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Comments and Recommendations, 2003

Maryland Heights Fire Protection District of St. Louis County

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CLAIRE C. McCASKILL
Missouri State Auditor

July 2, 2004

Kent G. McCoy, CPA
McCoy & Associates, P.C.
4191 Crescent, Suite D
St. Louis, MO 63129

RE: Maryland Heights Fire Protection District of St. Louis County

Fiscal Period: One Year Ended December 31, 2003 ✓

Dear Mr. McCoy:

In accordance with Sections 105.145 and 321.690 RSMo, we acknowledge receipt of the audit report of your fire protection district for the above-described fiscal period. We will review this report for compliance with 15 CSR 40-4 and report to you whether or not it complies with these administrative rules.

Thank you for your cooperation in sending this information.

Sincerely,

CLAIRE C. McCASKILL
STATE AUDITOR

A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
OF ST. LOUIS COUNTY, MISSOURI

COMMENTS AND RECOMMENDATIONS

Year Ended December 31, 2003

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT

COMMENTS AND RECOMMENDATIONS

Year Ended December 31, 2003

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McCoy & Associates, P.C.

Certified Public Accountants and Consultants

4191 Crescent, Suite D
St. Louis, MO 63129

Telephone (314) 487-3100
Fax (314) 487-0032

To the Board of Directors
Maryland Heights Fire Protection District
St. Louis, Missouri

In planning and performing our audit of the general purpose financial statements of Maryland Heights Fire Protection District (the District) for the year ended December 31, 2003, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements. Although our audit was not designed to provide assurance on the internal control, we noted certain matters involving the internal control and its operation, and are submitting for your consideration related recommendations designed to help the District make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to the District.

Certain of these matters may be considered reportable conditions, as defined by the American Institute of Certified Public Accountants, which involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions referred to above are believed to be material weaknesses.

We appreciate the opportunity to be of service to Maryland Heights Fire Protection District. Should questions arise about our recommendations, we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and the use of the Board of Directors, management and the Missouri State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

June 14, 2004

The Coz & Associates, P.C.

COMMENTS AND RECOMMENDATIONS, continued

Ambulance Fund Deficit

Missouri Statutes (RSMo 67.010) prohibit political subdivisions from budgeting expenditures in excess of budgeted revenues plus any unencumbered balance from the beginning of the budget year (i.e. fund balance). Even though budgeted revenues exceed budgeted expenditures, the budget does not contain provisions to eliminate the deficit fund balance at the beginning of the year.

District Reply

The District does not budget expenditures in excess of revenues. The budget provides for transfers from the General Fund. The funds so transferred are utilized to pay ambulance expenses and are therefore included in the revenue of the Ambulance Fund. As a result of the transfers, the authorized expenditures are not in excess of revenue. The deficit in the Fund balance results from amounts due to the General Fund. It is necessary to reflect all expenses related to ambulance service in a single fund in order to properly assess the cost of providing ambulance service.

COMMENTS AND RECOMMENDATIONS, continued

GASB Statement No. 34

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, is the result of an almost decade-long effort by the GASB to reexamine the financial reporting model for state and local governments. The purpose of the new financial reporting model is to provide more understandable and useful financial reports to a wider range of users than did the previous model. The new financial reporting model requires governments to present certain basic financial statements as well as management's discussion and analysis (MD&A) and certain other required supplementary information (RSI).

The MD&A has been added to provide management's analysis of the government's financial condition. This component of the basic financial statements presents an objective narrative that outlines significant issues related to operations, financial conditions and economic factors that impact the government's financial statements. The MD&A is part of required supplementary information and will be subjected to audit procedures to provide reasonable assurance that the information is presented fairly with respect to the basic financial statements.

Early implementation of Statement No. 34 is recommended, even though Statement No. 34 will likely not be required to be implemented by the District until 2004. Therefore, we recommend that the District begin to consider the requirements of Statement No. 34.

