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Central County Fire and Rescue

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CENTRAL COUNTY FIRE AND RESCUE

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2005***



BOTZ, DEAL & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

CENTRAL COUNTY FIRE AND RESCUE

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INDEPENDENT AUDITORS' REPORT

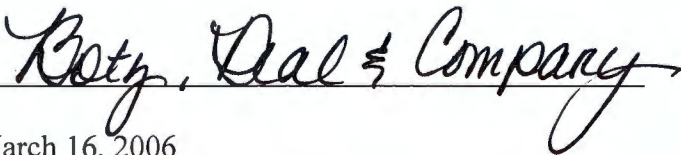
Members of the Board of Directors of
CENTRAL COUNTY FIRE AND RESCUE

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, 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 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, 2005, and the respective changes in the financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 22, 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.


March 16, 2006

**CENTRAL COUNTY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005**

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, 2005. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- In the government-wide financial statements, the District's assets exceed its liabilities at December 31, 2005 by \$9,877,948. Of this amount \$6,492,201 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net assets decreased by \$261,004.
- At December 31, 2005, unreserved fund balance for the General Fund was \$7,521,687, which covers 100% of the General Fund appropriation for the 2006 fiscal year.
- For the year ended December 31, 2005 the Capital Projects Fund, the Debt Service Fund and the Pension Tax Fund all reported expenditures in excess of revenues.
- Wages, payroll taxes and employee benefits comprise 88.8% of General Fund expenditures.
- There was no new debt issued by the District during 2005. Principal payments on outstanding obligations were \$1,714,570 leaving total bond obligations payable at December 31, 2005 of \$8,575,000. The District paid off its capital lease during the year.

REPORT LAYOUT

This report consists of Management's Discussion and Analysis (MD&A), 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 District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets and long-term liabilities and are prepared 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.

THE DISTRICT AS A WHOLE

Government-wide Financial Analysis

The District's combined net assets were \$ 9,877,948 as of December 31, 2005. 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.

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

	2005	2004	Increase (Decrease)
Current and other assets	\$ 11,364,880	\$ 13,063,838	\$ (1,698,958)
Capital assets	8,548,837	8,881,442	(332,605)
Total assets	<u>19,913,717</u>	<u>21,945,280</u>	<u>(2,031,563)</u>
Current and other liabilities	283,197	348,625	(65,428)
Long-term liabilities	9,752,572	11,457,702	(1,705,130)
Total liabilities	<u>10,035,769</u>	<u>11,806,327</u>	<u>(1,770,558)</u>
Net assets:			
Invested in capital assets net of related debt	1,308,233	1,406,907	(98,674)
Restricted	2,077,514	2,369,268	(291,754)
Unrestricted	6,492,201	6,362,777	129,424
Total net assets	<u>\$ 9,877,948</u>	<u>\$ 10,138,952</u>	<u>\$ (261,004)</u>

Governmental activities decreased the District's net assets by \$261,004. The key elements of this decrease are as follows:

Table 2

	2005	2004	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for service	\$ 130,395	\$ 112,296	\$ 18,099
Capital grants	132,500	-	132,500
General revenues:			
Taxes	8,538,931	8,297,172	241,759
Interest income	221,887	136,615	85,272
Miscellaneous	19,929	18,515	1,414
Gain on the sale of capital assets	-	10,787	(10,787)
Total revenues	<u>9,043,642</u>	<u>8,575,385</u>	<u>468,257</u>
Expenses:			
Public safety	8,826,219	8,457,248	368,971
Interest and fiscal charges	478,427	507,264	(28,837)
Total expenses	<u>9,304,646</u>	<u>8,964,512</u>	<u>340,134</u>
Increase in net assets	(261,004)	(389,127)	128,123
Net assets, beginning of year	10,138,952	10,528,079	(389,127)
Net assets, end of year	<u>\$ 9,877,948</u>	<u>\$ 10,138,952</u>	<u>\$ (261,004)</u>

Total expenditures for 2005 exceeded total revenues by \$261,004. Total revenue increased by \$468,257 for a couple of reasons. The District received \$132,500 in grants that it did not receive in the prior year. In addition, taxes collected increased because the assessed value of property within the District increase by \$175,560,060.

