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1-1-2006

## Financial Report, 2005

Affton Fire Protection District

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**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

**AFFTON FIRE  
PROTECTION DISTRICT**

**FINANCIAL REPORT**  
(Audited)

Year Ended December 31, 2005

**AFFTON FIRE PROTECTION DISTRICT**  
**FINANCIAL REPORT**

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**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

## INDEPENDENT AUDITORS' REPORT

March 23, 2006

Board of Directors  
**AFFTON FIRE PROTECTION DISTRICT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **AFFTON FIRE PROTECTION DISTRICT** (the District) as of and for the year ended December 31, 2005, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

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 the District as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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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 U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Hochschild Bloom & Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

**AFFTON FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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The Management's Discussion and Analysis (MD&A) of the Affton Fire Protection District's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the District's financial statements which begins on page 10.

**FINANCIAL HIGHLIGHTS**

- 1) The District's total net assets increased by \$168,501 as a result of this year's operations. This was an increase of \$41,802 when compared to 2004's operations. This increase is largely attributable to the grant of \$109,568 received from FEMA.
- 2) In the government-wide financial statements, the assets of the District exceeded its liabilities at December 31, 2005 by \$7,067,846 (net assets). Of this amount, \$193,172 represents the District's investment in capital assets, net of related debt; restricted for capital projects of \$226,198; restricted for debt service of \$700,726; and the balance of \$5,947,750 will be used to meet the District's ongoing obligations to citizens and creditors.
- 3) As of December 31, 2005, the District's governmental funds reported combined ending fund balances of \$7,286,381, a decrease of \$811,781 in comparison with the prior year. The majority of this amount \$6,078,598 is unreserved and undesignated.
- 4) Unreserved fund balance for the General Fund at December 31, 2005 was \$3,903,547 or 99% of General Fund expenditures. This fund balance is provided from property taxes both received and earned at December 31, 2005 and is the source finance 2006 fire prevention and protection operations.
- 5) At December 31, 2005, the unreserved fund balance of the Ambulance Fund was \$1,860,216 or 143% of Ambulance Fund expenditures and other financing uses. This fund balance and future charges for services will be used to finance future emergency medical services operations will finance the balance of operations during 2006.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements provide the reader with a broad overview of the District's finances, in a manner similar to a private-sector business.

**AFFTON FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities provides information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present activities of the District that are principally supported by taxes and charges for services. The District provides services for fire protection, emergency medical, fire prevention, safety, rescue, and hazardous materials response services.

The government-wide financial statements can be found on pages 10 and 11 of this report.

### **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate their comparison between governmental funds and governmental activities.

The District maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Ambulance Fund, Dispatch Fund, Pension Revenue Fund, and Capital Improvements Fund which are considered to be major funds.

**AFFTON FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

The District adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The basic fiduciary fund financial statements can be found on pages 16 and 17 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 32 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information. Required supplementary information can be found on pages 34 through 40 of this report. Other supplemental information can be found on page 42 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,067,846 at December 31, 2005. The condensed statement of net assets was as follows:

	<u>December 31</u>		<u>2005 Change</u>	
	<u>2005</u>	<u>2004</u>	<u>Amount</u>	<u>Percentage</u>
<b>ASSETS</b>				
Current and other assets	\$ 8,367,210	9,388,247	(1,021,037)	(10.88%)
Capital assets, net	<u>6,313,172</u>	<u>5,747,721</u>	<u>565,451</u>	9.84
Total Assets	<u>14,680,382</u>	<u>15,135,968</u>	<u>(455,586)</u>	(3.01)
<b>LIABILITIES</b>				
Current liabilities	492,243	837,389	(345,146)	(41.22)
Long-term liabilities	<u>7,120,293</u>	<u>7,399,234</u>	<u>(278,941)</u>	(3.77)
Total Liabilities	<u>7,612,536</u>	<u>8,236,623</u>	<u>(624,087)</u>	(7.58)
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	193,172	98,870	94,302	95.38
Restricted	926,924	1,286,092	(359,168)	(27.93)
Unrestricted	<u>5,947,750</u>	<u>5,514,383</u>	<u>433,367</u>	7.86
Total Net Assets	<u>\$ 7,067,846</u>	<u>6,899,345</u>	<u>168,501</u>	2.44%

**AFFTON FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

The portion of the District's net assets reflected in its investment in capital assets (e.g., land, buildings, fire and rescue equipment), less any related debt used to acquire those assets that is still outstanding was \$193,172. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining assets consist mainly of cash, investments, and property taxes receivable which are used to meet the District's ongoing obligations to its citizens.

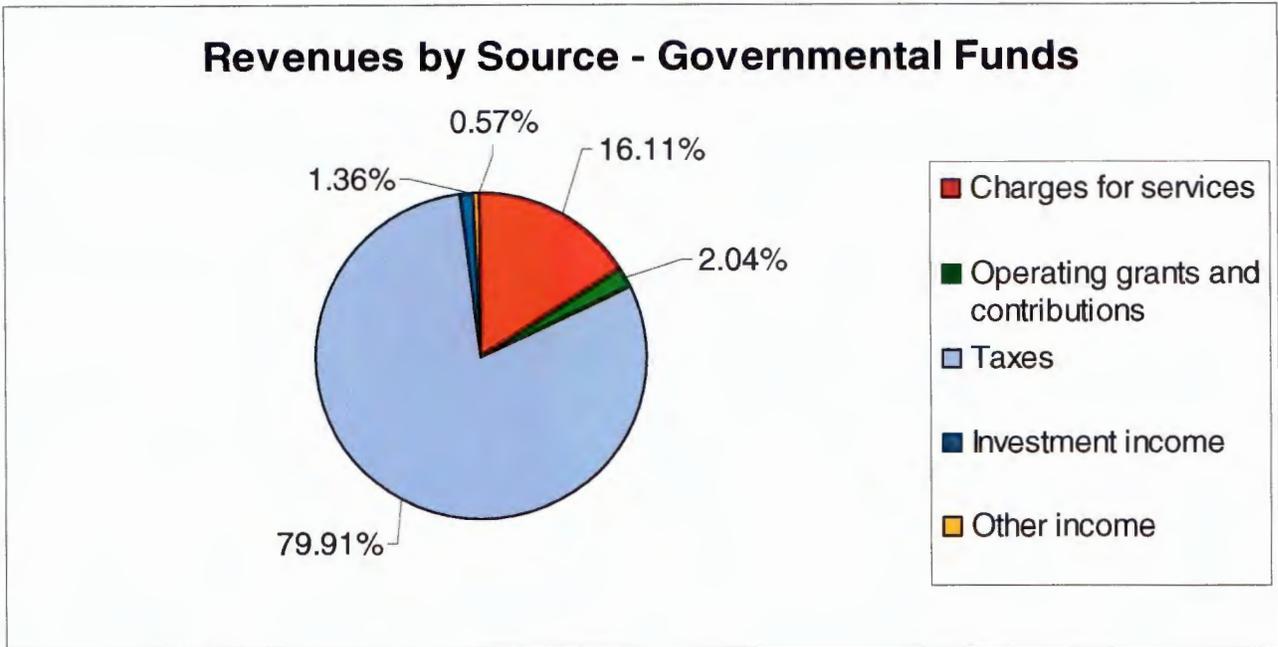
The District's largest liability (80%) is for the repayment of certificates of participation.