District Reply

With the assistance of our auditor, the District will begin to consider the effects of Statement No. 34 on the District to ensure compliance with the Statements requirements.

COMMENTS AND RECOMMENDATIONS, continued

Severance Pay

We noted that a former employee was paid in connection with his separation. Such payments were in the form of cash and personal property. The amount of the cash payment was reported to the employee on Form 1099-MISC.

Generally, severance payments are reported on Form W-2 and are subject to social security and Medicare taxes. In addition, the value of any personal property given in connection with severance should be included.

We recommend that the District review the severance payment to ensure that they were properly reported.

District Reply

The District will review the severance payments to ensure that they were properly reported for income tax purposes.

COMMENTS AND RECOMMENDATIONS, continued

Follow-Up to Prior Year's Recommendations

1. We recommended that the District consider ways to eliminate the Ambulance Special Revenue Fund deficit.

See current year comment #1.

2. We recommended that the District consider the impact of GASB Statement No. 34.

See current year comment #2.

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
OF ST. LOUIS COUNTY, MISSOURI

GENERAL PURPOSE FINANCIAL STATEMENTS
with report of independent auditors

Year Ended December 31, 2003

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT

GENERAL PURPOSE FINANCIAL STATEMENTS

Year Ended December 31, 2003

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McCoy & Associates, P.C.

Certified Public Accountants and Consultants

4191 Crescent, Suite D
St. Louis, MO 63129

Telephone (314) 487-3100
Fax (314) 487-0032

INDEPENDENT AUDITORS REPORT

To the Board of Directors
Maryland Heights Fire Protection District
St. Louis County, Missouri

We have audited the accompanying general purpose financial statements of the Maryland Heights Fire Protection District of St. Louis County, Missouri, as of and for the year ended December 31, 2003 as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Heights Fire Protection District of St. Louis County, Missouri, as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note P to the financial statements, in June 1999, the Governmental Accounting Standards Board adopted Statement of Governmental Accounting Standards No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Statement will require government-wide financial statements prepared using the economic resources measurement focus and the full accrual basis of accounting. The Statement is required to be adopted in the District's 2004 financial statements (earlier application is permitted), either as prior period adjustments with the restatement of all financial statements presented or the cumulative effect of the change should be reported as a restatement of beginning fund balance or fund net assets for the earliest period restated. The District has not yet determined which method it will use when it adopts the Statement nor the effect that the change in accounting will have on the District's financial position and results of operations.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2004 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. This information has been subjected to the tests and other auditing procedures applied in the audit of the general purpose financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Mc Coy & Associates, P.C.

June 14, 2004

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2003

ASSETS	-----GOVERNMENTAL FUND TYPES-----			--ACCOUNT GROUPS--	
	GENERAL	SPECIAL REVENUE	FIDUCIARY FUND TYPE	GENERAL FIXED ASSETS	TOTALS (MEMO ONLY)
	GENERAL	REVENUE	FUND TYPE	ASSETS	(MEMO ONLY)
Cash and cash equivalents	\$ 1,974,971	\$ 593,334	\$ 291,067	\$ -	\$ 2,859,372
Investments	2,975,172	110,034	10,133,586	-	13,218,792
Property taxes receivable	2,863,098	865,260	179,775	-	3,908,133
Accrued interest receivable	30,348	-	-	-	30,348
Other assets	29,177	13,729	-	-	42,906
Due from other funds	1,720,843	-	-	-	1,720,843
General fixed assets	-	-	-	7,344,579	7,344,579
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 9,593,609</u>	<u>\$ 1,582,357</u>	<u>\$ 10,604,428</u>	<u>\$ 7,344,579</u>	<u>\$ 29,124,973</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable and accrued expenses	\$ 134,470	\$ 24,000	\$ -	\$ -	\$ 158,470
Accrued dispatching fees	-	285,604	-	-	285,604
Due to other funds	-	1,670,880	49,963	-	1,720,843
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>134,470</u>	<u>1,980,484</u>	<u>49,963</u>	<u>-</u>	<u>2,164,917</u>
FUND EQUITY					
Reserved fund balances:					
Reserved for Dispatching	-	425,525	-	-	425,525
Unreserved fund balances:					
Designated for subsequent years' capital expenditures	-	-	-	-	-
Designated for subsequent years' operations	4,281,705	599,649	-	-	4,881,354
Undesignated fund balances	5,177,434	(1,423,301)	-	-	3,754,133
Invested in general fixed assets	-	-	-	7,344,579	7,344,579
Net assets held in trust for pension benefits	-	-	10,554,465	-	10,554,465
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Equity	<u>9,459,139</u>	<u>(398,127)</u>	<u>10,554,465</u>	<u>7,344,579</u>	<u>26,960,056</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 9,593,609</u>	<u>\$ 1,582,357</u>	<u>\$ 10,604,428</u>	<u>\$ 7,344,579</u>	<u>\$ 29,124,973</u>

