

WRIGHT CITY FIRE PROTECTION DISTRICT
ANNUAL REPORT
YEAR ENDED DECEMBER 31, 2012

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SPINNER & KUMMER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS
50 CRESTWOOD EXECUTIVE CENTER ~ SUITE 400
(WATSON & SAPPINGTON)
ST. LOUIS, MISSOURI 63126

FOUNDED 1928
BY
FELIX G. KRAFT, C.P.A.

GREGORY J. SPINNER, C.P.A.
BRUCE D. KUMMER, C.P.A.

(314) 842-1120
FAX: (314) 842-0921

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MISSOURI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wright City Fire Protection District
PO Box 522
396 NW 2nd Street
Wright City, Missouri 63390

We have audited the accompanying financial statements of

WRIGHT CITY FIRE PROTECTION DISTRICT

as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1(C); this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities and each major fund of Wright City Fire Protection District, as of December 31, 2012, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1(C).

Basis of Accounting

We draw attention to Note 1(C) of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wright City Fire Protection District's basic financial statements. The management's discussion and analysis and budgetary comparison information, as stated in the table of contents, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Spinner & Kummer, P.C.

Certified Public Accountants

May 14, 2013

BK/cp

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

WRIGHT CITY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS **DECEMBER 31, 2012**

The discussion and analysis of the Wright City Fire Protection District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2012, within the limitations of the modified cash basis of accounting. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2012 are as follows:

- The net position for the Governmental Activities increased \$83.
- Governmental Activities revenue was \$798,890.
- Property taxes represented \$765,331 of the Governmental Activities revenue or 96%.
- Expenses for the Governmental Activities were \$798,807.

USING THIS ANNUAL FINANCIAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

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

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

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

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

Basis of Accounting

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

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

Reporting the District as a Whole

The District's Reporting Entity Presentation

This annual report includes all activities for which the Wright City Fire Protection District is fiscally responsible.

The primary government includes the following legal entity:

- Wright City Fire Protection District

The Government-Wide Statement of Net Position and the Statement of Activities

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

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

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

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

Reporting the District's Most Significant Funds

The Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Directors establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

Fiduciary fund - The District uses this fund to account for assets that are held in a trustee capacity such as pension plan assets, assets held per trust agreements and similar arrangements.

A FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - Modified Cash Basis

The District's combined net position, resulting from modified cash basis transactions, increased from approximately \$1,649,408 to \$1,649,491 between fiscal years 2011 and 2012.

	<u>Governmental Activities</u>		Total Percentage
	<u>2012</u>	<u>2011</u>	<u>Change</u>
			<u>2012 - 2011</u>
Current and other assets	\$ 493,302.	\$ 484,938.	2%
Capital assets	<u>1,590,978.</u>	<u>1,705,501.</u>	(7%)
Total assets	<u>\$ 2,084,280.</u>	<u>\$ 2,190,439.</u>	(5%)
Long-term debt outstanding	\$ 422,382.	\$ 422,382.	-
Other liabilities	<u>12,407.</u>	<u>118,649.</u>	(90%)
Total liabilities	<u>\$ 434,789.</u>	<u>\$ 541,031.</u>	(20%)
Net position:			
Invested in capital assets, net of related debt	\$ 1,168,596.	\$ 1,283,119.	(9%)
Unrestricted	<u>480,895.</u>	<u>366,289.</u>	31%
Total net position	<u>\$ 1,649,491.</u>	<u>\$ 1,649,408.</u>	-

Net position of the District's governmental activities increased 0% to \$1,649,491. However, \$1,168,596 of that net position is invested in capital assets (buildings, vehicles, equipment and so on). Consequently, unrestricted net position showed \$480,895 at the end of the year. Changes between 2011 and 2012 reflect an increase in unrestricted net position of 31%.