**Governmental activities.** This analysis focuses on the net assets and changes in net assets of the District's governmental activities. Governmental activities increased the District's net assets in the current year by \$168,501. The condensed statement of activities was as follows:

	<b>For The Years Ended December 31</b>		<b>2005 Change</b>	
	<b>2005</b>	<b>2004</b>	<b>Amount</b>	<b>Percentage</b>
<b>REVENUES</b>				
Program revenue:				
Charges for services	\$ 864,039	813,174	50,865	6.26%
Operating grants and contributions	109,568	-	109,568	-
General revenues:				
Taxes	4,285,159	4,159,343	125,816	3.02
Investment income	72,741	53,616	19,125	35.67
Gain on sale of capital assets	17,199	83,325	(66,126)	(79.36)
Other	<u>13,598</u>	<u>13,933</u>	<u>(335)</u>	<u>(2.40)</u>
Total Revenues	<u>5,362,304</u>	<u>5,123,391</u>	<u>238,913</u>	4.66
<b>EXPENSES</b>				
Public safety	4,789,925	4,586,890	203,035	4.43
Dispatch	131,504	129,979	1,525	1.17
Interest on long-term debt	<u>272,374</u>	<u>279,823</u>	<u>(7,449)</u>	<u>(2.66)</u>
Total Expenses	<u>5,193,803</u>	<u>4,996,692</u>	<u>197,111</u>	3.94
<b>CHANGE IN NET ASSETS</b>	168,501	126,699	41,802	32.99
<b>NET ASSETS, JANUARY 1</b>	<u>6,899,345</u>	<u>6,772,646</u>	<u>126,699</u>	1.87
<b>NET ASSETS, DECEMBER 31</b>	<u>\$7,067,846</u>	<u>6,899,345</u>	<u>168,501</u>	2.44%

**AFFTON FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**REVENUES BY SOURCE GRAPH**



**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2005, the District's governmental funds reported combined ending fund balances of \$7,286,381, a decrease of \$811,781 in comparison with the prior year. The majority of this total amount (83%) constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remainder of fund balance is designated for sick leave benefits, new equipment, and reserved for prepaid items and debt service.

**General Fund.** The General Fund is the chief operating fund of the District. As of December 31, 2005, unreserved and undesignated fund balance of the General Fund was \$3,903,547, while total fund balance reached \$4,310,026. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 99% of total General Fund expenditures and total fund balance also represents 110% of that same amount.

**AFFTON FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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The fund balance of the District's General Fund decreased by \$461,094, or 9.7%, during the current fiscal year. Key factors in this decrease were from decreased property tax collections and increased expenditures.

**Ambulance Fund.** The Ambulance Fund has an unreserved fund balance of \$1,860,216. As a measure of the Ambulance Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 143% of total Ambulance Fund expenditures.

The fund balance of the District's Ambulance Fund increased by \$25,681, or 1.3%, during the current fiscal year. Revenues from our medical transports of patients increased by \$87,994, or 19%, from the prior year.

**Dispatch Fund.** The Dispatch Fund has an unreserved fund balance of \$88,637. Unreserved fund balance represents 67% of total Dispatch Fund expenditures. The fund balance of the District's Dispatch Fund decreased by \$17,200 due to decreases in property tax revenue.

**Pension Revenue Fund.** The Pension Revenue Fund does not carry a fund balance. This fund collects the tax levy and passes the monies through to the Pension Trust Fund.

**Capital Improvements Fund.** The Capital Improvements Fund has an unreserved fund balance of \$226,198, which represents 60% of Capital Improvements Fund expenditures. The fund balance of the District's Capital Improvements Fund decreased \$359,168 due to the construction of new fire houses and new equipment.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Board approved one budget amendment. Significant differences between the original budget and the final approved budget can be summarized as follows:

- \$225,500 decrease in property tax revenue due to decreased collections within 60 days of year-end
- \$110,200 increase in revenues due to grant income
- \$38,500 decrease in other financing sources due to anticipated sale of assets
- \$179,663 increase in personnel expenses due to increased wages and pension contribution
- \$36,750 increase in general overhead expenses due to increases in maintenance and utilities
- \$318,000 increase in capital outlays due to new pumper and equipment

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The District's investment in capital assets includes land, buildings and improvements, fire apparatus and equipment, and office furniture and equipment. As of December 31, 2005, the District had invested \$6,313,172 in capital assets, net of depreciation, as shown in the following table:

**AFFTON FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	December 31	
	2005	2004
Land	\$ 797,068	797,068
Buildings and improvements	4,477,001	4,557,653
Vehicles and rescue equipment	999,917	369,736
Radio equipment, furniture, and fixtures	39,186	23,264
Total	<u>\$6,313,172</u>	<u>5,747,721</u>

During the year, the District's investment in capital assets increased by \$565,451 which is net of depreciation expense of \$218,407.

Additional information of the District's capital assets can be found in Note E starting on page 25 of this report.

**Long-term debt.** During the current year, the District's total debt decreased by \$278,941 due to the net effect of scheduled principal payments and decreased compensated absences. Additional information of the District's long-term debt can be found in Note G starting on page 27 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- 1) Ad valorem taxes
- 2) Interest income
- 3) Projects under consideration
- 4) Intergovernmental revenues (state and local grants)

The District is facing the same set of challenges common to many fire districts throughout St. Louis County - revenue growth that is surpassed by projected increased expenses, the combination of which may force more difficult future choices about benefits and service. The District has worked hard to reduce expenses wherever possible so that it would be more difficult in the future to find additional areas in which spending could be reduced.