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

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 2003

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTALS (MEMO ONLY)</u>
REVENUES			
Property taxes	\$ 4,486,179	\$ 1,191,654	\$ 5,677,833
Ambulance fees	-	136,527	136,527
Investment income (net)	66,690	4,726	71,416
Permits and reports	75,721	-	75,721
Miscellaneous income	<u>8,537</u>	<u>769</u>	<u>9,306</u>
Total revenues	4,637,127	1,333,676	5,970,803
EXPENDITURES			
Personal services	3,217,433	871,033	4,088,466
Employee benefits	740,326	276,845	1,017,171
Supplies	9,431	25,541	34,972
Contractual services	29,002	-	29,002
Heat, light and power	24,784	11,625	36,409
Capital outlay	129,248	4,388	133,636
Dispatching	-	296,057	296,057
Building and mobile equipment	525,417	250,589	776,006
Administration	87,667	17,241	104,908
Debt Service:			
Principal retirement	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,763,308</u>	<u>1,753,319</u>	<u>6,516,627</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(126,181)	(419,643)	(545,824)
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	<u>(742,004)</u>	<u>742,004</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(868,185)	322,361	(545,824)
FUND BALANCES AT BEGINNING OF YEAR	<u>10,327,324</u>	<u>(720,488)</u>	<u>9,606,836</u>
FUND BALANCES AT END OF YEAR	<u>\$ 9,459,139</u>	<u>\$ (398,127)</u>	<u>\$ 9,061,012</u>

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

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CASH BASIS - GOVERNMENTAL FUND TYPES
Year Ended December 31, 2003

	GENERAL FUND		SPECIAL REVENUE FUNDS		TOTAL	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
REVENUES						
Property taxes	\$ 4,156,209	\$ 4,740,095	\$ 842,151	\$ 955,750	\$ 4,998,360	\$ 5,695,845
Ambulance fees	-	-	136,000	136,527	136,000	136,527
Investment income - net	276,764	65,492	3,000	3,193	279,764	68,685
Permits and reports	75,000	75,721	-	-	75,000	75,721
Miscellaneous income	4,579	8,537	-	769	4,579	9,306
Total revenues	4,512,552	4,889,845	981,151	1,096,239	5,493,703	5,986,084
EXPENDITURES						
Personal services	3,243,705	3,210,869	891,397	871,002	4,135,102	4,081,871
Employee benefits	803,738	754,446	309,795	277,742	1,113,533	1,032,188
Supplies	13,600	9,343	29,000	25,083	42,600	34,426
Contractual services	38,500	49,023	-	-	38,500	49,023
Heat, light and power	27,000	24,703	12,600	11,625	39,600	36,328
Capital outlay	262,000	130,673	150,000	4,388	412,000	135,061
Dispatching	-	-	223,263	43,543	223,263	43,543
Building and mobile equipment	553,092	531,868	260,315	253,554	813,407	785,422
Administration	143,400	94,535	25,350	17,922	168,750	112,457
Debt Service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	5,085,035	4,805,460	1,901,720	1,504,859	6,986,755	6,310,319
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(572,483)	84,385	(920,569)	(408,620)	(1,493,052)	(324,235)
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	(920,569)	(742,004)	920,569	742,004	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$(1,493,052)</u>	<u>(657,619)</u>	<u>\$ -</u>	<u>333,384</u>	<u>\$(1,493,052)</u>	<u>(324,235)</u>
FUND BALANCES AT BEGINNING OF YEAR		<u>7,319,951</u>		<u>(1,275,420)</u>		<u>6,044,531</u>
FUND BALANCES AT END OF YEAR		<u>\$ 6,662,332</u>		<u>\$ (942,036)</u>		<u>\$ 5,720,296</u>

