

NORMANDY FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2007

PREPARED BY:

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**NORMANDY FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Normandy Fire Protection District
St. Louis, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Normandy Fire Protection District, as of and for the year ended June 30, 2007, which collectively comprise the Fire Protection District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Normandy Fire Protection District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed below, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The bank reconciliations were not completed for the period January 1, 2006 through June 30, 2007. A number of adjusting entries were processed within the bank reconciliations. The Fire Protection District failed to record, or incorrectly recorded, material property, payroll liabilities, pension liabilities, and revenue transactions. Finally, due to a lack of financial statements, we were unable to perform certain audit procedures we deemed necessary, in the circumstance.

In our opinion, because of the effects of the lack of reconciliation of cash, and unrecorded or incorrectly recorded transactions discussed in the third paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Fire Protection District as of June 30, 2007, or the results of its operations or its cash flows for the year then ended. In addition, had there not been a departure from U. S. generally accepted accounting principles as discussed in the third paragraph, we would be unable to express an opinion on the financial statements for the year ended June 30, 2007, because of the lack of cash reconciliation,

missing invoices, lack of required audit testing discussed in in the third paragraph, and the uncertainties discussed in the following paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2008 on our consideration of the Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. The report is an integral part of the audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

The Fire Protection District has not presented the management's discussion and analysis as required by GASB 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 9-12 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire Protection District's basic financial statements. The introductory section, combining fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, fiduciary, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

St. Louis, Missouri
July 28, 2008

FINANCIAL STATEMENTS

Normandy Fire Protection District
Statement of Net Assets
For the Year Ended June 30, 2007

ASSETS

Current assets

Cash and cash equivalents	\$ 3,366,891
Taxes receivable, net of allowance	889,324
Prepaid expenses and other assets	
Total current assets	4,256,215

Restricted assets

Cash	
Noncurrent assets	
Capital assets:	
Land	105,286
Buildings	662,260
Furniture & equipment	1,772,224.49
Leasehold improvements	
Construction in progress	
Total fixed assets	2,539,770
Accumulated depreciation	(1,435,066)
Fixed assets, net of depreciation	1,104,705
Other noncurrent assets	
Total noncurrent assets	1,104,705

Total Assets

5,360,920

LIABILITIES

Current liabilities

Accounts payable-vendors	(45,908)
Accrued wage/payroll taxes payable	(192,592)
Accrued compensated absences--current portion	
Accounts payable-other government	
Deferred revenues	(228,906)
Current portion of long-term debt	
Total current liabilities	(467,405)

Noncurrent liabilities

Accrued compensated absences-noncurrent	(1,386,939)
Long-term debt, net of current	
Bonds	
Accrued interest	
Total noncurrent liabilities	(1,386,939)
Total liabilities	(1,854,344)

NET ASSETS

Invested in capital assets, net of related debt	(1,104,705)
Restricted for:	
Debt service	
Ambulance and dispatching operations	
Unrestricted	(2,401,871)
Total Net Assets	(3,506,576)
Total Liabilities and Net Assets	\$ (5,360,920)

Normandy Fire Protection District
Statement of Activities
For the Period January 1, 2006 Through June 30, 2007

	Governmental Activities
FUNCTIONS/PROGRAMS	
Fire prevention and suppression	\$4,185,402
EMS operations	1,572,572
Dispatching service	170,729
Pension contributions	180,718
Bond activities	793
Interest expense	
Depreciation expense not allocated to programs	376,685
Supplies and other not allocated to programs	
Total Program expenses	6,486,899
Program revenue:	
Charges for permit fees	(79,799)
Charges for ambulance calls	(586,384)
Total program revenue	(666,184)
Net program Expense	5,820,716
General revenue and transfers:	
Taxes levied	5,208,085
Income from investments	147,461
Other	7,881
Total general revenue	5,363,427
Increase (decrease) in net assets	(457,289)
Net assets-Beginning of year	3,963,865
Net assets-End of year	\$3,506,576

See independent auditor's report and notes to the financial statements

Normandy Fire Protection District
Reconciliation of Combining Balance Sheet to the Statement of Net Assets
For the Period January 1, 2006 Through June 30, 2007

Total fund equity per the Combining Balance Sheet \$ 3,788,810

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

Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.

Capital assets, net of accumulated depreciation & amortization	
Cost	2,539,770
Accumulated Depreciation	(1,435,066)

Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.