The new fiscal squeeze on fire districts threatens the jobs, wages, and working conditions of all public employees working for them. With fewer human and other material resources available, remaining employees could find their job responsibilities to be much greater.

**REQUESTS FOR INFORMATION**

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 Chief John F. Rausch, Affton Fire Protection District, 9282 Gravois Avenue, St. Louis, MO 63123.

# AFFTON FIRE PROTECTION DISTRICT

## STATEMENT OF NET ASSETS

DECEMBER 31, 2005

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 1,226,180
Investments	5,049,675
Receivables:	
Taxes, net of allowance for uncollectible amounts	1,636,041
EMS fees, net of allowance for uncollectible amounts	284,142
Net pension asset	28,675
Prepaid expenses	142,497
Capital assets:	
Land	797,068
Other capital assets, net of accumulated depreciation	5,516,104
Total Assets	<u>14,680,382</u>
<b>LIABILITIES</b>	
Accounts payable	99,606
Accrued interest payable	89,175
Accrued salaries, benefits, and payroll taxes	69,404
Due to Fiduciary Fund - Pension Trust Fund	234,058
Noncurrent liabilities:	
Due within one year	525,000
Due in more than one year	6,595,293
Total Liabilities	<u>7,612,536</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	193,172
Restricted for capital projects	226,198
Restricted for debt service	700,726
Unrestricted	5,947,750
Total Net Assets	<u>\$ 7,067,846</u>

**AFFTON FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenues</u>
		<u>Charges</u>	<u>(Expenses)</u>
		<u>For Services</u>	<u>And Change</u>
		<u>Operating</u>	<u>In Net Assets</u>
		<u>Grants And</u>	
		<u>Contributions</u>	
<b>FUNCTIONS/PROGRAMS</b>			
<b>Governmental Activities</b>			
Public safety	\$ 4,789,925	864,039	109,568
Dispatch	131,504	-	-
Interest on long-term debt	272,374	-	-
Total Govern- mental Activities	<u>\$ 5,193,803</u>	<u>864,039</u>	<u>109,568</u>
<b>General Revenues</b>			
Taxes			4,285,159
Investment income			72,741
Gain on sale of capital assets			17,199
Other			13,598
Total General Revenues			<u>4,388,697</u>
<b>CHANGE IN NET ASSETS</b>			168,501
<b>NET ASSETS, JANUARY 1</b>			<u>6,899,345</u>
<b>NET ASSETS, DECEMBER 31</b>			<u>\$ 7,067,846</u>

**AFFTON FIRE PROTECTION DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Dispatch Fund</u>	<u>Pension Revenue Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash	\$ 818,274	272,649	135,257	-	-	1,226,180
Investments	2,632,933	1,521,000	-	-	895,742	5,049,675
Receivables:						
Taxes, net of allowance for uncollectible amounts	1,217,323	278,583	42,209	97,926	-	1,636,041
EMS fees, net of allowance for uncollectible amounts	-	284,142	-	-	-	284,142
Prepaid items	102,721	39,776	-	-	-	142,497
Due from other funds	194,198	61,893	-	-	31,182	287,273
	<u>\$ 4,965,449</u>	<u>2,458,043</u>	<u>177,466</u>	<u>97,926</u>	<u>926,924</u>	<u>8,625,808</u>
Total Assets						
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 99,606	-	-	-	-	99,606
Accrued salaries, benefits, and payroll taxes	47,352	22,052	-	-	-	69,404
Deferred property tax revenue	367,495	84,101	12,743	-	-	464,339
Deferred ambulance fees	-	184,747	-	-	-	184,747
Due to other funds	140,970	206,349	76,086	97,926	-	521,331
Total Liabilities	<u>655,423</u>	<u>497,249</u>	<u>88,829</u>	<u>97,926</u>	<u>-</u>	<u>1,339,427</u>
<b>Fund Balances</b>						
Reserved for prepaid items	102,721	39,776	-	-	-	142,497
Reserved for debt service	-	-	-	-	700,726	700,726
Unreserved, designated for sick pay	141,548	-	-	-	-	141,548
Unreserved, designated for new equipment	162,210	60,802	-	-	-	223,012
Unreserved, reported in:						
General Fund	3,903,547	-	-	-	-	3,903,547
Special Revenue Funds	-	1,860,216	88,637	-	-	1,948,853
Capital Projects Fund	-	-	-	-	226,198	226,198
Total Fund Balances	<u>4,310,026</u>	<u>1,960,794</u>	<u>88,637</u>	<u>-</u>	<u>926,924</u>	<u>7,286,381</u>
	<u>\$ 4,965,449</u>	<u>2,458,043</u>	<u>177,466</u>	<u>97,926</u>	<u>926,924</u>	<u>8,625,808</u>
Total Liabilities And Fund Balances						

See notes to financial statements

**AFFTON FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

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Total Fund Balances - Governmental Funds	\$ 7,286,381
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,656,406 and the accumulated depreciation is \$1,343,234.	6,313,172
Net pension assets are not financial resources and, therefore, are not reported in the funds.	28,675
Other long-term assets (property taxes and ambulance fees not collected within 60 days of year-end) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	649,086
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Accrued interest payable	(89,175)
Certificates of participation	(6,120,000)
Compensated absences	<u>(1,000,293)</u>
Net Assets Of Governmental Activities	<u><u>\$ 7,067,846</u></u>