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

**MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUND TYPE - PENSION TRUST FUND
Year Ended December 31, 2003**

ADDITIONS	
Employer contribution - Tax revenue	<u>\$ 443,095</u>
Total contributions	<u>443,095</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	2,044,359
Interest, dividends and other investment income	<u>169,170</u>
	2,213,529
Less investment expense	<u>-</u>
Net investment income	<u>2,213,529</u>
Total additions	2,656,624
DEDUCTIONS	
Administrative expenses	2,500
Benefits paid	738,008
Legal and accounting	<u>500</u>
Total deductions	<u>741,008</u>
NET INCREASE	1,915,616
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	<u>8,638,849</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS END OF YEAR	<u><u>\$ 10,554,465</u></u>

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

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Maryland Heights Fire Protection District (the District) provides fire protection, fire prevention and emergency ambulance service to its residents. The general purpose financial statements include all accounts of the District that are controlled by the Board of Directors. The accounting principles of the District conform to generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant accounting policies:

Reporting Entity

The District's general purpose financial statements include all funds and account groups controlled by the District. The District's Board of Directors does not have oversight responsibility over any other organizations. Oversight responsibility is defined as control by or dependence on the District as determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Jointly Governed Organization

The District, in conjunction with the Creve Coeur Fire Protection District, West County EMS and Fire Protection District, Metro West Fire Protection District and The City of Town and Country has created the Central County Emergency 911 Dispatching Center (Central County 911). The Board of the Dispatching Center is composed of one member from each of the boards of the participating entities. The District is required to remit taxes collected from the dispatching service tax levy to Central County 911.

Complete financial statements for Central County 911 can be obtained from the Central County 911 administrative offices at 22 Weis Avenue, Ellisville, MO 63011-2141.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the general purpose financial statements. The operations of the District are recorded in the following fund types and account groups:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds.

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

The measurement focus is upon determination of and changes in financial position. The following are the governmental fund types maintained by the District:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue-Dispatching Fund

This fund is a special revenue fund that is used to account for the proceeds of a special tax levy which is restricted to the purchase of dispatching services. This is accomplished by means of a contractual agreement with Central County Emergency 911, which provides dispatching services.

Special Revenue-Ambulance Fund

This fund is a special revenue fund that is used to account for the proceeds of a special tax levy which is restricted for ambulance operations.

Debt Service Fund

This fund accounts for the accumulation of resources for the payment of general long-term debt principal and interest.

Capital Projects Fund

This fund is used to account for financial resources to be used for the acquisition or construction of major capital items.

Fiduciary Funds-Trust and Agency

Trust and agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals and/or other funds. For the District, this includes a pension trust fund.

Account Groups

Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term debt.

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

General Fixed Assets Account Group

This account group is used to account for all fixed assets of the District.

Long-Term Debt Account Group

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District records transactions during the year on the basis of cash receipts and disbursements. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for the governmental fund types and the accrual basis of accounting for the pension trust fund. The District does not utilize encumbrance accounting.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term "available" is defined as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days of year-end. Expenditures or expenses are recognized when the related fund liability is incurred.