Expenses increase by \$340,134 from last year because of a one time pay adjustment given to all employees.

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 2005	Fiscal Year Ending 2004	Increase (Decrease)	Percentage Change
General Fund:				
Taxes	\$ 7,354,286	\$ 6,728,990	\$ 625,296	9.3 %
Licenses and permits	130,395	112,296	18,099	16,1
Investment income	126,294	64,307	61,987	96.4
Miscellaneous	152,429	36,865	115,564	313.5
Total general revenues	<u>\$ 7,763,404</u>	<u>\$ 6,942,458</u>	<u>\$ 820,946</u>	11.8

General Fund Revenue increased \$820,946 or 11.8% from last fiscal year. Of revenue in the General Fund, 94.6% comes from property taxes. The assessed value of property located in the district increased \$175,560,060.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2005, the District had \$11,208,077 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. (See Table 4 below.) Net capital assets had a net decrease (including additions and deductions) of \$332,605 or 3.7% over the prior fiscal year.

Table 4

	2005	2004	Increase (Decrease)
Land	\$ 1,222,417	\$ 1,222,417	-
Buildings	4,562,882	4,562,882	-
Building improvements	735,089	735,089	-
Fire fighting equipment	429,503	269,946	159,557
Office equipment	192,918	201,350	(8,432)
Vehicles	4,065,268	4,065,268	-
Total	<u>\$ 11,208,077</u>	<u>\$ 11,056,952</u>	<u>\$ 151,125</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 note 5 to the financial statements.

DEBT

At year-end, the District had \$8,575,000 in outstanding debt compared to \$10,289,570 at the end of the prior fiscal year, a decrease of 16.7%.

Table 5

	2005	2004	Increase (Decrease)
General Obligation Bonds	\$ 8,575,000	\$ 8,875,000	\$ (300,000)
Capital Lease	-	1,414,570	(1,414,570)
Total	<u>\$ 8,575,000</u>	<u>\$ 10,289,570</u>	<u>\$ (1,714,570)</u>

During the fiscal year, the District made principal payments totaling \$1,714,570. During 2005 the District exercised its option to purchase assets constructed under a lease purchase agreement. More detailed information on the District's long-term liabilities is presented in the note 6 to the financial statements.

THE DISTRICT'S FUNDS

At the close of the District's fiscal year on December 31, 2005, the governmental funds of the District reported a combined fund balance of \$10,878,711. This ending balance includes an increase in fund balance of \$204,527 in the District's General Fund. The primary reason for the General Fund's increase is the increase in assessed value of real estate and personal property in the District.

General Fund Budgetary Highlights

The District prepares its budget on a cash basis. For 2005, actual revenues on a budgetary basis were \$7,342,615 compared to the budget amount of \$7,332,105. For 2005, actual expenditures on a budgetary basis were \$7,563,600 compared to the budget amount of \$8,085,376. The District has placed a high priority on controlling costs and has taken steps to reduce expenses. As a result, a number of budget categories were under budget in 2005.

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 6.6% while the income generated from assessed value has grown at an average of 2.8%. The 2.8% average income growth is a result of the constitutional cap placed on ad valorem taxes as a result of the Hancock amendment. In 2005, the assessed value of the District increased 13.8%. Information provided by the State Auditor's office indicates that revenue growth from reassessment will be capped at 3.5%. While District revenue growth is capped at 3.5%, other expenses such as health care, workers compensation, property and casualty insurance, fuel and utility costs have increased at double digit rates.