**AFFTON FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Dispatch Fund</u>	<u>Pension Revenue Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 3,068,782	701,597	106,490	256,117	-	4,132,986
EMS fees	-	554,573	-	-	-	554,573
Contractual services	220,427	50,445	7,643	17,732	-	296,247
Investment income	38,784	14,540	171	-	19,246	72,741
Grant income	109,568	-	-	-	-	109,568
Other	13,210	388	-	-	-	13,598
Total Revenues	<u>3,450,771</u>	<u>1,321,543</u>	<u>114,304</u>	<u>273,849</u>	<u>19,246</u>	<u>5,179,713</u>
<b>EXPENDITURES</b>						
Current:						
Public safety	2,942,736	1,280,269	-	273,849	4,992	4,501,846
Dispatch	-	-	131,504	-	-	131,504
Capital outlay	450,729	21,393	-	-	373,422	845,544
Debt service:						
Principal	255,000	-	-	-	-	255,000
Interest	274,799	-	-	-	-	274,799
Total Expenditures	<u>3,923,264</u>	<u>1,301,662</u>	<u>131,504</u>	<u>273,849</u>	<u>378,414</u>	<u>6,008,693</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(472,493)	19,881	(17,200)	-	(359,168)	(828,980)
<b>OTHER FINANCING SOURCES</b>						
Proceeds from sale of capital assets	11,399	5,800	-	-	-	17,199
<b>NET CHANGES IN FUND BALANCES</b>	(461,094)	25,681	(17,200)	-	(359,168)	(811,781)
FUND BALANCES, JANUARY 1	<u>4,771,120</u>	<u>1,935,113</u>	<u>105,837</u>	<u>-</u>	<u>1,286,092</u>	<u>8,098,162</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 4,310,026</u>	<u>1,960,794</u>	<u>88,637</u>	<u>-</u>	<u>926,924</u>	<u>7,286,381</u>

See notes to financial statements

**AFFTON FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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Net Change In Fund Balances - Governmental Funds \$ (811,781)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$218,407) is exceeded by capital outlays over the capitalization threshold \$783,858 in the current period.

565,451

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  
Increase in deferred revenue.

165,392

The issuance of long-term debt (e.g. sick leave, certificates of participation) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, it has no effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt:

Compensated absences earned	(372,933)	
Compensated absences payments	396,874	
Certificates of participation principal payments	255,000	
Net Adjustment		278,941

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest on bonds	2,425	
Net pension asset	(31,927)	(29,502)

Change In Net Assets Of Governmental Activities \$ 168,501

**AFFTON FIRE PROTECTION DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUND**  
**DECEMBER 31, 2005**

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**ASSETS**

Investments, at fair value:	
Equity securities	\$ 2,060,066
Corporate bonds	666,934
U.S. Government and Agency securities	540,259
Money market accounts	358,597
Total Investments	<u>3,625,856</u>
Accrued interest receivable	21,424
Due from other funds	245,951
Total Assets	<u>3,893,231</u>

**LIABILITIES**

Due to other funds	<u>11,893</u>
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**NET ASSETS**

Held in trust for pension benefits	<u><u>\$ 3,881,338</u></u>
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**AFFTON FIRE PROTECTION DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**PENSION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**ADDITIONS**

Investment income:	
Interest and dividends earned	\$ 97,135
Net appreciation in fair value of investments	50,320
Total Investment Income	147,455
Less - Investment management and custodial fees	21,366
Net Investment Income	126,089
Employer contribution - tax levy	273,849
Employer contribution - discretionary	109,250
Total Additions	509,188

**DEDUCTIONS**

Distributions to participants and beneficiaries	963,741
Professional fees	6,105
Total Deductions	969,846

**CHANGE IN NET ASSETS** (460,658)

NET ASSETS HELD IN TRUST FOR PENSION  
 BENEFITS, JANUARY 1 4,341,996

NET ASSETS HELD IN TRUST FOR PENSION  
 BENEFITS, DECEMBER 31 \$ 3,881,338

# AFFTON FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**AFFTON FIRE PROTECTION DISTRICT** (the District) is a political subdivision duly organized under the laws of the State of Missouri to supply protection to persons and property against injuries and damage from fire and to give assistance in the event of an accident or emergency of any kind.

The accounting policies and financial reporting practices of the District conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies applied by the District in the preparation of the accompanying financial statements are summarized below:

#### 1. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all component units for which the District may or may not be financially accountable and, as such, be includable within the District's financial statements. In accordance with GASB Statement No. 14, the District (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District does not have any component units.

#### 2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. 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, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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 measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due (i.e. matured).

Property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Ambulance services are recorded at the time of service, net of allowances for uncollectible amounts. Inspection fees and other income are recorded as revenues when received in cash because they are generally not measurable until actually received. Interest income is recorded as earned since it is measurable and available.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The District reports the following major governmental funds:

**General Fund** -- This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Ambulance Fund** -- This fund is used to account for the funds to be utilized for promotion, maintenance, and improvements of emergency medical services.

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Dispatch Fund** -- This fund is used to account for the funds to be utilized for dispatching services.

**Pension Revenue Fund** -- This fund is used to collect the tax levy for pension funding.

**Capital Improvements Fund** -- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the District reports the following fund type:

**Pension Trust Fund** -- This fund is used to account for assets held in a trustee capacity for the District's eligible employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and investment income.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**4. Allowance for Doubtful Accounts**

Allowances for uncollectible receivable amounts by fund are as follows:

	<b>December 31, 2005</b>	
	<b>Property Taxes</b>	<b>EMS Fees</b>
General Fund	\$18,538	-
Ambulance Fund	4,242	121,775
Dispatch Fund	643	-
Pension Revenue Fund	1,491	-

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Inventories**

Expenditures for fuel and other operating supplies are charged to operations when purchased. Inventories on hand at December 31, 2005 are not material.

**6. Capital Assets**

Capital assets, which include property and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 assets lives are not capitalized.

Depreciation is being computed on the straight-line method, using asset lives as follows:

Assets	Years
Buildings and improvements	7 - 50
Vehicles and rescue equipment	7 - 15
Radio equipment, furniture, and fixtures	5 - 7

**7. Due To/From Other Funds**

Noncurrent portions of long-term interfund loans receivable (reported in "advances to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long-term interfund loans receivable (reported in "due from" asset accounts) are considered "available spendable resources" and are subject to elimination upon consolidation.

**8. Investments**

Investments are carried at fair value.

**9. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before December 31. All unpaid taxes are delinquent January 1 of the following year.

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. Property Taxes (Continued)**

Property taxes levied for 2005 are recorded as receivables, net of estimated uncollectibles, as are prior year levies which are reevaluated annually. Taxes receivable represent estimated amounts to be collected by the County Collector of Revenue for 2005 and prior tax years to be remitted to the District subsequent to year-end. The portion of taxes not collected and remitted to the District within 60 days of year-end is recorded as deferred tax revenue. The allowance for uncollectible taxes is estimated based on past experience. Property taxes are billed and collected by St. Louis County and remitted by the County to the District. The County's fee is 1.5% of the taxes collected. The following is a summary of the 2005 tax rates:

	2005 Tax Rates				
	General Fund	Ambulance Fund	Alarm Fund	Pension Fund	Total
Real property:					
Residential	.700	.159	.024	.056	0.939
Commercial	.752	.181	.027	.063	1.023
Agricultural	.732	.122	.000	.070	0.924
Personal property	.794	.182	.027	.064	1.067

Property tax rates for each of the above categories and for each fund type is levied per \$100 of assessed valuation which totaled \$473,654,515 for the District (real property \$396,605,545 and personal property \$77,048,970).

