget amount of \$7,490,661. The District has placed a high priority on controlling costs and has taken steps to reduce expenses in light of revenue short falls. As a result, a number of budget categories were under budget in 2004.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Over the past 5 years the District's assessed valuation has grown at an average of 5.3% while the income generated from assessed value has grown at an average of 2.5%. The 2.5% average income growth is a result of the constitutional cap placed on ad valorem taxes as a result of the Hancock amendment. Recent information from the County Assessor's office shows that the assessed value of the District will increase 15.7% in 2005. Information provided by the State Auditor's office indicates that revenue growth from reassessment will be capped at 3.5%. While the District has frozen wages and employee benefits at the January 2002 level, other expenses such as health care, workers compensation, property and casualty insurance, fuel and utility costs have increased at double digit rates. As a result the District anticipates a revenue shortfall again in 2005.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Russ Mason
Fire Chief
Central County Fire And Rescue
#1 Timberbrook Drive
St. Peter, MO 63376

CENTRAL COUNTY FIRE AND RESCUE

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 3,170,486
Taxes receivable:	
Property	7,078,316
Restricted assets:	
Cash and investments	2,815,036
Debt issuance costs	
Capital assets - net:	
Nondepreciable	1,222,417
Depreciable	7,659,025
TOTAL ASSETS	<u>21,945,280</u>
LIABILITIES	
Accounts payable	15,596
Accrued wages	106,598
Accrued interest payable	178,803
Other liabilities	36,778
Deposits payable	10,850
Noncurrent liabilities:	
Due in one year	614,262
Due in more than one year	10,843,440
TOTAL LIABILITIES	<u>11,806,327</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,406,908
Restricted for:	
Debt service	1,448,808
Pension	920,460
Unrestricted	6,362,777
TOTAL NET ASSETS	<u>\$ 10,138,953</u>

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

CENTRAL COUNTY FIRE AND RESCUE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Change in Net Assets
Governmental Activities		Charges for Service	Governmental Activities
Public safety	\$ 8,457,248	\$ 112,296	\$ (8,344,952)
Interest and fiscal charges	507,264	-	(507,264)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,964,512	\$ 112,296	(8,852,216)
Taxes			8,297,172
Interest income			136,615
Miscellaneous			18,515
Gain on the sale of capital assets			10,787
TOTAL GENERAL REVENUES			8,463,089
CHANGE IN NET ASSETS			(389,127)
NET ASSETS - BEGINNING OF YEAR			10,528,080
NET ASSETS - END OF YEAR			\$ 10,138,953

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

CENTRAL COUNTY FIRE AND RESCUE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General Fund	Capital Projects Fund	Debt Service Fund	Non-major	Total
				Pension Tax Fund	
ASSETS AND OTHER DEBITS					
Cash and investments	\$ 1,815,035	\$ -	\$ 904,875	\$ 450,576	\$ 3,170,486
Property taxes receivable	6,014,195	-	543,933	520,188	7,078,316
Restricted assets:					
Cash and investments	-	2,815,036	-	-	2,815,036
TOTAL ASSETS	\$ 7,829,230	\$ 2,815,036	\$ 1,448,808	\$ 970,764	\$ 13,063,838
LIABILITIES					
Account payable	\$ -	\$ -	\$ -	\$ 15,596	\$ 15,596
Accrued wages	106,598	-	-	-	106,598
Accrued and withheld items	2,070	-	-	34,708	36,778
Deferred revenue	392,552	-	36,187	34,935	463,674
Deposits payable	10,850	-	-	-	10,850
TOTAL LIABILITIES	512,070	-	36,187	85,239	633,496
FUND BALANCES:					
Reserved for capital expenditures	-	2,815,036	-	-	2,815,036
Unreserved	7,317,160	-	1,412,621	885,525	9,615,306
TOTAL FUND BALANCES	7,317,160	2,815,036	1,412,621	885,525	12,430,342
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,829,230	\$ 2,815,036	\$ 1,448,808	\$ 970,764	\$ 13,063,838

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

CENTRAL COUNTY FIRE AND RESCUE
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
DECEMBER 31, 2004

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

Total fund balance per balance sheet	\$ 12,430,342
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,881,442
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	463,674
Interest payable recorded in the statement of net assets does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(178,803)
Long-term liabilities, including bonds payable, capital leases payable, and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(11,457,702)</u>
Net assets of governmental activities	<u><u>\$ 10,138,953</u></u>