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, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 2,571,506
Taxes receivable:	
Property	7,458,978
Restricted assets:	
Cash	1,334,396
Capital assets - net:	
Nondepreciable	1,222,417
Depreciable	7,326,420
TOTAL ASSETS	<u>19,913,717</u>
LIABILITIES	
Accounts payable	2,775
Accrued wages	91,875
Accrued interest payable	165,086
Other liabilities	1,850
Deposits payable	21,611
Noncurrent liabilities:	
Due in one year	535,136
Due in more than one year	9,217,436
TOTAL LIABILITIES	<u>10,035,769</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,308,233
Restricted for:	
Debt service	1,401,038
Pension	676,476
Unrestricted	6,492,201
TOTAL NET ASSETS	<u>\$ 9,877,948</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, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Change in Net Assets</u>
		<u>Charges for</u> <u>Service</u>	<u>Capital</u> <u>Grants</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities				
Public safety	\$ 8,826,219	\$ 130,395	\$ 132,500	\$ (8,563,324)
Interest and fiscal charges	478,427	-	-	(478,427)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 9,304,646</u>	<u>\$ 130,395</u>	<u>\$ 132,500</u>	<u>(9,041,751)</u>
Taxes				8,538,931
Interest income				221,887
Miscellaneous				19,929
TOTAL GENERAL REVENUES				<u>8,780,747</u>
CHANGE IN NET ASSETS				<u>(261,004)</u>
NET ASSETS - BEGINNING OF YEAR				<u>10,138,952</u>
NET ASSETS - END OF YEAR				<u>\$ 9,877,948</u>

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

CENTRAL COUNTY FIRE AND RESCUE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General Fund	Capital Projects Fund	Debt Service Fund	Non-major Pension Tax Fund	Total
ASSETS AND OTHER DEBITS					
Cash	\$ 1,594,591	\$ -	\$ 853,351	\$ 123,564	\$ 2,571,506
Property taxes receivable	6,355,604	-	547,687	555,687	7,458,978
Restricted assets:					
Cash	-	1,334,396	-	-	1,334,396
TOTAL ASSETS	<u>\$ 7,950,195</u>	<u>\$ 1,334,396</u>	<u>\$ 1,401,038</u>	<u>\$ 679,251</u>	<u>\$ 11,364,880</u>
LIABILITIES					
Account payable	\$ -	\$ -	\$ -	\$ 2,775	\$ 2,775
Accrued wages	91,875	-	-	-	91,875
Accrued and withheld items	1,850	-	-	-	1,850
Deferred revenue	313,172	-	20,332	34,554	368,058
Deposits payable	21,611	-	-	-	21,611
TOTAL LIABILITIES	<u>428,508</u>	<u>-</u>	<u>20,332</u>	<u>37,329</u>	<u>486,169</u>
FUND BALANCES:					
Reserved for capital expenditures	-	1,334,396	-	-	1,334,396
Unreserved	7,521,687	-	1,380,706	641,922	9,544,315
TOTAL FUND BALANCES	<u>7,521,687</u>	<u>1,334,396</u>	<u>1,380,706</u>	<u>641,922</u>	<u>10,878,711</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,950,195</u>	<u>\$ 1,334,396</u>	<u>\$ 1,401,038</u>	<u>\$ 679,251</u>	<u>\$ 11,364,880</u>

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, 2005

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

Total fund balance per balance sheet	\$ 10,878,711
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,548,837
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	368,058
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.	(165,086)
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>(9,752,572)</u>
Net assets of governmental activities	<u><u>\$ 9,877,948</u></u>