Changes in Net Position - Modified Cash Basis

For the year ended December 31, 2012, net position of the primary government (resulting from modified cash basis transactions) changed as follows:

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012 - 2011</u>
Revenues -			
Program revenues -			
Charges for services	\$ 14,796.	\$ 22,628.	(35%)
Grant revenue	1,200.	0.	-
General revenues -			
Taxes	765,331.	755,958.	1%
Interest revenue	5,686.	8,555.	(34%)
Miscellaneous revenue	<u>1,815.</u>	<u>1,786.</u>	2%
Total revenues	<u>\$ 788,828.</u>	<u>\$ 788,927.</u>	0%
Expenses -			
Public safety - fire protection	<u>\$ 798,807.</u>	<u>\$ 731,255.</u>	9%
Total expenses	<u>\$ 798,807.</u>	<u>\$ 731,255.</u>	9%
Other revenues / (expenses)			
Restitution received	\$ 7,250.	\$ 6,900.	5%
Gain on sale of assets	<u>2,812.</u>	<u>0.</u>	-
Total other revenues / (expenses)	<u>\$ 10,062.</u>	<u>\$ 6,900.</u>	46%
Change in net position	<u><u>\$ 83.</u></u>	<u><u>\$ 64,572.</u></u>	(100%)

Governmental Activities

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

For the year ended December 31, 2012, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$798,807. Of these total expenses, taxpayers and other general revenues funded \$782,811, while those directly benefiting from the program funded \$1,200 from grants and other contributions, and \$14,796 from charges for services.

Net Cost of Wright City Fire Protection District's Governmental Activities - Modified Cash Basis

	<u>Total Cost of Services</u>		<u>Percentage</u>	<u>Net Cost of Services</u>		<u>Percentage</u>
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
			<u>2012 - 2011</u>			<u>2012 - 2011</u>
Public safety	\$ <u>798,807.</u>	\$ <u>731,255.</u>	9%	\$ <u>782,811.</u>	\$ <u>708,627.</u>	10%

A FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- The General Fund reported revenues of \$801,090 and expenditures of \$686,484, resulting in an increase in fund balance of \$114,606.

General Fund Budgetary Highlights

For the year ended December 31, 2012, General Fund expenditures were \$72,679 below final appropriations, while actual resources available for appropriation were \$41,390 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Modified Cash Basis

At December 31, 2012, the District had \$1,590,978 invested in capital assets, net of depreciation, including buildings, equipment and vehicles. This represents a net decrease of \$114,523 or 7% below last year.

PRIMARY GOVERNMENT CAPITAL ASSETS - MODIFIED CASH BASIS
(Net of accumulated depreciation)

	<u>Governmental Activities</u>	
	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Land	\$ 83,577.	\$ 83,577.
Buildings and improvements	552,751.	570,071.
Vehicles	915,911.	995,532.
Equipment	37,533.	55,109.
Office equipment	<u>1,206.</u>	<u>1,212.</u>
TOTALS	\$ <u>1,590,978.</u>	\$ <u>1,705,501.</u>

This year's more significant capital asset addition included:

- Station #1 - fence \$ 10,040.

Long-Term Debt - Modified Cash Basis

At December 31, 2012, the District had \$422,382 of long-term debt arising from modified cash basis transactions, compared to \$422,382 at December 31, 2011. All of the debt is related to governmental activities.

Primary Government Long-Term Debt - Modified Cash Basis

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Lease purchase obligation - Pumper	\$ <u>422,382.</u>	\$ <u>422,382.</u>
Totals	\$ <u>422,382.</u>	\$ <u>422,382.</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

For the year ended December 31, 2013, the budget is similar to the December 31, 2012 budget.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions concerning this report or need additional information, contact Ron MacKnight, Fire Chief, at 396 NW 2nd Street, Wright City, Missouri 63390.

BASIC FINANCIAL STATEMENTS

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

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

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

WRIGHT CITY FIRE PROTECTION DISTRICT

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

EXPENSES

Public safety - fire protection:	
Personnel - wages and benefits	\$ 413,563.30
Materials, supplies and maintenance	120,269.22
Depreciation	122,363.43
Interest	24,303.68
Insurance	45,971.00
General and administrative	<u>72,336.70</u>
TOTAL PROGRAM EXPENSES	\$ <u>798,807.33</u>

PROGRAM REVENUES

Charges for services	\$ 14,796.13
Operating grant	<u>1,200.00</u>
TOTAL PROGRAM REVENUE	\$ <u>15,996.13</u>
NET PROGRAM EXPENSE	\$ <u>782,811.20</u>

GENERAL REVENUES

Taxes	\$ 765,330.66
Interest earned	5,686.54
Miscellaneous revenue	<u>1,815.02</u>
TOTAL GENERAL REVENUES	\$ <u>772,832.22</u>

OTHER REVENUES / (EXPENSES)

Restitution received	\$ 7,250.00
Gain on sale of assets	<u>2,812.00</u>
TOTAL OTHER REVENUES / (EXPENSES)	\$ <u>10,062.00</u>
CHANGE IN NET POSITION	\$ 83.02

NET POSITION - Beginning of year 1,649,407.65

NET POSITION - End of year \$ 1,649,490.67

See accompanying notes to the basic financial statements.