**10. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2005 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

**11. Use of Estimates**

The preparation of financial statements in conformity with GAAP 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 differ from those amounts.

**12. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amor-

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**12. Long-Term Obligations (Continued)**

tized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE B - CASH AND INVESTMENTS**

**1. Deposits**

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 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, 2005, the carrying amount of the District's bank deposits amounted to \$937,501. The bank balance was covered by Federal Deposit Insurance in the amount of \$300,000 and \$432,407 was collateralized by securities held by the pledging financial institution or its agent but not in the District's name. The amount uninsured or uncollateralized amounted to \$205,094.

**2. Investments**

As of December 31, 2005, the District had the following investments:

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - CASH AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More Than 10 Years</u>	<u>Credit Risk</u>
<b>Primary Government</b>							
Common stock	\$ 44,933	44,933	-	-	-	-	N/A
Repurchase agree- ment	4,109,000	4,109,000	-	-	-	-	N/A
Money market	<u>895,742</u>	<u>895,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Not rated
Total Primary Government Investments	<u>5,049,675</u>	<u>5,049,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Fiduciary Funds</b>							
Common stock	2,060,066	2,060,066	-	-	-	-	N/A
Corporate bonds	666,934	-	25,033	274,237	367,664	-	Not available
Money market	358,597	358,597	-	-	-	-	Not rated
Government securities:							
U.S. Treasury Bonds	196,731	-	-	-	-	196,731	N/A
U.S. Treasury Note	97,184	-	-	97,184	-	-	N/A
Federal agencies	<u>246,344</u>	<u>-</u>	<u>-</u>	<u>246,344</u>	<u>-</u>	<u>-</u>	AAA
Total Fiduciary Investments	<u>3,625,856</u>	<u>2,418,663</u>	<u>25,033</u>	<u>617,765</u>	<u>367,664</u>	<u>196,731</u>	
Grand Total Investments	<u>\$8,675,531</u>	<u>7,468,338</u>	<u>25,033</u>	<u>617,765</u>	<u>367,664</u>	<u>196,731</u>	

**Investments Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District minimizes credit risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business and diversifying the portfolio to reduce potential losses on individual securities.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing primarily in shorter term securities.

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District minimizes concentration of credit risk by diversifying the investment portfolio.

**NOTE C - DEFERRED COMPENSATION PLAN**

The District participates in a deferred compensation plan under 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 plan complies with Section 457 of the Internal Revenue Code. Trust provisions are incorporated so that plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. As a result, the assets and liabilities of the deferred compensation plan are not included in the accompanying financial statements.

**NOTE D - FIRE DISTRICT DIRECTORS' FEES AND RELATED EXPENSES**

Directors' fees consisted of the following:

	<b>For The Year Ended December 31 2005</b>
Terry Bader, Director and Chairman	\$ 5,333
John Cognasso, Director and Secretary	4,167
Glennon Kraemer, Director and Treasurer	4,350
Thomas Pollard, Former Director and Secretary	<u>1,100</u>
	<u>\$14,950</u>

No other related expenses were incurred by the District's Directors.

**NOTE E - CAPITAL ASSETS**

Capital asset activity was as follows:

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - CAPITAL ASSETS (Continued)**

	<b>For The Year Ended December 31, 2005</b>			
	<b>Balance December 31 2004</b>	<b>Additions</b>	<b>Deletions And Transfers</b>	<b>Balance December 31 2005</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 797,068	-	-	797,068
Capital assets being depreciated:				
Buildings and improvements	4,769,852	15,500	-	4,785,352
Vehicles and rescue equipment	1,307,968	741,443	98,195	1,951,216
Radio equipment, furniture, and fixtures	<u>95,855</u>	<u>26,915</u>	<u>-</u>	<u>122,770</u>
Total Capital Assets Being Depreciated	<u>6,173,675</u>	<u>783,858</u>	<u>98,195</u>	<u>6,859,338</u>
Less - Accumulated depreciation for:				
Buildings and improvements	212,199	96,152	-	308,351
Vehicles and rescue equipment	938,232	111,262	98,195	951,299
Radio equipment, furniture, and fixtures	<u>72,591</u>	<u>10,993</u>	<u>-</u>	<u>83,584</u>
Total Accumulated Depreciation	<u>1,223,022</u>	<u>218,407</u>	<u>98,195</u>	<u>1,343,234</u>
Total Capital Assets Being Depreciated, Net	<u>4,950,653</u>	<u>565,451</u>	<u>-</u>	<u>5,516,104</u>
Governmental Activities Capital Assets, Net	<u>\$5,747,721</u>	<u>565,451</u>	<u>-</u>	<u>6,313,172</u>

The beginning capital asset balance was adjusted for \$280,459 of additional building costs.

Depreciation expense was charged to functions/programs of the primary government as follows:

	<b>For The Year Ended December 31 2005</b>
Governmental activities:	
Public safety	<u>\$218,407</u>

**NOTE F - COMPENSATED ABSENCES**

The District grants vacation to all employees at a rate based on years of experience and employees are scheduled to take vacation in the following year. The administration staff can carry over vacation days from year to year. In the event of termination, an employee is reimbursed for accumulated vacation

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - COMPENSATED ABSENCES (Continued)**

days. The liability for accrued vacation at December 31, 2005 amounted to \$343,134 and is reflected in the government-wide financial statements.

The District also grants sick leave to all employees. Sick leave days are earned at various rates, depending on the employee's classification and the amount of sick leave already accumulated by the employee.

Upon termination of employment due to retirement or other reasons, 100% of the balance accumulated is paid to the employee at their current rate of pay. The amount paid depends on the number of service years attained and the reason for termination. The \$657,159 liability for accumulated sick leave is reflected in the government-wide financial statements.