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

CENTRAL COUNTY FIRE AND RESCUE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Capital Projects Fund	Debt Service Fund	Non-major Pension Tax Fund	Total
REVENUES					
Taxes	\$ 7,354,286	\$ -	\$ 645,951	\$ 634,310	\$ 8,634,547
Permits	130,395	-	-	-	130,395
Investment income	126,294	55,302	27,000	13,291	221,887
Miscellaneous	152,429	-	-	-	152,429
TOTAL REVENUES	<u>7,763,404</u>	<u>55,302</u>	<u>672,951</u>	<u>647,601</u>	<u>9,139,258</u>
EXPENDITURES					
Public safety:					
Wages	5,275,866	-	-	-	5,275,866
Payroll taxes	402,119	-	-	-	402,119
Employee benefits	1,031,805	-	-	-	1,031,805
Occupancy	144,559	-	-	-	144,559
Vehicle	172,201	-	-	-	172,201
Firefighting	34,527	-	-	-	34,527
Office	16,132	-	-	-	16,132
Management information syst	25,190	-	-	-	25,190
Outside service	170,486	-	-	-	170,486
Professional development	30,384	-	-	-	30,384
Community services	54,936	-	-	-	54,936
Pension contribution	-	-	-	891,204	891,204
Capital outlay	105,124	129,641	-	-	234,765
Debt service:					
Principal, interest and fiscal charges	95,548	1,406,300	704,866	-	2,206,714
TOTAL EXPENDITURES	<u>7,558,877</u>	<u>1,535,941</u>	<u>704,866</u>	<u>891,204</u>	<u>10,690,888</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	204,527	(1,480,639)	(31,915)	(243,603)	(1,551,630)
FUND BALANCES - BEGINNING OF YEAR	<u>7,317,160</u>	<u>2,815,035</u>	<u>1,412,621</u>	<u>885,525</u>	<u>12,430,341</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,521,687</u>	<u>\$ 1,334,396</u>	<u>\$ 1,380,706</u>	<u>\$ 641,922</u>	<u>\$ 10,878,711</u>

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, 2005

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

Change in fund balance-total governmental funds	\$ (1,551,630)
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	159,557
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(492,162)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,714,480
Revenues that do not provide current financial resources are not included in the fund financial statements.	(95,616)
Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds.	(9,440)
Interest payable does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	<u>13,807</u>
Change in net assets of governmental activities	<u><u>\$ (261,004)</u></u>

The accompanying notes are integral part of these financial statements.

CENTRAL COUNTY FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

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. 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 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, unless their elimination would distort the true cost of delivering services.

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.

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

B. **BASIC FINANCIAL STATEMENTS** - continued

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.

C. **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.

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.

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.

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

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

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.

D. **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.

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	6 - 15 years

E. **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.

F. **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.

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

G. **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, 2005, employees had accrued vacation of \$102,643 and accumulated sick leave of \$1,074,929. 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.

H. **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.

I. **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.

J. **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**

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, 2005, the carrying amount of the District's bank deposits totaled \$3,905,402 with bank balances of \$4,063,579. 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, 2005, upon which the 2005 levy was based on an assessed value for real, personal and public utility property was \$1,449,652,907. The District's tax rate was levied per \$100 of assessed value as follows:

General Fund	\$.4893
Pension Fund	.0422
Debt Service Fund	.0427

5. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2005 is as follows:

	BALANCE, BEGINNING OF YEAR	TRANSFERS AND ADDITIONS	TRANSFERS AND DELETIONS	BALANCE, END OF YEAR
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	735,089	-	-	735,089
Fire fighting equipment	269,946	159,557	-	429,503
Office equipment	201,350	-	(8,432)	192,918
Vehicles	4,065,268	-	-	4,065,268
Total capital assets, being depreciated	<u>9,834,535</u>	<u>159,557</u>	<u>(8,432)</u>	<u>9,985,660</u>
Less accumulated depreciation for:				
Buildings	(881,844)	(114,072)	-	(995,916)
Building improvements	(103,922)	(19,770)	-	(123,692)
Fire fighting equipment	(181,141)	(42,229)	-	(223,370)
Office equipment	(65,688)	(29,367)	8,432	(86,623)
Vehicles	(942,915)	(286,724)	-	(1,229,639)
Total accumulated depreciation	<u>(2,175,510)</u>	<u>(492,162)</u>	<u>8,432</u>	<u>(2,659,240)</u>
Total capital assets, being depreciated, net	<u>7,659,025</u>	<u>(332,605)</u>	<u>-</u>	<u>7,326,420</u>
Total governmental activities	<u>\$ 8,881,442</u>	<u>\$ (332,605)</u>	<u>\$ -</u>	<u>\$ 8,548,837</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%	\$4,075,000
2002 Bonds with annual installments of \$345,156 to \$742,581 through February 2022, interest at 4% to 4.85%	4,500,000
	<u>\$8,575,000</u>