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

CENTRAL COUNTY FIRE AND RESCUE

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Capital Projects Fund	Debt Service Fund	Non-major Pension Tax Fund	Total
REVENUES					
Taxes	\$ 6,728,990	\$ -	\$ 621,514	\$ 579,494	\$ 7,929,998
Permits	112,296	-	-	-	112,296
Investment income	64,307	48,192	15,577	8,539	136,615
Miscellaneous	36,865	-	-	-	36,865
TOTAL REVENUES	6,942,458	48,192	637,091	588,033	8,215,774
EXPENDITURES					
Public safety:					
Wages	4,979,387	-	-	-	4,979,387
Payroll taxes	391,128	-	-	-	391,128
Employee benefits	1,012,772	-	-	-	1,012,772
Occupancy	159,515	-	-	-	159,515
Vehicle	124,413	-	-	-	124,413
Firefighting	30,230	-	-	-	30,230
Office	17,289	-	-	-	17,289
Management information syst	19,107	-	-	-	19,107
Outside service	197,202	-	-	-	197,202
Professional development	32,639	-	-	-	32,639
Community services	61,553	-	-	-	61,553
Pension contribution	-	-	-	463,770	463,770
Capital outlay	38,088	443,457	-	-	481,545
Debt service:					
Principal, interest and fiscal charges	187,502	65	720,626	-	908,193
TOTAL EXPENDITURES	7,250,825	443,522	720,626	463,770	8,878,743
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(308,367)	(395,330)	(83,535)	124,263	(662,969)
FUND BALANCE - BEGINNING OF YEAR, AS PREVIOUSLY STATED	2,176,949	3,210,366	862,595	304,754	6,554,664
Conversion from cash to modified accrual	5,448,578	-	633,561	456,508	6,538,647
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	7,625,527	3,210,366	1,496,156	761,262	13,093,311
FUND BALANCES - END OF YEAR	\$ 7,317,160	\$ 2,815,036	\$ 1,412,621	\$ 885,525	\$ 12,430,342

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

CENTRAL COUNTY FIRE AND RESCUE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004

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

Change in fund balance-total governmental funds	\$ (662,969)
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	125,083
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(478,659)
The proceeds from the disposal of capital assets is revenue in the governmental funds.	(7,563)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	393,891
Revenues that do not provide current financial resources are not included in the fund financial statements.	367,174
Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds.	(133,122)
Interest payable does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	<u>7,038</u>
Change in net assets of governmental activities	<u><u>\$ (389,127)</u></u>

The accompanying notes are integral part of these financial statements.

CENTRAL COUNTY FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Central County Fire and Rescue was formed for the purpose of providing fire protection and rescue services to the citizens of the District, which generally encompasses the City of St. Peters, Missouri and a portion of unincorporated St. Charles County.

A. **REPORTING ENTITY**

The District applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The District presently has no component units included within its reporting entity.

B. **IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Governmental Accounting Standards Board Statement No. 34 - For the fiscal year ended December 31, 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). The statement affects the manner in which the District records transactions and presents financial information.

Management's Discussion and Analysis - GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all the District's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statement include the following:

B. **IMPLEMENTATION OF NEW ACCOUNTING STANDARDS** - continued

Governmental Accounting Standards Board Statement No. 34 - continued

Statement of Net Assets -The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The District reports capital assets in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The net assets of the District are broken down into three categories 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the District's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the District has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. The District has elected to implement the requirements of GASB 34 related to infrastructure assets from January 1, 2004 forward.

Governmental Accounting Standards Board Statement No. 37 - For the fiscal year ended December 31, 2004, the District implemented GASB Statement No. 37, *Basic Financial Statement-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the District considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

Governmental Accounting Standards Board Statement No. 38 - The District adopted the provisions of GASB No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB 38.

Governmental Accounting Standards Board Interpretations No. 6 - For the fiscal year ended December 31, 2004, the District implemented GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. This interpretation clarifies the application standards for modified accrual recognition of certain liabilities and in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation affects the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB, but has no direct effect on the government-wide financial statements. Accordingly, the District has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental funds financial statements for amounts not considered to be due and payable as of December 31, 2004. The District also considered the effects of this interpretation when implementing the provisions of GASB 34 as previously described.

