



Susan Montee, CPA  
Missouri State Auditor

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# Greene County Fire Protection Districts

Year Ended December 31, 2006

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January 2008  
Report No. 2008-02



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Office of  
Missouri State Auditor  
Susan Montee, CPA

January 2008

**IMPORTANT:** A review of audits of fire protection districts in Greene County has been completed. This review covered reports for the year(s) ended December 31, 2006 that were required to be submitted to the State Auditor's office within six months after the year end. Additionally, some districts' audit reports that had not been submitted during our previous review were included in this review.

State law requires Greene County fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed. For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. At December 31, 2006 there were twelve fire protection districts in Greene County.

The State Auditor's Office accepted all seven audit reports that were received for the year(s) ended December 31, 2006. However, instances of non-compliance including the lack of district responses to recommendations, the lack of follow-up to previous recommendations, and the lack of required report schedules were still noted.

The Fair Grove Fire Protection District failed to comply with Section 321.690, RSMo by not submitting an audit report to the State Auditor's Office for the years ended December 31, 2006 and 2005. As a result, their information is not presented in this report. Similar noncompliance has been reported for this district in previous years.

The timeliness of reporting has improved during the last year, with only one of the seven reports received for the year(s) ended December 31, 2006 failing to comply with the statutory deadline. However, noncompliance was still noted from 2005. For example, the Ash Grove and Bois D' Arc Fire Protection Districts (identified in our prior report as failing to comply with Section 321.690) did not submit audit reports for the years ended December 31, 2005 and 2004 until April 2007 and November 2007, respectively. While not only required by statute, timely audits also provide information to the board and district taxpayers on the financial status of the district.

This report includes information about the districts' revenues, expenditures, and balances, capital assets, assessed valuations, and tax levies. A summary of comments made by the various districts' independent auditors included concerns regarding conflicts of interest, expenditures, budgets, compliance with laws and regulations, and accounting procedures.

**All reports are available on our Web site: [www.auditor.mo.gov](http://www.auditor.mo.gov)**

YELLOW SHEET

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION  
DISTRICTS IN GREENE COUNTY

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

Honorable Matt Blunt, Governor  
and  
Members of the General Assembly  
and  
Boards of Directors of Fire Protection  
Districts in Greene County

Fire protection districts in Greene County are required by Section 321.690, RSMo, to be audited. We have conducted a review of these independent audits of the fire protection districts in Greene County. The objectives of this review were to:

1. Evaluate the impact of, and the districts' compliance with, statutory audit requirements and the State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in Greene County.
2. Notify the various fire protection districts and independent auditors of any specifically identifiable reporting deficiencies that should be considered and corrected in future audit reports.
3. Summarize and evaluate the financial data presented for the various fire districts and any comments for improvements made by the independent auditors.

Our review was limited to the specific matters described above and was based on selective procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report. The work for this review was substantially completed by December 2007.

The State Auditor's office has reviewed fire protection districts' audit reports for several years and noted many improvements. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. The format of this report includes an executive summary and a scope and methodology section describing what work was performed. We solicit from the readers of this report any suggestions for changes or requests for other new information that may benefit those involved with the Greene County fire protection districts.

Sincerely,

A handwritten signature in black ink that reads "Susan Montee". The signature is written in a cursive, flowing style.

Susan Montee, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA  
Audit Manager: Donna Christian, CPA, CGFM  
Staff Auditors: Candace Copley  
Natalie McNish

## EXECUTIVE SUMMARY

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION  
DISTRICTS IN GREENE COUNTY  
EXECUTIVE SUMMARY

Section 321.690, RSMo, requires all fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement, if the appropriate reports are filed.

The Fair Grove Fire Protection District failed to comply with state law and did not file an audit report for the years ended December 31, 2006 and 2005. While district officials provided an audit engagement letter indicating an auditor has been engaged to audit these years, a report has not been completed and submitted. Similar noncompliance has been reported for the Fair Grove Fire Protection District in previous years.