WRIGHT CITY FIRE PROTECTION DISTRICT

**BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

ASSETS

Cash and cash equivalents	\$ 493,302.59
TOTAL ASSETS	\$ 493,302.59

LIABILITIES

Purchasing card payable	\$ 6,209.50
TOTAL LIABILITIES	\$ 6,209.50

DEFERRED INFLOWS OF REVENUE

Deferred revenue – property taxes	\$ 6,198.16
TOTAL DEFERRED INFLOWS OF REVENUE	\$ 6,198.16

FUND BALANCE

Fund Balance - unassigned	\$ 480,894.93
TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUE AND FUND BALANCE	\$ 493,302.59

RECONCILIATION TO STATEMENT OF NET POSITION

Fund Balance - unassigned	\$ 480,894.93
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Amounts reported for governmental activities in the statement of the net position are different because:

Capital assets used in governmental activities of \$3,313,069.22 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$1,722,091.66.	1,590,977.56
Long-term liabilities of \$422,381.82 are not due and payable in the current period and are not reported in the funds.	(422,381.82)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,649,490.67

See accompanying notes to the basic financial statements.

WRIGHT CITY FIRE PROTECTION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ 114,606.45

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

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

Capital asset purchases capitalized	10,040.00
Depreciation expense	(122,363.43)
Remaining net book value of assets sold	(2,200.00)

Repayment of debt principal is an expenditure in the governmental
Funds, but the repayment reduces long-term liabilities in the Statement
of Net Position.

0.00

CHANGES IN NET POSITION OF GOVERNMENTAL FUNDS \$ 83.02

See accompanying notes to the basic financial statements.

FIDUCIARY FUND AND FINANCIAL STATEMENTS

Required financial statements for fiduciary funds are the statement of fiduciary net position and the statement of changes in fiduciary net position. Fiduciary fund financial statements should include information about all fiduciary funds. The statements should provide a separate column for pension (and other employee benefits) trust funds, investment trust funds, private-purpose trusts, and agency funds.

WRIGHT CITY FIRE PROTECTION DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2012**

ASSETS

Investments at fair value:

Volunteer length of service awards program

\$ 44,969.00

TOTAL INVESTMENTS

\$ 44,969.00

TOTAL ASSETS

\$ 44,969.00

LIABILITIES

TOTAL LIABILITIES

\$ 0.00

NET POSITION

Held in trust for pension benefits and other purposes

\$ 44,969.00

TOTAL NET POSITION

\$ 44,969.00

See accompanying notes to the basic financial statements.

WRIGHT CITY FIRE PROTECTION DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2012**

ADDITIONS

Contributions:		
Employer		\$ 7,748.00
	TOTAL CONTRIBUTIONS	\$ 7,748.00
Investment earnings:		
Investment earnings		\$ 1,666.00
Life insurance cash values		5.00
	TOTAL INVESTMENT EARNINGS	\$ 1,671.00
	TOTAL ADDITIONS	\$ 9,419.00

DEDUCTIONS

Benefits paid		\$ 1,800.00
Life premiums		2,546.00
Administrative expenses		1,064.00
	TOTAL DEDUCTIONS	\$ 5,410.00

<u>CHANGE IN NET POSITION</u>	\$ 4,009.00
<u>NET POSITION - Beginning of year</u>	40,960.00
<u>NET POSITION - End of year</u>	\$ 44,969.00

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

WRIGHT CITY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1(C), these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity

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

Primary Government:	Wright City Fire Protection District
Component Units:	None

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements represent the District's governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

Fund Financial Statements

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

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

Governmental Funds

General Fund

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

Fiduciary Fund Type

LOSAP Trust Fund

This fund was established to provide length-of-service award benefits for District volunteers.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitation of the modified cash basis of accounting, as defined in item (b) following.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Governmental activities utilize an “economic resources” measurement focus in the Statement of Net Position and in the Statement of Activities. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. Property tax revenues are recognized when collected after the year of assessment. Those revenues collected before that time are deferred until the following year. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

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

Capital Assets

The District’s modified cash basis of accounting reports capital assets arising from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements

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

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$10,000.00 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings and improvements	30 years
- Vehicles	20 years
- Equipment	5 - 10 years
- Office equipment	5 - 10 years

Fund Financial Statements

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

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures.