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

C. **BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Capital Projects Fund and the Debt Service Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The District has only one additional fund which is presented as a non-major fund.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District in general considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

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

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

For the governmental funds financial statements, the District considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, property taxes, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The District reports the following major governmental funds:

The General Fund - The District's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in other specialized funds.

Capital Projects Fund - The District uses this fund to account for bond proceeds designated for capital projects.

Debt Service Fund - The District uses this fund to account for revenues collected for the repayment of long-term debt.

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

E. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

E. **CAPITAL ASSETS** - continued

Capital assets of the District are depreciated using a straight-line method over the following estimated useful lives:

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	15 - 40 years
Fire fighting equipment	5 - 10 years
Office equipment	5 - 7 years
Vehicles	10 - 50 years

F. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

G. **INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as equity transfers. All other interfund transfers are reported as operating transfers.

H. **COMPENSATED ABSENCES**

The District has adopted a formal personnel policy with policies in effect that relate to vacation and sick pay. District employees are allowed to carry forward a limited number of vacation days past year-end. In the event of termination, an employee is paid for accumulated vacation days. At December 31, 2004, employees had accrued vacation of \$108, 531 and accumulated sick leave of \$1,059,601. Employees are paid for accumulated sick leave upon termination of employment up to 960 hours. A liability for accrued vacation and sick leave has been recorded in the government-wide financial statements.

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

I. **LONG-TERM LIABILITIES**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized portion of applicable premium or discount. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, and issuance costs are included in interest expense.

J. **NET ASSETS AND FUND EQUITY**

In government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal on related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the District (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. **INVESTMENTS**

The District is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker's Acceptance and Commercial Paper. Investments are carried at cost or amortized cost.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The District adopts an annual operating budget on a cash basis for all governmental funds.

3. **CASH AND TEMPORARY INVESTMENTS**

The District's bank deposits are required by state law to be secured by the deposit of certain securities with the District or trustee institution. The value of the securities must amount to the total of the District's cash not insured by the Federal Deposit Insurance Corporation. As of December 31, 2004, the carrying amount of the District's bank deposits totaled \$5,985,522 with bank balances of \$6,052,767. The bank balance was covered by federal depository insurance or collateralized by securities held by the pledging financial institution in the District's name.

4. **PROPERTY TAX**

The District's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are levied on September 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The assessed value at January 1, 2004, upon which the 2004 levy was based on an assessed value for real, personal and public utility property was \$1,274,092,847. The District's tax rate was levied per \$100 of assessed value as follows:

General Fund	\$.5248
Pension Fund	.0453
Debt Service Fund	.0474

5. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended December 31, 2004 is as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>TRANSFERS AND ADDITIONS</u>	<u>TRANSFERS AND DELETIONS</u>	<u>BALANCE, END OF YEAR</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,222,417	\$ -	\$ -	\$ 1,222,417
Capital assets, being depreciated:				
Buildings	4,562,882	-	-	4,562,882
Building improvements	701,674	33,415	-	735,089
Fire fighting equipment	269,946	-	-	269,946
Office equipment	116,872	91,668	(7,190)	201,350
Vehicles	4,146,765	-	(81,497)	4,065,268
Total capital assets, being depreciated	<u>9,798,139</u>	<u>125,083</u>	<u>(88,687)</u>	<u>9,834,535</u>
Less accumulated depreciation for:				
Buildings	(767,772)	(114,072)	-	(881,844)
Building improvements	(86,195)	(17,727)	-	(103,922)
Fire fighting equipment	(147,629)	(33,512)	-	(181,141)
Office equipment	(49,359)	(23,519)	7,190	(65,688)
Vehicles	(727,020)	(289,829)	73,934	(942,915)
Total accumulated depreciated	<u>(1,777,975)</u>	<u>(478,659)</u>	<u>81,124</u>	<u>(2,175,510)</u>
Total capital assets, being depreciated, net	<u>8,020,164</u>	<u>(353,576)</u>	<u>(7,563)</u>	<u>7,659,025</u>
Total governmental activities	<u>\$ 9,242,581</u>	<u>\$ (353,576)</u>	<u>\$ (7,563)</u>	<u>\$ 8,881,442</u>

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

6. **LONG-TERM DEBT**

General Obligation Bonds Payable - The District has been authorized to issue up to \$12,000,000 in bonds. The bonds were issued for the purpose of constructing, purchasing, equipping and maintaining fire stations, and purchasing fire-fighting apparatus and auxiliary equipment for the District. These bonds are being serviced through a separate property tax.