While the West Republic Fire Protection District had previously been exempt from the audit requirement, based upon financial statements filed, the district had annual revenues of more than \$50,000 during the year ending December 31, 2006. An engagement letter was submitted by the district indicating an audit of the two years ended December 2006 would be performed; however, an audit report for this time period has not been submitted. Information presented in this report was obtained from unaudited information provided by this district. The West Republic Fire Protection District should continue to monitor annual revenues to ensure compliance with state law.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all seven audit reports that were received for the year(s) ended December 31, 2006. However, instances of noncompliance including the lack of district responses to recommendations, the lack of follow up to previous recommendations, and the lack of required report schedules were still noted. These problems were communicated to the applicable fire protection district auditors. In addition, five districts did not submit copies of engagement letters to the state auditor as required by 15 CSR40-4.010.

The timeliness of reporting has improved during the last year. One of the seven reports for the year(s) ended December 31, 2006, failed to comply with the statutory deadline and non-compliance was still noted from 2005.

While not only required by statute, timely audits also provide information to the board and district taxpayers on the financial status of the district and ways to improve the management of the district. The fire district board members should ensure audits are completed and submitted by statutory deadline.

We reviewed the relationship of the General Fund balance at year end to the year's expenditures for the districts receiving an audit for each of the year(s) ended December 31, 2006. The fund balances of three districts, Battlefield, Walnut Grove, and Willard have increased by nearly 20 percent or more during the last two years. Additionally, three districts, Battlefield, Strafford, and Willard, have maintained fund balances greater than one year's cost of operations. The fire districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated. Districts accumulating funds for the purchase of capital assets or debt reduction should evaluate the need to disclose this information in their annual budget. Expenditures exceeded revenues during 2006 for the Logan-Rogersville Fire Protection District, resulting in a significant decrease in the reported cash balance. The increase in expenditures was mostly caused by an increase in debt service principal and interest payments between 2005 and 2006. Revenues and expenditures of the Brookline Fire Protection District were significantly higher during 2006 with the inclusion of the receipt and disbursement of lease proceeds.

The fire protection districts are continuing to add to their capital structure in land, buildings and equipment each year. While gross capital asset balances continue to increase, more districts are recording depreciation amounts for these capital asset values. The Ebenezer Fire Protection District's assets increased more than the other districts with the addition of approximately \$960,000 in furniture and equipment.

Assessed valuations for the districts also continue to increase. Tax rates remained steady from 2005 to 2006 with only one voter approved levy increase. In August 2006 voters of the Logan-Rogersville Fire Protection District approved an increase in their tax levy to provide additional revenues to the district.

Independent auditors made specific recommendations to improve the overall management of the fire districts. Recommendations included concerns regarding expenditures, budgets, segregation of duties, accounting records and various other policies and procedures. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

## SCOPE AND METHODOLOGY

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION  
DISTRICTS IN GREENE COUNTY  
SCOPE AND METHODOLOGY

**Scope**

At December 31, 2006, there were twelve fire protection districts in Greene County. Some districts' audit reports that had not been submitted during our previous review were included in this review. Audit reports and financial statements have been received as follows:

1. Ebenezer and Walnut Grove Fire Protection Districts submitted an annual audit for each of the years ended December 31, 2006 and 2005. The Strafford Fire Protection District submitted an annual audit for year ended December 31, 2006. The Battlefield, Brookline, Logan-Rogersville and Willard Fire Protection Districts submitted biennial audits for the two years ended December 31, 2006.
2. Our prior report identified the Ash Grove and Bois D' Arc Fire Protection Districts as failing to comply with Section 321.690 because reports for 2005 and 2004 had not been submitted. The Ash Grove Fire Protection District submitted a biennial audit for the two years ended December 31, 2005 on April 13, 2007, and the Bois D' Arc Fire Protection District submitted an annual audit for each of the years ended December 31, 2005, and 2004 on November 26, 2007. The Pleasant View Fire Protection District obtained an annual audit for the year ended December 31, 2005. The Ash Grove and Pleasant View Fire Protection Districts provided written confirmation of their plans to obtain biennial audits for the two years ended December 31, 2007. The Bois D' Arc Fire Protection District provided written confirmation of their plans to obtain an annual audit for the year ended December 31, 2006; however, an audit report has not been completed and submitted for this time period. No information is presented in this report for the year ended December 31, 2006 for these three districts.
3. The Fair Grove Fire Protection District has failed to comply with Section 321.690, RSMo, and has not submitted audit reports for the years ended December 31, 2006 and 2005. While district officials provided an audit engagement letter indicating an auditor has been engaged to audit these years, a report has not been completed and submitted. As identified in our prior report, the Fair Grove Fire Protection District also did not comply with the statutory deadline when submitting their audit for the two years ended December 31, 2004. Information is not presented in this report for the Fair Grove Fire Protection District.
4. Financial statements filed for the West Republic Fire Protection District for the year ended December 31, 2006 reflected annual revenues in excess of \$50,000. The West Republic Fire Protection District provided written confirmation of their plan to obtain an audit for two years ended December 31, 2006; however, an audit report has not been submitted. Based upon financial statements filed, the West Republic Fire Protection District had annual revenues of less than \$50,000 during the year ending December 31, 2005, therefore they were exempted from the audit requirement for 2005. Information