Compensated Absences

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

Equity Classification

Government-Wide Statements:

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the District’s policy to first use restricted assets prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements:

Fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s policy, only the Board of Directors may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

E. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. Warren County and Lincoln County bill, collect and remit the property taxes to the District. The District records the revenues from property taxes when they are received, after the year of assessment. Property taxes collected before that time are recorded as deferred revenues.

F. Program Revenues

Program Revenues

In the Statement of Activities, modified cash basis revenues that are directly derived from each activity or from parties outside the District's taxpayers are reported as program revenues. The District has the following program revenues in each activity:

Public Safety - fire protection	Permits and fees
	Operating grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenue and expenses include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

G. Use of Estimates

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

H. Post - Employment Health Care Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the District under this program, and there are no participants in the program as of December 31, 2012.

2. CASH AND CASH EQUIVALENTS

The District has determined through experience, that interest-bearing checking accounts, certificates of deposit, repurchase agreements, United States Government Obligations, bonds, notes or other obligations of the State of Missouri, and any other securities or investments that are lawful for the investment of monies held in such funds or accounts under the law of the State of Missouri are appropriate types of deposits and investments for its needs.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 274,046.67
Collateralized:	
Collateral held by District's agent in the District's name	0.00
Collateral held by pledging bank's trust department In the District's name	219,946.85
Collateral held by pledging bank's trust department not in the District's name	0.00
Uninsured and uncollateralized	<u>0.00</u>
Total	<u>\$ 493,993.52</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2012, \$0.00 of the District's bank balance of \$493,993.52 was exposed to credit risk as follows:

<u>Type of Deposit</u>	<u>Custody Credit Risk Amount</u>
Uninsured and uncollateralized	\$ 0.00
Uninsured and collateralized by pledging bank's trust department not in the District's name	<u>0.00</u>
Total	<u>\$ 0.00</u>

3. CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions for the year ended December 31, 2012 was as follows:

<u>Governmental Activities:</u>	<u>Balance Jan. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2012</u>
Land	\$ 83,576.67	\$ 0.00	\$ 0.00	\$ 83,576.67
Buildings and improvements	776,526.32	10,040.00	0.00	786,566.32
Vehicles	1,786,513.61	0.00	26,000.00	1,760,513.61
Equipment	623,196.30	0.00	0.00	623,196.30
Office equipment	<u>59,216.32</u>	<u>0.00</u>	<u>0.00</u>	<u>59,216.32</u>
Totals at historical cost	<u>\$ 3,329,029.22</u>	<u>\$ 10,040.00</u>	<u>\$ 26,000.00</u>	<u>\$ 3,313,069.22</u>

Less accumulated depreciation:				
Buildings and improvements	\$ 206,455.55	\$ 27,359.54	\$ 0.00	\$ 233,815.09
Vehicles	790,981.36	77,421.54	23,800.00	844,602.90
Equipment	568,086.66	17,577.17	0.00	585,663.83
Office equipment	<u>58,004.66</u>	<u>5.18</u>	<u>0.00</u>	<u>58,009.84</u>
Total accumulated depreciation	\$ <u>1,623,528.23</u>	\$ <u>122,363.43</u>	\$ <u>23,800.00</u>	\$ <u>1,722,091.66</u>
Governmental activities capital assets, net	\$ <u>1,705,500.99</u>	\$ <u>(112,323.43)</u>	\$ <u>2,200.00</u>	\$ <u>1,590,977.56</u>

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

Depreciation expense totaled \$122,363.43 for the year ended December 31, 2012.