2001 Bonds with annual installments of \$348,788 to \$394,844 through February 2021, interest at 4% to 7%	\$4,225,000
2002 Bonds with annual installments of \$345,156 to \$742,581 through February 2022, interest at 4% to 4.85%	4,650,000
	<u>\$8,875,000</u>

Capital Lease Obligation - The District has entered into a lease-purchase agreement with Commerce Bank for financing the remodeling and construction of two fire stations. The costs of these assets are recorded in capital assets at \$1,800,000. The District leases the buildings from Commerce Bank, renewing the lease agreement annually. This lease-purchase agreement does not constitute a legal debt or liability for the District or any political subdivision thereof and does not constitute indebtedness within the meaning of any statutory debt limitation or restriction. The issuance of the agreement does not obligate the District to levy any form of taxation or to make any appropriation of their payment in any fiscal year.

Commerce Bank	<u>\$1,414,570</u>
Interest rate - 6.07%	
Collateral- real estate	
Payments - bi-annual payments of \$92,069, which include principal and interest	

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIOS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental activities:					
General Obligation Bonds:					
Series 2001	\$ 4,375,000	\$ -	\$ (150,000)	\$ 4,225,000	\$ 150,000
Series 2002	4,800,000	-	(150,000)	4,650,000	150,000
Capital lease	1,508,461	-	(93,891)	1,414,570	99,771
Compensated absences	1,035,010	133,122	-	1,168,132	214,491
Subtotal governmental activities	<u>\$ 11,718,471</u>	<u>\$ 133,122</u>	<u>\$ (393,891)</u>	<u>\$ 11,457,702</u>	<u>\$ 614,262</u>

6. **LONG-TERM DEBT** - continued

Annual debt service payments are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2005	\$ 399,771	\$ 478,448	\$ 878,219
2006	430,919	466,285	897,204
2007	462,447	444,619	907,066
2008	494,376	422,977	917,353
2009	501,732	399,989	901,721
2010 - 2014	2,985,877	1,600,341	4,586,218
2015 - 2019	2,939,448	865,712	3,805,160
2020 - 2022	2,075,000	155,305	2,230,305
Total	<u>10,289,570</u>	<u>4,833,676</u>	<u>15,123,246</u>

7. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to tort; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District purchases commercial insurance to cover risks related to building and other District property, crimes, business, travel, earthquakes, and employee blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

8. **RETIREMENT PLAN**

The District has a money purchase defined contribution plan which covers all full-time employees over age 21 with one year of service. Benefits vest after one year of service and normal retirement is at age 65. Members are not allowed to contribute to the plan. The District has a pension contribution obligation of \$34,708 for the year ended December 31, 2004.

9. **DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District makes no contribution to the Plan.

10. **CHANGE IN ACCOUNTING BASIS**

The District previously prepared its financial statements on the cash basis of accounting which is an other comprehensive basis of accounting. In 2004, the District converted its fund financial statements to the modified accrual basis of accounting in conformity with GASB 34.

10. **CHANGE IN ACCOUNTING BASIS** - continued

The following adjustments were made to the beginning fund balances:

	General Fund	Debt Service Fund	Pension Tax Fund
	<u> </u>	<u> </u>	<u> </u>
Fund balance, beginning of year, as previously stated	\$ 2,176,949	\$ 862,595	\$ 304,754
Adjustments to fund balance to convert to modified accrual	<u>5,448,578</u>	<u>633,561</u>	<u>456,508</u>
Fund balance, beginning of year, as stated	<u>\$ 7,625,527</u>	<u>\$ 1,496,156</u>	<u>\$ 761,262</u>