presented in this report was obtained from unaudited information provided by this district.

During our review we: 1) considered Section 321.690, RSMo (Appendix A), 15 CSR 40-4 (Appendix B), and audit reports submitted to the State Auditor by the various fire districts for the year(s) ended December 31, 2006 and 2005, 2) reviewed the supporting working papers of various independent auditors' reports for the year(s) ended December 31, 2006, 3) reviewed unaudited financial information provided by the West Republic Fire Protection District and 4) made inquiries of district officials and independent auditors as necessary to follow up on other specific issues brought to our attention.

## **Methodology**

We compiled the following schedules to accomplish the objectives of this report:

- Schedule 1 presents revenues, expenditures, and fund balance for the General Funds in a combined format. The General Fund is the general operating fund of the district and is used to account for all operating resources. In analyzing this schedule, some disparity will result due to the different methods of presenting essentially the same information. Reasons for some problems in comparison are as follows. The financial statements of the Ash Grove, Brookline, and Pleasant View Fire Protection Districts are presented on the accrual basis of accounting, and the financial statements of the Battlefield, Strafford, and Willard Fire Protection Districts are presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements of the Bois D'Arc and Ebenezer Fire Protection Districts are presented on a modified cash basis of accounting, and the Logan-Rogersville, Walnut Grove and West Republic Fire Protection Districts are presented on a cash basis of accounting. The audit report footnotes of these various districts describe the basis of accounting used to present the financial statement information.
- Schedule 2 presents the capital asset balances of the districts at December 31, 2006 and 2005. The schedule represents capital assets acquired or constructed for general governmental purposes that are reported as expenditures in the fund that financed the acquisition or construction and capitalized at historical cost or estimated historical cost if actual historical cost is not available.
- Schedule 3 presents the assessed valuations of the individual fire protection districts as well as tax levies for the years ended December 31, 2006 and 2005.
- Schedule 4 is a listing of total compensation and expense reimbursement paid to directors by each district audited. The districts' independent audit reports included the names of the principal officeholders and the compensation and expense reimbursement received by each official in the performance of his or her duty as established by Section 321.190, RSMo.
- Schedule 5 is a summary of the various comments contained in the independent auditor's reports on compliance and internal control and in the management letters received by the

State Auditor. These comments apply to individual fire protection districts unless otherwise noted. The comments extracted from the reports and management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

### **Limitations**

Some data presented in the schedules was compiled from information submitted by the various fire districts and their independent auditors and were not verified by us via additional audit procedures. In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