4. LONG-TERM DEBT

Governmental Activities

As of December 31, 2012, the long-term debt, arising from cash transactions, payable from general revenue fund resources consisted of the following:

<ul style="list-style-type: none"> 2009 Rosenbauer Rescue Pumper with equipment Lease Obligation with annual installments, and interest at 3.00%, final payment due March 1, 2018. 	\$ <u>422,381.82</u>
Total	\$ <u>422,381.82</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2012:

<u>Governmental Activities:</u>	<u>Balance Jan. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2012</u>	<u>Amount Due Within One Year</u>
Lease Obligation – Pumper	\$ <u>422,381.82</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>422,381.82</u>	\$ <u>71,399.91</u>
Total Governmental Activities	\$ <u>422,381.82</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>422,381.82</u>	\$ <u>71,399.91</u>

Debt Service Requirements to Maturity

Capitalized Lease Obligations

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2012, are as follows:

- (1) 2009 Rosenbauer Rescue Pumper with equipment (modified on 10/1/2012, decreasing interest rate to 3%, annual payments of interest and principal, and reducing length of lease by one and one half years.

<u>Date</u>	<u>Payment Amount</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Outstanding Balance</u>
				\$ 422,381.82
03/01/2013	\$ 76,642.07	\$ 71,399.91	\$ 5,242.16	350,981.91
03/01/2014	76,642.07	66,112.61	10,529.46	284,869.30
03/01/2015	76,642.07	68,095.99	8,546.08	216,773.31
03/01/2016	76,642.07	70,121.05	6,521.02	146,652.26
03/01/2017	76,642.07	72,242.50	4,399.57	74,409.76
03/01/2018	<u>76,642.05</u>	<u>74,409.76</u>	<u>2,232.29</u>	0.00
Totals	<u>\$ 459,852.40</u>	<u>\$ 422,381.82</u>	<u>\$ 37,470.58</u>	

Interest Expense Allocated By Function

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

Governmental-Type Activities:

General Fund \$ 24,303.68

5. DEFERRED COMPENSATION PLAN

Employees of the Wright City Fire Protection District may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The plan assets are held in trust by ING Financial Advisors, LLC. The District contributed \$6,890.57 to the plan for the year ended December 31, 2012.

6. DEFINED BENEFIT PLAN

(A) Plan Description

Substantially all volunteers are covered by the Length of Service Awards Program for the Wright City Fire Protection District. The plan administrator is the District's Board of Directors.

As of December 31, 2012, volunteer membership data related to the pension plan as follows:

Participants currently receiving benefits:	1
Active participants:	
Vested	4
Non-vested	12
Retired and deferred participants:	
Vested	<u>16</u>
Total	<u>33</u>

The plan provides entitlement benefits. A member may be entitled to benefits after reaching the age of 65. Benefits vest after 5 years of service.

FORMULA FOR MONTHLY BENEFIT PAID AT ENTITLEMENT AGE

- (a) \$5.00 multiplied by Years of Service completed before the Effective Date of the Plan, with such past Years of Service not to exceed 30 years.
- (b) \$5.00 multiplied by Years of Service completed after the Effective Date of the Plan, with such future Years of Service not to exceed 30 years.
- (c) Total Years of Service not to exceed 30.
- (d) \$150.00 is the maximum monthly benefit that may be earned.

The District makes annual contributions to the plan. The amount of contribution is actuarially determined by using the modified aggregate actuarial cost method, and the U8400 mortality table.

The plan assets are invested in life insurance and annuities by the Hartford Life Insurance Company. There are no investments in, loans to, or leases with parties related to the pension plan.

(B) Funding and Trend Information

Trend Information

<u>Year</u>	<u>Net Position Available for Benefits</u>	<u>Present Value of Accrued Benefits</u>	<u>Unfunded Pension Benefit Obligation</u>
2003	\$ 49,889.31	\$ 64,560.31	\$ 14,671.00
2004	\$ 45,791.68	\$ 55,325.68	\$ 9,534.00
2005	\$ 69,156.65	\$ 56,800.00	\$ 0.00
2006	\$ 59,795.98	\$ 56,434.00	\$ 0.00
2007	\$ 73,735.68	\$ 60,439.00	\$ 0.00
2008	\$ 80,651.84	\$ 80,906.00	\$ 254.16
2009	\$ 64,872.31	\$ 68,628.00	\$ 3,755.69
2010	\$ 74,509.15	\$ 74,392.00	\$ 0.00
2011	\$ 40,960.00	\$ 78,549.00	\$ 37,589.00
2012	\$ 44,969.00	\$ 52,946.00	\$ 7,977.00