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL COUNTY FIRE AND RESCUE

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 6,615,191	\$ 6,810,481	6,810,483	\$ 2
Permits	105,000	112,296	112,296	-
Investment income	85,000	64,307	64,307	-
Miscellaneous	35,000	36,866	36,317	(549)
TOTAL REVENUE	<u>6,840,191</u>	<u>7,023,950</u>	<u>7,023,403</u>	<u>(547)</u>
EXPENDITURES				
Public safety:				
Wages	5,141,950	5,129,240	5,127,735	1,505
Payroll taxes	390,789	390,580	390,580	-
Employee benefits	984,534	1,030,753	1,012,772	17,981
Occupancy	157,600	174,768	159,515	15,253
Vehicle	99,400	133,801	124,413	9,388
Firefighting	37,250	34,933	30,230	4,703
Office	27,590	27,590	20,651	6,939
Management information syst	19,350	19,230	19,107	123
Outside service	204,388	209,604	197,202	12,402
Professional development	46,550	46,500	32,639	13,861
Community services	70,750	70,610	61,553	9,057
Capital outlay	30,000	38,088	38,088	-
Debt service:				
Principal, interest and fiscal charges	184,964	184,964	184,140	824
TOTAL EXPENDITURES	<u>7,395,115</u>	<u>7,490,661</u>	<u>7,398,625</u>	<u>92,036</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(554,924)</u>	<u>(466,711)</u>	<u>(375,222)</u>	<u>\$ 91,489</u>
FUND BALANCES - BEGINNING OF YEAR	<u>2,177,337</u>	<u>2,177,337</u>	<u>2,177,337</u>	
FUND BALANCES - END OF YEAR	<u>\$ 1,622,413</u>	<u>\$ 1,710,626</u>	<u>\$ 1,802,115</u>	
Fund balance, end of year - budgetary basis			\$ 1,802,115	
Accrual adjustments:				
Revenues			5,621,643	
Expenditures			(106,598)	
Fund balance, end of year - GAAP basis			<u>\$ 7,317,160</u>	

**CENTRAL COUNTY FIRE
AND RESCUE**

**REPORT TO BOARD OF DIRECTORS
AND MANAGEMENT**

DECEMBER 31, 2004

April 8, 2005

Board of Directors and Management
Central County Fire and Rescue
St. Peters, Missouri

Members of the Board:

We are pleased to discuss the results of our audit of the financial statements of Central County Fire and Rescue for the year ended December 31, 2004.

The accompanying report addresses matters with respect to our 2004 audit and other information which we believe will be of assistance and interest to you, as well as specific matters required by professional standards to be reported to you. This report is intended solely for the information and use of the Board of Directors and management of Central County Fire and Rescue.

Very truly yours,

Botz, Deal & Company

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OVERVIEW OF 2004 AUDIT

RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)

- * Performed in accordance with auditing standards generally accepted in the United States of America.
- * Objective being reasonable - not absolute - assurance about the financial statements being free of material misstatements.

REPORT ON 2003 AUDIT

- * Issued an unmodified opinion dated April 8, 2005.
- * Adjustments were proposed and agreed upon.

INTERNAL CONTROL OVER FINANCIAL REPORTING

- * Reviewed controls to extent necessary to render opinion on financial statements.
- * Due to the small number of employees, there is a lack of segregation of duties.

MANAGEMENT COOPERATION

- * Received full cooperation.

OTHER MATTERS

The Auditing Standards Board of the AICPA requires that we communicate certain matters to the Audit Committee, or its equivalent of an organization. These requirements are set out in Statement on Auditing Standards Nos. 53, 54, 61 and 89 and our comments thereto are presented below.

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

RECOMMENDATIONS TO MANAGEMENT

OVERALL	<ul style="list-style-type: none">* Considered internal control over financial reporting to determine auditing procedures.* Audit procedures would not necessarily disclose all matters in internal control over financial reporting that may be material weaknesses.
CURRENT YEAR	<ul style="list-style-type: none">* Discussed the importance of someone reviewing the bank statement before it is given to the bookkeeper to be reconciled. The Fire Chief agreed with implementing this procedure and will perform this function on a monthly basis.
PRIOR YEAR	<ul style="list-style-type: none">* The District will be required to implement GASB 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" for the financial reporting period ending December 31, 2004. Management should consider purchasing software for recording fixed assets and depreciation. Management will also need to make several decisions. A capitalization threshold must be established and should be approved by the board of directors. In addition, guidelines for useful lives should be established based on asset category. <p>Status: The District has purchased software, however at the time of the audit the software was not functioning properly. Based on capitalization thresholds established by the District depreciation was calculated by us for the audited financial statements.</p>

EXHIBIT A

SUMMARY OF UNADJUSTED AUDIT DIFFERENCES

GENERAL FUND

UNADJUSTED AUDIT DIFFERENCES:	DEBIT	CREDIT	INCREASE (DECREASE) IN FUND BALANCE
Cost of insurance Fund balance	\$ 52,777	\$ 52,777	\$ 52,777
CUMULATIVE EFFECT (BEFORE EFFECT OF PRIOR YEAR DIFFERENCES)			<u>\$ 52,777</u>