**NOTE G - LONG-TERM DEBT**

A summary of changes in the long-term debt is as follows:

	<b>For The Year Ended December 31, 2005</b>			<b>Amounts Due Within One Year</b>	
	<b>Balance December 31 2004</b>	<b>Additions</b>	<b>Deletions</b>		<b>Balance December 31 2005</b>
	Certificates of participation	\$6,375,000	-		255,000
Compensated absences payable	<u>1,024,234</u>	<u>372,933</u>	<u>396,874</u>	<u>1,000,293</u>	
	<u>\$7,399,234</u>	<u>372,933</u>	<u>651,874</u>	<u>7,120,293</u>	

The District increased its beginning long-term debt balance by \$343,409 to adjust accumulated vacation and sick leave. Compensated absences are generally liquidated by the General Fund and the Ambulance Fund.

Certificates of participation consisted of the following:

	<b><u>December 31 2005</u></b>
\$6,930,000 certificates of participation dated June 1, 2002 matures March 1, 2022 with interest ranging from 3% to 5%. Payments are due on March 1 and September 1 of each year from 2003 to 2022.	<u>\$6,120,000</u>

A summary of principal debt service requirements is as follows:

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - LONG-TERM DEBT (Continued)**

<b>For The Years Ended December 31</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2006	\$ 230,000	267,524	497,524
2007	210,000	260,766	470,766
2008	220,000	253,719	473,719
2009	230,000	245,839	475,839
2010	245,000	237,044	482,044
2011 to 2015	1,435,000	1,023,557	2,458,557
2016 to 2020	1,920,000	650,600	2,570,600
2021 to 2022	<u>1,630,000</u>	<u>99,500</u>	<u>1,729,500</u>
	<b><u>\$6,120,000</u></b>	<b><u>3,038,549</u></b>	<b><u>9,158,549</u></b>

**NOTE H - PENSION PLAN**

**1. Plan Description**

The District contributes to a single-employer, defined benefit pension plan (the Plan). The Plan provides retirement and death benefits to plan members and beneficiaries in accordance with the resolution establishing the Plan. The Plan may be amended under the provisions of the original resolution. The Plan is funded by a tax levy and employer discretionary contributions.

The Plan does not issue a separate stand-alone financial report. The financial information is included as a Trust Fund in the District's financial statements. Information about the Plan is provided in a summary plan description.

To be eligible, an employee must be full-time with at least 500 hours of service. Benefits begin to vest after three years of service, and full vesting is obtained after seven years of service. The Plan also provides death and disability benefits.

The District is required to contribute annually an actuarially determined amount. The District's total payroll and the payroll for employees covered by the Plan for the year ended December 31, 2005 were \$2,731,638 and \$2,073,310, respectively. Current membership in the Plan is comprised of the following:

<b><u>Group</u></b>	<b><u>December 31 2005</u></b>
Retirees and beneficiaries currently receiving monthly benefits	8
Vested terminated employees	7
Active employees:	
Fully vested	21
Partially vested	11
Not vested	<u>3</u>
Total Membership	<u>50</u>

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE H - PENSION PLAN (Continued)**

**1. Plan Description (Continued)**

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2006
Actuarial cost method	Aggregate
Amortization method	No UAAL
Remaining amortization period	N/A
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5%

**2. Annual Pension Cost**

Current year annual pension costs are shown in the trend information. Annual required contributions were not made. There was no net pension obligation for the Plan.

**3. Trend Information**

Historical trend information about the Plan is presented herewith as required supplementary information. This information is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other Public Employee Retirement Systems (PERS).

<b>Pension Plan</b>			
<b>Valuation For The Actuarial Years Ended January 1</b>	<b>Actuarial Value Of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL</b>
2006	\$3,849,742	\$6,336,223	\$2,486,481
2005	4,241,547	6,482,133	2,240,586
2004	3,963,284	6,227,641	2,264,357
2003	3,283,302	5,569,772	2,286,470
2002	3,952,125	4,970,867	1,018,742
2001	4,512,957	5,515,317	1,002,360

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE H - PENSION PLAN (Continued)**

**3. Trend Information (Continued)**

<u>Valuation For The Actuarial Years Ended January 1</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL As A Percentage Of Covered Payroll</u>
2006	60.8%	\$2,073,310	119.9%
2005	65.4	2,176,643	102.9
2004	63.6	2,017,638	112.2
2003	58.9	1,983,708	115.3
2002	79.5	1,564,864	65.1
2001	81.8	1,515,536	66.1

**Schedule Of Employer Contributions**

<u>For The Years Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2005	\$462,159	\$430,306	93.1%
2004	416,494	260,695	62.6
2003	418,908	257,600	61.5
2002	269,409	233,242	86.6
2001	232,057	238,352	102.7

**Pension Plan**

<u>For The Years Ended December 31</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2005	\$462,233	93.1%	(\$ 28,675)
2004	416,821	62.5	(60,602)
2003	418,979	61.5	(216,728)
2002	272,830	85.5	(378,107)
2001	235,472	101.2	(417,695)

**Schedule Of Development Of Net Pension Obligation (Asset)**

<u>Valuation For The Actuarial Years Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Adjustment To Annual Required Contribution</u>	<u>Interest On Net Pension Obligation (Asset)</u>	<u>Annual Pension Cost</u>	<u>Actual Contri- bution</u>	<u>Increase (Decrease) In Net Pension Obligation (Asset)</u>	<u>Net Pension Obligation (Asset) End Of Year</u>
2005	\$462,159	4,619	(4,545)	462,233	(430,306)	31,927	(28,675)
2004	416,494	16,582	(16,255)	416,821	(260,695)	156,126	(60,602)
2003	418,908	28,429	(28,358)	418,979	(257,600)	161,379	(216,728)
2002	269,409	34,748	(31,327)	272,830	(233,242)	39,588	(378,107)
2001	232,057	34,526	(31,111)	235,472	(238,352)	(2,880)	(417,695)

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE I - INSURANCE COVERAGE**

The following insurance policies of the District with American Alternative Insurance Corporation were in force:

<u>Type Of Coverage</u>	<u>Coverage Limit</u> <u>December 31, 2005</u>
Automobile liability	\$1,000,000
Property and liability	3,000,000
Management/directors liability	1,000,000
Excess liability	3,000,000
Employee dishonesty bond	100,000

Settled claims have not exceeded the District's coverages in any of the past three fiscal years.

Self-insured workers' compensation coverage as of December 31, 2005:

The District participates in Missouri Fire and Ambulance Districts Insurance Trust (MoFAD), a public entity risk pool, for workers' compensation along with 27 other districts which distributes the cost of self-insurance over similar entities. The District's insurance coverage with MoFAD is in the amount of \$1 million per occurrence. The District pays an annual contribution to MoFAD for its insurance coverage. Should the contributions received not produce sufficient funds to meet obligations, MoFAD is empowered to make special assessments. Members of MoFAD are jointly and severally liable for all claims against MoFAD. The District's premium payment for 2005 to MoFAD was \$168,045.