Permits, ambulance fees and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Ambulance charges are recorded as revenue when received because of the uncertainty as to the collectibility of amounts billed.

Investments

Investments are generally stated at market value.

Investment income is recognized as earned for investments stated at market value. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Budgetary Process

Prior to January 1, the budget is legally enacted. Projected expenditures cannot exceed estimated revenues plus any unencumbered balance estimated for the beginning of the budget year.

General Fixed Assets

General fixed assets are recorded as expenditures in the governmental fund types and capitalized at cost in the general fixed assets account group. Contributed fixed assets are recorded at the estimated fair market value at the time received. Depreciation is not provided on general fixed assets.

Totals (Memorandum Only) Data

The total column on the combined general purpose financial statements is captioned "Totals (Memorandum Only)" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

NOTE B - CASH AND CASH EQUIVALENTS

Cash equivalent includes all investments with an original maturity of three months or less from the date of purchase. At year-end, the District's cash and cash equivalents consist of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash and interest-bearing deposits	\$2,859,372	\$3,110,475

Bank balances were either covered by Federal depository insurance or by collateral pledged by the District's custodial bank, which was held by another financial institution.

State statutes authorize Missouri local governments to invest in obligations of the U.S. Treasury and U.S. agencies for government funds. Pension trust fund investments may invest in obligations of the U.S. Treasury, U.S. agencies, common and preferred stock and other securities approved by applicable sections of the Missouri Revised Statutes and Missouri Constitution. Cash deposits must be insured or collateral must be pledged by the custodian bank in an amount sufficient to cover the amounts on deposit. The collateral is required to be held in safekeeping by the trust department of a financial institution other than the pledging bank.

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE C - INVESTMENTS

The District's investments are uninsured and are held by the District's agents in the District's name. Investments at December 31, 2003 are detailed as follows:

	<u>Governmental Fund</u>		<u>Pension Fund</u>	
	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>
U.S. Government Securities	\$ 2,543,368	\$ 2,543,368	\$ -	\$ -
Money Market Funds	142,113	142,113	-	-
Certificates of Deposit	399,725	399,725	-	-
Mutual Funds	-	-	10,133,586	10,133,586
	<u>\$ 3,085,206</u>	<u>\$ 3,085,206</u>	<u>\$ 10,133,586</u>	<u>\$ 10,133,586</u>

NOTE D - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in the general fixed assets account group follows:

	Balance, Beginning <u>Of Year</u>	<u>Additions</u>	<u>Retirements</u>	Balance, End <u>Of Year</u>
Land, buildings and Improvements	\$ 3,523,386	\$ 24,665	\$ -	\$ 3,548,051
Vehicles	2,173,503	25,877	-	2,199,380
Firefighters equipment	689,188	68,945	-	758,133
Ambulance equipment	378,645	-	-	378,645
Office furniture and Equipment	152,560	980	-	153,540
Living quarters furniture	78,628	8,781	-	87,409
Training equipment	38,024	-	-	38,024
Communication equipment	158,494	4,388	-	162,882
Maintenance equipment	9,131	-	-	9,131
Audio/video equipment	9,384	-	-	9,384
TOTAL	<u>\$ 7,210,943</u>	<u>\$ 133,636</u>	<u>\$ -</u>	<u>\$ 7,344,579</u>

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE E - PENSION PLANS

Defined Contribution Plan

The defined contribution plan provides for individual participant accounts, is administered by the District and covers all employees. District contributions to the plan are allocated to participants in the proportion that the participant's compensation bears to the total compensation of all participants. Participants can not contribute to the plan.