Plan Asset Development

<u>Date</u>	<u>Balance</u>	<u>Contributions</u>	<u>Investment Income</u>	<u>Expense Charges/Benefits</u>	<u>Balance</u>
2003	\$ 38,673.67	\$ 16,724.00	\$ 2,838.64	\$ 8,347.00	\$ 49,889.31
2004	\$ 49,889.31	\$ 17,903.57	\$ 4,010.74	\$ 26,011.94	\$ 45,791.68
2005	\$ 45,791.68	\$ 35,061.30	\$ 2,963.55	\$ 14,659.88	\$ 69,156.65
2006	\$ 69,156.65	\$ 0.00	\$ 4,121.59	\$ 13,482.26	\$ 59,795.98
2007	\$ 59,795.98	\$ 14,932.80	\$ 5,680.20	\$ 6,673.30	\$ 73,735.68
2008	\$ 73,735.68	\$ 7,640.30	\$ 5,613.66	\$ 6,337.80	\$ 80,651.84
2009	\$ 80,651.84	\$ 8,743.40	\$ 5,081.34	\$ 29,604.27	\$ 64,872.31
2010	\$ 64,872.31	\$ 10,275.20	\$ 4,258.24	\$ 4,896.60	\$ 74,509.15
2011	\$ 74,509.15	\$ 6,385.00	\$ 5,541.00	\$ 45,475.15	\$ 40,960.00
2012	\$ 40,960.00	\$ 7,748.00	\$ 1,671.00	\$ 5,410.00	\$ 44,969.00

Expenses by Type

<u>Year</u>	<u>Administration Expense</u>	<u>Benefits/ Claims</u>	<u>Premiums/ Annuities Purchased</u>	<u>Total</u>
2003	\$ 861.00	\$ 1,800.00	\$ 5,686.00	\$ 8,347.00
2004	\$ 917.00	\$ 1,800.00	\$ 23,294.94	\$ 26,011.94
2005	\$ 910.00	\$ 1,975.00	\$ 11,774.88	\$ 14,659.88
2006	\$ 889.00	\$ 1,800.00	\$ 10,793.26	\$ 13,482.26
2007	\$ 840.00	\$ 1,800.00	\$ 4,033.30	\$ 6,673.30
2008	\$ 833.00	\$ 1,800.00	\$ 3,704.80	\$ 6,337.80
2009	\$ 833.00	\$ 25,214.87	\$ 3,556.40	\$ 29,604.27
2010	\$ 833.00	\$ 1,800.00	\$ 2,263.60	\$ 4,896.60
2011	\$ 1,024.15	\$ 41,609.00	\$ 2,842.00	\$ 45,475.15
2012	\$ 1,064.00	\$ 1,800.00	\$ 2,546.00	\$ 5,410.00

The trend information, asset development and expenses are through 2012.

(C) **Actuarial Valuation Assumptions**

Interest Rate	4.75% per annum.
Expenses	\$0.00
Retirement Age	1 st of the month following attainment of age 65.

7. RISK MANAGEMENT

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

The District manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors, and omissions	Purchased commercial insurance	None
b. Workers compensation, health and life	Purchased commercial insurance	None
c. Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

8. ASSESSED VALUATION AND TAX LEVY

	<u>2 0 1 2</u>	<u>2 0 1 1</u>
<u>Aggregate Assessed Valuation</u>		
Warren County	\$ 172,621,136.00	\$ 167,938,002.00
Lincoln County	<u>14,287,721.00</u>	<u>14,664,080.00</u>
Total assessed valuation	<u>\$ 186,908,857.00</u>	<u>\$ 182,602,082.00</u>
	<u>Tax Levy Per \$100.00 of Assessed Valuation</u>	<u>Tax Levy Per \$100.00 of Assessed Valuation</u>
General Fund	\$.4089	\$.4074
Total taxes assessed	<u>\$ 764,270.32</u>	<u>\$ 743,920.88</u>
Total tax collections (including delinquent taxes and grants in lieu of taxes)	<u>\$ 6,198.16</u>	<u>\$ 660,408.81</u>

The receipts of current and delinquent property taxes during the year ended December 31, 2012 aggregated approximately 0.81% of the 2012 assessed taxes, and 88.77% of the 2011 assessed taxes.