**NOTE J - DESIGNATED FUND BALANCES**

The District has designated a portion of the available fund balances as described below:

	<u>December 31</u> <u>2005</u>
<b>General Fund</b>	
Future sick pay	\$141,548
New equipment	162,210
 <b>Ambulance Fund</b>	
New equipment	60,802

**NOTE K - INTERFUND ASSETS/LIABILITIES**

Individual interfund assets and liabilities are as follows:

**AFFTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE K - INTERFUND ASSETS/LIABILITIES (Continued)**

**Due From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>December 31 2005</u>
Pension Trust Fund	General Fund	\$109,788
General Fund	Ambulance Fund	168,112
Pension Trust Fund	Pension Revenue Fund	97,926
Ambulance Fund	Pension Trust Fund	11,893
Ambulance Fund	Dispatch Fund	50,000
General Fund	Dispatch Fund	26,086
Capital Improvements Fund	General Fund	31,182
Pension Trust Fund	Ambulance Fund	<u>38,237</u>
		<u>\$533,224</u>

**NOTE L - CENTRAL DISPATCHING SERVICE**

The District contracts its dispatching through a central dispatching service (South County Fire Alarm Association). The District's tax levy for the dispatching service is collected by the District and an annual assessment is remitted to the dispatching service. The District's assessment paid to the Association for the year ended December 31, 2005 amounted to \$117,053. A director from the District is a representative on the dispatching services Board of Directors.

**NOTE M - PRIOR PERIOD ADJUSTMENT**

The previously stated net assets/fund balances have been adjusted as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Capital Improvements Fund</u>
Net assets/fund balances, December 31, 2004, as previously reported	\$7,205,606	4,733,972	1,566,551
Restatement for:			
Investments	37,148	37,148	-
Capital assets	280,459	-	-
Accounts payable	(280,459)	-	(280,459)
Compensated absences	<u>(343,409)</u>	<u>-</u>	<u>-</u>
Net Assets/Fund Balances, December 31, 2004, As Restated	<u>\$6,899,345</u>	<u>4,771,120</u>	<u>1,286,092</u>

**AFFTON FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION**

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**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

**AFFTON FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>REVENUES</b>				
Real estate and personal property tax	\$ 3,295,500	3,070,000	3,068,782	(1,218)
Contractual services - annexed area	213,300	220,000	220,427	427
Investment income	25,000	39,000	38,784	(216)
Grant income	-	110,000	109,568	(432)
Other	15,000	15,000	13,210	(1,790)
Total Revenues	<u>3,548,800</u>	<u>3,454,000</u>	<u>3,450,771</u>	<u>(3,229)</u>
<b>EXPENDITURES</b>				
Public safety:				
Personnel:				
Salaries	1,785,000	1,895,000	1,893,437	(1,563)
Social security contributions	138,600	150,150	150,088	(62)
Employee insurance	359,000	363,000	362,414	(586)
Employee relations	4,500	3,900	3,446	(454)
Reserve firefighters	42,000	24,000	23,727	(273)
Clothing allowance	7,800	9,500	9,324	(176)
Pension contribution	-	71,013	71,013	-
Total Personnel	<u>2,336,900</u>	<u>2,516,563</u>	<u>2,513,449</u>	<u>(3,114)</u>
Administration:				
Directors' fees	25,000	15,000	14,950	(50)
Advertising	500	500	698	198
Office expense	12,000	14,500	14,292	(208)
Operating supplies	10,000	10,000	9,942	(58)
Public relations	10,500	11,500	11,121	(379)
Dues and subscriptions	4,500	5,500	5,460	(40)
Total Administration	<u>62,500</u>	<u>57,000</u>	<u>56,463</u>	<u>(537)</u>
General overhead:				
Gas and oil	7,500	13,000	13,000	-
Heat, light, and water	53,000	47,000	46,368	(632)
Telephone	10,000	8,500	7,892	(608)
Building maintenance	12,000	16,000	15,888	(112)
Equipment maintenance	23,200	57,950	58,021	71
Insurance and bond	172,800	172,800	173,319	519
Total General Overhead	<u>278,500</u>	<u>315,250</u>	<u>314,488</u>	<u>(762)</u>
Professional fees	46,000	46,000	48,548	2,548
Other:				
Training and education	6,000	3,800	3,647	(153)
Travel	-	-	36	36
Miscellaneous	5,300	4,220	6,105	1,885
Total Other	<u>11,300</u>	<u>8,020</u>	<u>9,788</u>	<u>1,768</u>
Total Public Safety	<u>2,735,200</u>	<u>2,942,833</u>	<u>2,942,736</u>	<u>(97)</u>

(Continued)

**AFFTON FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
Debt service:				
Principal	255,000	255,000	255,000	-
Interest	274,800	274,800	274,799	(1)
Total Debt Service	<u>529,800</u>	<u>529,800</u>	<u>529,799</u>	<u>(1)</u>
Capital outlay	133,000	451,000	450,729	(271)
Total Expenditures	<u>3,398,000</u>	<u>3,923,633</u>	<u>3,923,264</u>	<u>(369)</u>
<b>EXCESS REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	150,800	(469,633)	(472,493)	(2,860)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	<u>50,000</u>	<u>11,500</u>	<u>11,399</u>	<u>(101)</u>
<b>NET CHANGE IN FUND BALANCE</b>	200,800	(458,133)	(461,094)	<u>(2,961)</u>
<b>FUND BALANCE, JANUARY 1</b>	<u>4,771,120</u>	<u>4,771,120</u>	<u>4,771,120</u>	
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 4,971,920</u>	<u>4,312,987</u>	<u>4,310,026</u>	