During 2003, the District contributed a total of \$ 443,095 to the defined contribution plan. Under the provisions of the defined contribution plan, District contributions are discretionary; however, Missouri Revised Statutes require that the proceeds from the pension tax levy be invested in pension funds for the purpose of providing pension benefits.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

The District believes that it has no liability for losses under the plan but does have the duty of care that would be required of an ordinary prudent investor. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at December 31, 2003 were as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$1,720,843	\$ -
Special Revenue Funds -		
Ambulance Fund	-	1,533,587
Dispatching	-	137,293
Fiduciary Fund	-	49,963
	<u>\$1,720,843</u>	<u>\$1,720,843</u>

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE G - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in November and payable by December 31. The county collects the property tax and remits it to the District. Property taxes not collected within 60 days of year-end are not recorded as receivables or deferred revenue. Property taxes receivable of \$ 3,908,133 represent current and delinquent taxes collected within 60 days of year-end.

Taxes that remain uncollected within 60 days of year-end are not recognized as assets or revenue until received in subsequent years.

NOTE H - COMPENSATED ABSENCES

The District provides vacation for its full time employees covered under a collective bargaining agreement, as follows:

Less than one year of service	0 vacation weeks
One year but less than two years of service	1 vacation week
Two years but less than eight years of service	2 vacation weeks
Eight years but less than fifteen years of service	3 vacation weeks
Fifteen years of service or more	4 vacation weeks

Each employee covered by a collective bargaining agreement earns credit for one shift day of sick leave for each two months of active service, up to a maximum of eighteen shift days of sick leave.

It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying general purpose financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees.

NOTE I - LEGAL DEBT MARGIN

Assessed valuation - January 1, 2003	<u>\$573,017,428</u>
Debt limit - 5% of assessed value	\$ 28,650,871
Amount of debt applicable to debt limit	
Total bonded debt outstanding	-
Future interest on bonded debt	-
Legal Debt Margin	<u>\$ 28,650,871</u>

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE J - CONTRACTUAL AGREEMENT

The District has a contractual agreement with Central County Emergency 911 for dispatching services. For 2003, the agreement required the District to pay fees equal to the amount that would be collected from a tax levy of five cents per one hundred dollars of assessed valuation of all taxable, tangible property within the District's boundaries.

NOTE K - FUND DEFICIT

The general purpose financial statements include the following funds with cumulative fund deficits at December 31, 2003:

<u>Fund</u>	<u>Deficit Amount</u>
Ambulance Special Revenue Fund	\$ 823,652

NOTE L - RECONCILIATION OF BUDGETARY BASIS AND GAAP

The accompanying statement of revenues, expenses and changes in fund balances-budget and actual-budgetary basis-general and special revenue funds presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2003, is presented below:

	<u>General</u>	<u>Special Revenue</u>
Excess of revenues over (under) expenditures (budgetary basis)	\$ (657,619)	\$ 333,384
Adjustments		
To adjust revenues for tax accruals and Deferrals	(252,718)	237,437
To adjust expenditures for accruals and prepaids	<u>42,152</u>	<u>(248,460)</u>
Excess of revenues over (under) expenditures (GAAP basis)	<u>\$ (868,185)</u>	<u>\$ 322,361</u>

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE M – POST EMPLOYMENT HEALTH PLAN

The District has adopted a post employment health plan covering all union employees. The plan requires that the District withhold \$50 each pay period from each union employee's pay, to be deposited with the plan trustee. Assets of the plan are not reflected in the District's general purpose financial statements.

NOTE N – RISK MANAGEMENT

The District has purchased commercial insurance policies for various risks of loss related to torts, theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the district. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE O – CHANGE IN ACCOUNTING PRINCIPLE

In June 1999, the Governmental Accounting Standards Board adopted Statement of Governmental Accounting Standards No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Statement will require government - wide financial statements prepared using the economic resources measurement focus and the full accrual basis of accounting. The Statement is required to be adopted in the District's 2004 financial statements (earlier application is permitted), either as prior period adjustments with the restatement of all financial statements presented or the cumulative effect of the change should be reported as a restatement of beginning fund balance or fund net assets for the earliest period restated. The District has not yet determined which method it will use when it adopts the Statement nor the effect that the change in accounting will have on the District's financial position and results of operations.