SCHEDULES

Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
COMPARATIVE SCHEDULE OF REVENUE, EXPENDITURES, AND BALANCES

District	Year Ended December 31,								
	2005					2006			
	Beginning Balance	Adjustment	Revenues	Expenditures	Ending Balance	Adjustment	Revenues	Expenditures	Ending Balance
Ash Grove	\$ 218,031		101,283	66,177	253,137				*
Battlefield	1,797,767		1,485,061	1,176,604	2,106,224		1,583,601	1,406,951	2,282,874
Bois D'Arc	73,884		74,934	65,733	83,085				**
Brookline	275,288		225,510	203,717	297,081		832,084	826,767	302,398
Ebenezer****	181,592	92,953	249,494	241,209	282,830	64,452	254,215	258,146	343,351
Fair Grove	69,919				***				***
Logan-Rogersville*****	667,408	(632,429)	801,525	737,926	98,578		707,937	788,551	17,964
Pleasant View	371,793		107,032	95,410	383,415				*
Strafford	255,135		296,596	298,120	253,611		304,552	275,174	282,989
Walnut Grove	204,083		99,767	61,574	242,276		100,140	94,599	247,817
West Republic	10,260		49,418	58,372	1,306		59,433	47,811	12,928
Willard	424,734		463,217	375,991	511,960		292,733	301,281	503,412
	\$ 4,549,894	(539,476)	3,953,837	3,380,833	4,583,422	64,452	4,134,695	3,999,280	4,783,289

\* District plans to obtain an audit for the two years ended December 31, 2007.

\*\* District has engaged auditor to audit the year ending December 31, 2006, but audit report not complete and submitted to the State Auditor's Office.

\*\*\* District has not submitted an audit report to the State Auditor's Office.

\*\*\*\* To restate fund balance to actual. Auditor did not express an opinion on the 2005 financial statements.

\*\*\*\*\* To adjust to cash basis financial statements.

Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
COMPARATIVE SCHEDULE OF CAPITAL ASSETS

District	December 31, 2005				December 31, 2006			
	Land and Buildings	Furniture and Equipment	Less Accumulated Depreciation	Total	Land and Buildings	Furniture and Equipment	Less Accumulated Depreciation	Total
Ash Grove	\$ 86,808	435,107	125,647	396,268				*
Battlefield	3,199,187	1,991,255	900,638	4,289,804	3,200,892	2,134,887	1,051,941	4,283,838
Bois D'Arc	77,883	206,785	150,832	133,836				**
Brookline	201,735	945,130	387,249	759,616	201,735	1,164,798	443,750	922,783
Ebenezer	342,829	442,991	378,640	407,180	342,829	1,404,926	401,643	1,346,112
Fair Grove				***				***
Logan-Rogersville	997,282	2,260,351	****	3,257,633	997,282	2,351,086	****	3,348,368
Pleasant View	85,719	489,572	154,188	421,103				*
Strafford	349,405	783,284	603,368	529,321	349,907	1,163,570	724,061	789,416
Walnut Grove	369,156	219,780	210,939	377,997	344,856	207,780	202,725	349,911
Willard	317,590	1,207,292	1,033,241	491,641	317,590	1,250,549	1,093,192	474,947
	\$ 6,027,594	8,981,547	3,944,742	11,064,399	5,755,091	9,677,596	3,917,312	11,515,375

\* District plans to obtain an audit for the two years ended December 31, 2007.

\*\* District has engaged auditor to audit the year ending December 31, 2006, but audit report not complete and submitted to the State Auditor's Office.

\*\*\* District has not submitted an audit report to the State Auditor's Office

\*\*\*\* District presents assets on a cash basis reporting disbursements when cash is expended in 2005, depreciation is not expensed.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
 COMPARATIVE SCHEDULE OF ASSESSED VALUATIONS AND TAX LEVIES

District	Assessed Valuations		Tax Levy per \$100 of Assessed Valuation	
			General	
	2006	2005	2006	2005
Ash Grove	22,372,679	21,719,181	0.2568	0.2568
Battlefield	444,950,162	411,446,469	0.3390	0.3390
Bois D'arc	20,849,891	20,095,789	0.3783	0.3783
Brookline	83,877,329	80,926,033	0.2535	0.2535
Ebenezer	95,620,115	90,622,148	0.2783	0.2783
Fair Grove	56,513,392	53,950,580	0.1753	0.1753
Logan-Rogersville*	316,026,086	301,527,815	0.3657	0.2466
Pleasant View	27,976,710	27,123,700	0.3000	0.3000
Strafford	111,866,344	100,837,748	0.2448	0.2448
Walnut Grove	33,444,102	32,099,457	0.2924	0.2924
West Republic	22,438,678	21,797,773	0.2518	0.2518
Willard	119,287,212	112,414,933	0.2502	0.2502