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>REDUCTIOS</u>	<u>BALANCE, END OF YEAR</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental activities:					
General Obligation Bonds:					
Series 2001	\$ 4,225,000	\$ -	\$ (150,000)	\$ 4,075,000	\$ 175,000
Series 2002	4,650,000	-	(150,000)	4,500,000	150,000
Capital lease	1,414,570	-	(1,414,570)	-	-
Compensated absences	1,168,132	9,440	-	1,177,572	210,136
Subtotal governmental activities	<u>\$ 11,457,702</u>	<u>\$ 9,440</u>	<u>\$ (1,714,570)</u>	<u>\$ 9,752,572</u>	<u>\$ 535,136</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>
2006	\$ 325,000	\$ 388,066	\$ 713,066
2007	350,000	372,926	722,926
2008	375,000	358,213	733,213
2009	375,000	342,581	717,581
2010	400,000	326,112	726,112
2011 - 2015	2,325,000	1,339,838	3,664,838
2016 - 2020	3,000,000	722,962	3,722,962
2021 - 2022	1,425,000	69,918	1,494,918
Total	<u>8,575,000</u>	<u>3,920,616</u>	<u>12,495,616</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. For the year ended December 31, 2005 the District made contributions totaling \$891,204.

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.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL COUNTY FIRE AND RESCUE

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 6,686,439	\$ 6,933,497	\$ 6,933,497	\$ -
Permits	105,000	130,395	130,395	-
Investment income	65,000	126,294	126,294	-
Miscellaneous	25,000	141,919	152,429	10,510
TOTAL REVENUE	<u>6,881,439</u>	<u>7,332,105</u>	<u>7,342,615</u>	<u>10,510</u>
EXPENDITURES				
Public safety:				
Wages	4,938,050	5,290,591	5,290,589	2
Payroll taxes	361,465	404,766	402,119	2,647
Employee benefits	1,415,889	1,434,417	1,031,805	402,612
Occupancy	161,700	150,286	144,559	5,727
Vehicle	138,000	181,694	172,201	9,493
Firefighting	39,050	44,364	34,527	9,837
Office	26,550	26,550	19,611	6,939
Management information syst	25,850	25,850	25,190	660
Outside service	220,430	181,975	170,486	11,489
Professional development	45,540	45,540	30,384	15,156
Community services	91,250	71,250	54,936	16,314
Capital outlay	30,000	136,023	105,124	30,899
Debt service:				
Principal, interest and fiscal charges	-	92,070	92,069	1
TOTAL EXPENDITURES	<u>7,493,774</u>	<u>8,085,376</u>	<u>7,573,600</u>	<u>511,776</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(612,335)</u>	<u>(753,271)</u>	<u>(230,985)</u>	<u>\$ 522,286</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,802,115</u>	<u>1,802,115</u>	<u>1,802,115</u>	
FUND BALANCES - END OF YEAR	<u>\$ 1,189,780</u>	<u>\$ 1,048,844</u>	<u>\$ 1,571,130</u>	
Fund balance, end of year - budgetary basis			\$ 1,571,130	
Accrual adjustments:				
Revenues			6,042,432	
Expenditures			(91,875)	
Fund balance, end of year - GAAP basis			<u>\$ 7,521,687</u>	