**AFFTON FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - AMBULANCE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>REVENUES</b>				
Real estate and personal property tax	\$ 755,800	702,000	701,597	(403)
EMS fees	693,000	555,000	554,573	(427)
Contractual services - annexed area	48,800	48,800	50,445	1,645
Investment income	5,000	15,000	14,540	(460)
Other	2,500	500	388	(112)
Total Revenues	<u>1,505,100</u>	<u>1,321,300</u>	<u>1,321,543</u>	<u>243</u>
<b>EXPENDITURES</b>				
Public safety:				
Personnel:				
Salaries	837,000	824,000	823,251	(749)
Social security contributions	64,000	54,000	53,772	(228)
Employee relations	1,500	800	692	(108)
Employee insurance	160,000	162,000	161,369	(631)
Clothing allowance	3,600	4,500	4,371	(129)
Pension contribution	-	38,237	38,237	-
Total Personnel	<u>1,066,100</u>	<u>1,083,537</u>	<u>1,081,692</u>	<u>(1,845)</u>
Administration:				
Office expense	2,000	700	669	(31)
Operating supplies	38,900	35,400	35,269	(131)
Dues and subscriptions	100	100	150	50
Public relations	7,000	6,000	5,224	(776)
Total Administration	<u>48,000</u>	<u>42,200</u>	<u>41,312</u>	<u>(888)</u>
General overhead:				
Gas and oil	7,500	11,000	10,743	(257)
Telephone	1,000	1,000	1,091	91
Equipment maintenance	13,000	13,000	12,830	(170)
Insurance and bond	73,000	76,500	79,092	2,592
Service contracts	35,000	45,000	45,554	554
Total General Overhead	<u>129,500</u>	<u>146,500</u>	<u>149,310</u>	<u>2,810</u>
Other:				
Training and education	7,000	4,000	3,918	(82)
Miscellaneous	5,000	4,220	4,037	(183)
Total Other	<u>12,000</u>	<u>8,220</u>	<u>7,955</u>	<u>(265)</u>
Total Public Safety	<u>1,255,600</u>	<u>1,280,457</u>	<u>1,280,269</u>	<u>(188)</u>
Capital outlay	-	21,500	21,393	(107)
Total Expenditures	<u>1,255,600</u>	<u>1,301,957</u>	<u>1,301,662</u>	<u>(295)</u>

(Continued)

**AFFTON FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - AMBULANCE FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	249,500	19,343	19,881	538
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	<u>7,000</u>	<u>7,000</u>	<u>5,800</u>	<u>(1,200)</u>
<b>NET CHANGE IN FUND BALANCE</b>	256,500	26,343	25,681	<u>(662)</u>
FUND BALANCE, JANUARY 1	<u>1,935,113</u>	<u>1,935,113</u>	<u>1,935,113</u>	
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 2,191,613</u>	<u>1,961,456</u>	<u>1,960,794</u>	

**AFFTON FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - DISPATCH FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Over (Under) Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Real estate and personal property tax	\$ 115,070	106,500	106,490	(10)
Contractual services - annexed area	7,500	7,500	7,643	143
Investment income	200	200	171	(29)
Total Revenues	<u>122,770</u>	<u>114,200</u>	<u>114,304</u>	<u>104</u>
<b>EXPENDITURES</b>				
Dispatch:				
Bank charges	200	-	-	-
Dispatching	133,000	117,000	117,053	53
Equipment maintenance	2,000	1,300	1,295	(5)
Telephone	14,000	14,000	13,156	(844)
Total Expenditures	<u>149,200</u>	<u>132,300</u>	<u>131,504</u>	<u>(796)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(26,430)	(18,100)	(17,200)	<u>900</u>
FUND BALANCE, JANUARY 1	<u>105,837</u>	<u>105,837</u>	<u>105,837</u>	
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 79,407</u>	<u>87,737</u>	<u>88,637</u>	

**AFFTON FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PENSION REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real estate and personal property tax	\$ 266,000	256,000	256,117	117
Contractual services - annexed area	17,200	17,200	17,732	532
Total Revenues	<u>283,200</u>	<u>273,200</u>	<u>273,849</u>	<u>649</u>
<b>EXPENDITURES</b>				
Public safety:				
Pension contribution	<u>283,200</u>	<u>273,200</u>	<u>273,849</u>	<u>649</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	<u>-</u>
FUND BALANCE, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	

**AFFTON FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION -**  
**NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Budgets**

Budgets are adopted on a modified accrual basis. Annual appropriated budgets are adopted for each governmental fund. All annual appropriations lapse at fiscal year-end.

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

- a. The Comptroller submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed operating expenditures, capital expenditures, and the means to finance them.
- b. The preliminary budget and proposed tax rates are presented at a public hearing to obtain comments from all interested parties.
- c. The final budget for the coming year is formally adopted on or before the last day of the current fiscal year by the Board of Directors.
- d. The legal level of control is at the activity level within an individual fund. Expenditures may not exceed budgeted appropriations at the activity level unless approved by the Board of Directors. Total fund expenditures may not legally exceed current year revenues plus prior year's unreserved fund balance. All budget revisions of any fund must be approved by the Board of Directors. This is done during a periodic review and analysis by the District.
- e. The budgets in this report include amendments approved by the Board of Directors.

**AFFTON FIRE PROTECTION DISTRICT**  
**OTHER SUPPLEMENTAL INFORMATION**

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**OTHER SUPPLEMENTAL INFORMATION SECTION**

**AFFTON FIRE PROTECTION DISTRICT**  
**OTHER SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment income	\$ 2,500	19,000	19,246	246
<b>EXPENDITURES</b>				
Public safety:				
Miscellaneous	5,000	5,000	4,992	(8)
Capital outlay	113,000	375,000	373,422	(1,578)
Total Expenditures	<u>118,000</u>	<u>380,000</u>	<u>378,414</u>	<u>(1,586)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(115,500)	(361,000)	(359,168)	<u>1,832</u>
FUND BALANCE, JANUARY 1	<u>1,286,092</u>	<u>1,286,092</u>	<u>1,286,092</u>	
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 1,170,592</u>	<u>925,092</u>	<u>926,924</u>	

**AFFTON FIRE PROTECTION DISTRICT**  
**INTERNAL CONTROL AND COMPLIANCE**

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**INTERNAL CONTROL AND COMPLIANCE SECTION**



**Hochschild, Bloom & Company LLP**

Certified Public Accountants  
Consultants and Advisors

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

March 23, 2006

Board of Directors  
**AFFTON FIRE PROTECTION DISTRICT**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **AFFTON FIRE PROTECTION DISTRICT** (the District) as of and for the year ended December 31, 2005 and have issued our report thereon dated March 23, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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## Compliance And Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated March 23, 2006.

This report is intended solely for the information and use of management, others within the organization, and all applicable regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

*Hochschild Bloom & Company LLP*  
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