\* Voter approved tax levy increase in 2006

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS OF GREENE COUNTY  
 SCHEDULE OF COMPENSATION AND EXPENSE REIMBURSEMENT PAID TO DIRECTORS BY DISTRICT

District	2005	2006
Ash Grove	0	*
Battlefield	5,750	5,567
Bois D'Arc	****	**
Brookline*****	84	0
Ebenezer	****	****
Fair Grove	***	***
Logan-Rogersville	4,350	5,850
Pleasant View	188	*
Strafford*****	5,012	4,500
Walnut Grove*****	1,209	0
Willard*****	47	0

- \* The district plans to obtain an audit for the two years ended December 31, 2007
- \*\* The district has engaged auditor to audit the year ended December 31, 2006, but audit report not complete and submitted to the State Auditor's Office.
- \*\*\* The district has not submitted an audit report to the State Auditor's Office.
- \*\*\*\* The audit report did not include a schedule of compensation and expense reimbursement to directors.
- \*\*\*\*\* Includes expense reimbursements

## Schedule 5

### REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR(S) ENDED DECEMBER 31, 2006

#### Conflicts of Interest

- One district did not adequately document related party transactions.

#### Expenditures/Purchasing

- It was recommended that one district establish a method of tracking maintenance costs by specific vehicle.
- Better control of invoices were recommended in one district to monitor for sales tax and to ensure purchases benefit the district. Additionally, invoices were not filed in an easily accessible manner and did not properly document payment.
- One district failed to include some amounts on 1099's, and two volunteers were not issued 1099's that should have been.

#### Payroll

- One district failed to retain copies of its quarterly payroll tax returns as well as W-2's and 1099's.
- One district omitted the fire chief and three additional employees' payroll related checks from the district's payroll reporting system resulting in an understatement of wages and underpayment of related payroll taxes.

#### Budgets

- Expenditures exceeded appropriations in two districts.
- The budget did not include revenues in one district.
- Three districts' budgets did not contain all of the required components as specified by Chapter 67 RSMo.

#### Compliance with Laws and Regulations.

- One district did not obtain a vote of the public when entering into long-term debt.

- One district failed to obtain proper collateral to cover account balances that exceeded the FDIC insurance limits. This oversight was corrected in February 2007.
- One district approved raising compensation for newly elected board members from \$75 per meeting to \$100 per meeting and placing the \$25 increase in a board member discretionary account. This did not appear to be in compliance with state statute.

#### Accounting Records and Procedures

- A lack of segregation of duties was noted in five districts.
- In one district, the cash account reconciliation procedures need improvement.
- One district did not have an anti-fraud program or ethics policy in place.
- One district did not have staff with sufficient expertise needed to properly apply accounting principles generally accepted in the United States requiring audit adjustments.
- One district did not maintain the bank accounts under the proper name and identification number. Also, the checking account did not require two signatures.
- Revenues were not clearly identified in one district.
- Acquisition and disposal of capital assets were not documented in one district.

## APPENDICES

*Missouri Revised Statutes*

**Chapter 321  
Fire Protection Districts  
Section 321.690**

**Audits to be performed, when--rules established by state auditor (Christian County fire protection districts exempt from audits).**

321.690. 1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.

(L. 1977 H.B. 216, A.L. 1981 S.B. 200, A.L. 1986 H.B. 877, A.L. 1991 S.B. 34, A.L. 1993 H.B. 177 and S.B. 346, A.L. 1998 H.B. 1847)

**Rules of  
Elected Officials  
Division 40—State Auditor  
Chapter 4—Audits of Fire Protection Districts  
in St. Louis and Greene Counties**

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**Title 15—ELECTED OFFICIALS**  
**Division 40—State Auditor**  
**Chapter 4—Audits of Fire Protection**  
**Districts in St. Louis and Greene**  
**Counties**

**15 CSR 40-4.010 Requirements for Dis-**  
**tricts**

*PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.*

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of non-compliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

**15 CSR 40-4.020 Standards for Auditing**  
**and Financial Reporting**

*PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.*

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently

in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

**15 CSR 40-4.030 Contents of Audit**  
**Reports**

*PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.*

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;

(B) A report on the financial statements;

(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

#### 15 CSR 40-4.040 Scope of Audit

**PURPOSE:** *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.*

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

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