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
SCHEDULE OF INSURANCE IN FORCE
December 31, 2003

<u>INSURANCE IN FORCE</u>	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>
Commercial Automobile Policy Liability Auto Medical Payments Uninsured Motorists Comprehensive Coverage Collision	American Alternative Insurance Corp.	\$1,000,000 Liability \$5,000/Person \$1,000,000/Accident Actual Cash Value/Cost of Repair Actual Cash Value/Cost of Repair
Commercial Umbrella	American Alternative Insurance Corp.	\$5,000,000/Occurrence \$10,000,000/Products Completed Operation \$10,000,000 General Aggregate
Commercial General Liability	American Alternative Insurance Corp.	\$1,000,000/Occurrence \$3,000,000/Products Completed Operation \$3,000,000 General Aggregate \$1,000,000 Personal Injury \$1,000,000 Fire Damage Legal Liability \$1,000,000 Personal & Advertising Injury \$5,000 Medical Expense (Any one person)
Emergency Services Management Liability	American Alternative Insurance Corp.	\$1,000,000 Each Wrongful Act \$3,000,000 Aggregate Limit
Commercial Property Buildings Contents Business Income Earthquake Flood	American Alternative Insurance Corp.	Guaranteed Replacement Cost \$649,497 12 Months Actual Loss Sustained \$ 4,394,602 (All Buildings) \$ 1,123,740 (All Buildings)
Commercial Crime Policy Employee Dishonesty	American Alternative Insurance Corp.	\$100,000/Blanket
Portable Equipment	American Alternative Insurance Corp.	Guaranteed Replacement Cost
Workers' Compensation	Missouri Employers Mutual	Statutory Limits
Public Employee Dishonesty	American Alternative Insurance Corp.	\$100,000

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
 SCHEDULE OF ASSESSED VALUATION, TAX RATE AND TAX LEVY
 Tax Year 2003 and 2002

	2003	2002
<u>ASSESSED VALUATION</u>		
Real estate	\$421,885,871	\$394,616,575
Personal property	151,131,557	151,933,777
Total Assessed Valuation	\$573,017,428	\$546,550,352

<u>TAX RATE (PER \$100 OF ASSESSED VALUATION)</u>	<u>2003</u> <u>Residential</u>	<u>2003</u> <u>Agricultural</u>	<u>2003</u> <u>Commercial</u>	<u>2003</u> <u>Personal</u> <u>Property</u>	<u>2002</u> <u>Total</u>
General fund	.784	.800	.777	.800	
Ambulance fund	.109	.150	.107	.116	
Debt service fund	.000	.000	.000	.000	
Pension fund	.127	.130	.126	.130	
Dispatching fund	.049	.050	.049	.050	
Total Tax Rate	1.069	1.130	1.059	1.096	

	2003	2002
<u>TAX LEVY</u>		
From assessed valuation	\$6,142,454	\$5,968,330
From surtax levy	416,108	390,599
TOTAL LEVY	\$6,558,562	\$6,358,929

Assessed valuations were made on real and personal properties owned by taxpayers on January 1.

Taxes levied become delinquent after December 31.

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
SCHEDULE OF PRINCIPAL OFFICE HOLDERS
December 31, 2003

<u>OFFICE HOLDER</u>		<u>ANNUAL COMPENSATION</u>
Steven Hartley	President	\$10,600
Robert Lynch	Treasurer	\$5,800
Stephen Hutchins	Secretary	\$7,067

The Board of Directors is elected and the Board annually determines which of its members will serve as chairman, treasurer, and secretary. The Board appoints the chief.

Each member of the Board may receive an additional fee not to exceed \$100 for attending each regularly called board meeting, or special meeting, but shall not be paid for attending more than four in any calendar month. The Chairman may receive an additional \$50 for up to two meetings per month. Each member is to be reimbursed for actual expenditures in the performance of his or her duties on behalf of the District. The Secretary and Treasurer may each receive additional compensation for the performance of their duties, not to exceed \$1,000 per year.