9. SUBSEQUENT EVENT

On February 14, 2013, the Board of Directors approved the purchase of \$28,000.00 of new turnout gear.

10. DISTRICT OFFICIALS

	<u>2 0 1 2</u>
Director - Chairman	Randy Lewis / Keith Thompson
Director - Secretary	Rudolph (Rudy) Jovanovic
Director - Treasurer	Dan West
Director	Larry Zuhone
Director	Keith Thompson / Mike Schriener
Chief	Ron MacKnight

REQUIRED SUPPLEMENTARY INFORMATION

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

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

WRIGHT CITY FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
<u>BEGINNING BUDGETARY FUND BALANCE</u>	\$ 366,288.48	\$ 366,288.48
<u>RESOURCES (inflows):</u>		
Tax revenue	729,100.00	765,330.66
Permits and fees	20,100.00	14,796.13
Interest	4,000.00	5,686.54
Grant revenue	0.00	1,200.00
Miscellaneous revenue	0.00	1,815.02
Restitution received	4,000.00	7,250.00
Sale of assets	<u>2,500.00</u>	<u>5,012.00</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ <u>1,125,988.48</u>	\$ <u>1,167,378.83</u>
<u>CHARGES TO APPROPRIATIONS (outflows):</u>		
Current:		
Election expense	\$ 5,400.00	\$ 0.00
Professional services	6,600.00	14,358.25
Insurance expense	61,575.00	45,971.00
Office equipment and supplies	5,000.00	5,401.06
Professional dues and memberships	4,725.00	4,674.00
Personal protective equipment	4,000.00	1,295.80
Communications equipment	9,600.00	16,181.46
Operation equipment	21,600.00	11,126.07
Station improvements	11,000.00	15,543.32
Information technology	8,950.00	8,663.22
Building maintenance	4,500.00	5,937.12
Equipment maintenance	5,100.00	6,651.83
Vehicle maintenance/repair	29,000.00	30,321.35
Vehicle fuel	22,500.00	24,549.05
Electric	6,000.00	5,781.01
Water / sewer	300.00	382.58
Telephone	6,300.00	6,182.68
Natural gas / LPG	7,600.00	2,902.99
Trash	1,100.00	1,187.13
Training and education	18,875.00	19,949.13
EMS expenses	200.00	0.00
Service charges / freight	0.00	2,367.90
Public relations	2,600.00	2,460.50
Membership and personnel	7,650.00	6,689.47
Uniform expense	4,400.00	3,073.22
Dry hydrant	0.00	128.74
Salaries	342,200.00	330,368.55
Health insurance	29,000.00	43,321.96
Payroll service	3,400.00	4,713.00
Payroll taxes	27,900.00	25,067.26
Retirement expense	<u>5,000.00</u>	<u>6,890.57</u>
TOTAL CURRENT	\$ <u>662,075.00</u>	\$ <u>652,140.22</u>

WRIGHT CITY FIRE PROTECTION DISTRICT

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>	<u>Actual</u>
	<u>Original</u>	<u>Amounts</u>
	<u>and Final</u>	
<u>CHARGES TO APPROPRIATIONS</u> (continued)		
Capital outlay:		
Building and improvements	\$ 0.00	\$ 10,040.00
Reserve funds	<u>20,000.00</u>	<u>0.00</u>
TOTAL CAPITAL OUTLAY	<u>\$ 20,000.00</u>	<u>\$ 10,040.00</u>
Debt Service:		
Lease payments - principal	\$ 52,800.00	\$ 0.00
Lease interest	<u>24,288.00</u>	<u>24,303.68</u>
TOTAL DEBT SERVICE	<u>\$ 77,088.00</u>	<u>\$ 24,303.68</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>\$ 759,163.00</u>	<u>\$ 686,483.90</u>
<u>ENDING BUDGETARY FUND BALANCE</u>	<u><u>\$ 366,825.48</u></u>	<u><u>\$ 480,894.93</u></u>

See accompanying notes to the Budgetary Comparison Schedule.

WRIGHT CITY FIRE PROTECTION DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE DECEMBER 31, 2012

Budgets and Budgetary Practices

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

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

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.