In addition to the above compensation, each member of the Board may receive an attendance fee not to exceed \$100 for attending a meeting conducted pursuant to Chapter 610, RSMo, but such board member shall not be paid for attending more than four such meetings in a calendar month.

**MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
December 31, 2003**

	<u>ASSETS</u>	<u>AMBULANCE</u>	<u>DISPATCHING</u>		<u>TOTALS (MEMO ONLY)</u>
Cash and cash equivalents		\$ 319,232	\$ 274,102	\$	593,334
Investments		-	110,034		110,034
Property taxes receivable		400,974	464,286		865,260
Other assets		13,729	-		13,729
	TOTAL ASSETS	\$ 733,935	\$ 848,422		\$ 1,582,357
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable and accrued expenses		\$ 24,000	\$ -	\$	24,000
Accrued dispatching fees		-	285,604		285,604
Due to other funds		1,533,587	137,293		1,670,880
	Total Liabilities	1,557,587	422,897		1,980,484
FUND EQUITY					
Reserved for dispatching expenditures		-	425,525		425,525
Designated for subsequent years' capital expenditures		-			-
Designated for subsequent year's operations		599,649			599,649
Unreserved - undesignated		(1,423,301)	-		(1,423,301)
	Total Fund Equity	(823,652)	425,525		(398,127)
	TOTAL LIABILITIES AND FUND EQUITY	\$ 733,935	\$ 848,422		\$ 1,582,357

MARYLAND HEIGHTS FIRE PROTECTION DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
Year Ended December 31, 2003

	<u>AMBULANCE</u>	<u>DISPATCHING</u>	<u>TOTALS</u> <u>(MEMO ONLY)</u>
REVENUES			
Property taxes	\$ 626,873	\$ 564,781	\$ 1,191,654
Ambulance fees	136,527	-	136,527
Interest	3,193	1,533	4,726
Miscellaneous income	769	-	769
	<u>767,362</u>	<u>566,314</u>	<u>1,333,676</u>
Total revenues			
EXPENDITURES			
Personal services	871,033	-	871,033
Employee benefits	276,845	-	276,845
Supplies	25,541	-	25,541
Heat, light and power	11,625	-	11,625
Capital outlay	-	4,388	4,388
Dispatching	-	296,057	296,057
Building & mobile equipment	240,249	10,340	250,589
Administration	17,241	-	17,241
	<u>1,442,534</u>	<u>310,785</u>	<u>1,753,319</u>
Total Expenditures			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(675,172)	255,529	(419,643)
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	742,004	-	742,004
	<u>742,004</u>	<u>-</u>	<u>742,004</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	66,832	255,529	322,361
FUND BALANCES AT BEGINNING OF YEAR	<u>(890,484)</u>	<u>169,996</u>	<u>(720,488)</u>
FUND BALANCES AT END OF YEAR	<u>\$ (823,652)</u>	<u>\$ 425,525</u>	<u>\$ (398,127)</u>



McCoy & Associates, P.C.

Certified Public Accountants and Consultants

4191 Crescent, Suite D
St. Louis, MO 63129

Telephone (314) 487-3100
Fax (314) 487-0032

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Maryland Heights Fire Protection District
St. Louis County, Missouri

We have audited the general purpose financial statements of Maryland Heights Fire Protection District of St. Louis County, Missouri (the District), as of and for the year ended December 31, 2003, and have issued our report thereon dated June 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Maryland Heights Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, as follows:

The ambulance special revenue fund had a cumulative fund deficit of \$823,652 at December 31, 2003.

We noted certain immaterial instances of noncompliance that we have reported to management of Maryland Heights Fire Protection District in a separate letter dated June 14, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maryland Heights Fire Protection District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not

to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are as follows:

The District does not maintain a detailed fixed asset listing reconciled to amounts reported in the District's general fixed asset group of accounts.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and the use of the Board of Directors, management and the Missouri State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Analy & Associates, P.C.

June 14, 2004