Long-term debt	-
Uncompensated Absences	(1,386,939)

Statement of Net Assets-Total net assets	\$ 3,506,576
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Normandy Fire Protection District
Reconciliation of Changes in Net Assets
For the Period January 1, 2006 Through June 30, 2007

Combining Statement of Revenues, Expenditures and Change in Fund Equity- sources over (under) expenditures and other uses	\$ (80,604)
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Depreciation	(376,685)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compenstated Absences

Statement of Activities-Change in net assets (increase) decrease	<u><u>\$ (457,289)</u></u>
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See independent auditor's report and notes to the financial statements

Normandy Fire Protection District
Statement of Assets, Liabilities and Changes in Net Assets
Governmental Funds
For the Year Then Ended June 30, 2007

	General Fund	Ambulance Fund	Debt Service Fund	Dispatch Fund	Pension Fund	Total Government Funds
ASSETS:						
Cash and cash equivalents	\$ 2,169,143	\$ 1,186,205	\$ 11,422		\$ 121	\$ 3,366,891
Taxes receivable, net of allowance	685,005	135,900	-	23,033	45,386	889,324
Due from other funds		170,906	294	44,466	161,545	377,212
Other assets						-
Total Current Assets	2,854,148	1,493,011	11,716	67,499	207,053	4,633,427
Total Assets	2,854,148	1,493,011	11,716	67,499	207,053	4,633,427
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	20,823	19,184		5,901		45,908
Accrued wages and payroll taxes	192,592					192,592
Due to other funds	377,212					377,212
Deferred revenue	142,090	28,283	-	4,607	53,926	228,906
Total Liabilities	732,717	47,467	-	10,508	53,926	844,617
Other Long Term Liabilities					-	
Net Assets:						
Reserved for:						
Debt service						-
Dispatching expenditures						-
Unreserved						
Invested in capital assets, net of related debt	-	-				-
Designated for obligations under plans						-
Designated for subsequent years operations budget	2,121,431	1,445,545	11,716	56,991	153,127	3,788,810
Total Net Assets	2,121,431	1,445,545	11,716	56,991	153,127	3,788,810
Total liabilities and net assets	\$ 2,854,148	\$ 1,493,011	\$ 11,716	\$ 67,499	\$ 207,053	\$ 4,633,427

See independent auditor's report and notes to the financial statements

Normandy Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Then Ended June 30, 2007

	General	Ambulance	Debt Service	Dispatch	Pension	Total
REVENUE						
Property taxes and contract fees	\$ 4,070,725	\$ 784,210	\$ 697	\$ 170,729	\$ 181,723	\$ 5,208,085
Ambulance billings		586,384				586,384
Inspection and permit fees	79,799					79,799
Income from investments						-
Proceeds from sale of assets						-
Interest and other charges	138,623	8,708	92		38	147,461
Miscellaneous	15,000	(7,119)				7,881
Total Revenue	4,304,148	1,372,183	788	170,729	181,761	6,029,611
EXPENDITURES						
Personal services	2,964,462	998,623				3,963,085
Employee benefits	782,159	247,414			180,718	1,210,290
Supplies	9,931	102,177				112,107
Contractual services	138,315	96,783	-	170,729		405,827
Heat, light and power	25,133	17,525				42,658
Capital outlay	-	29,649				29,649
Dispatching service						-
Building and mobile equipment	190,996	53,846				244,842
Depreciation Expense						-
Miscellaneous	24,929	4,974	793			30,695
Administration	49,478	21,582				71,060
Debt service:						-
Principal retirement			-			-
Interest and other charges			-			-
Total expenditures	4,185,402	1,572,572	793	170,729	180,718	6,110,214
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	118,747	(200,389)	(5)	-	1,043	(80,604)
FUND BALANCES AT BEGINNING OF YEAR	2,002,685	1,645,934	11,721	56,991	152,084	3,869,415
FUND BALANCES-END OF YEAR	\$ 2,121,431	\$ 1,445,545	\$ 11,716	\$ 56,991	\$ 153,127	\$ 3,788,811

See independent auditor's report and notes to the financial statements

REQUIRED SUPPLEMENTAL INFORMATION

**Normandy Fire Protection District
Budgetary Comparison Schedule
For The Year Ended
June 30, 2007**

	Operations - No Budget			
	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUE				
Property taxes and contract fees	\$ -	\$ -	4,070,725	\$ 4,070,725
Ambulance billings			-	-
Inspection and permit fees			79,799	79,799
Income from investments			-	-
Proceeds from sale of assets			-	-
Interest and other charges			138,623	138,623
Miscellaneous			15,000	15,000
Total Revenue	-	-	4,304,148	4,304,148
EXPENDITURES				
Personal services	-		2,964,462	2,964,462
Employee benefits			782,159	782,159
Supplies			9,931	9,931
Contractual services			138,315	138,315
Heat, light and power			25,133	25,133
Capital outlay			-	-
Operations/Dispatching service			-	-
Building and mobile equipment			190,996	190,996
Depreciation Expense			-	-
Miscellaneous			24,929	24,929
Administration			49,478	49,478
Debt service:			-	-
Principal retirement			-	-
Interest and other charges			-	-
Total expenditures	-	-	4,185,402	4,185,402
EXCESS OF REVENUE (OVER) UNDER EXPENDITURES	-	-	118,747	118,747
FUND BALANCES AT BEGINNING OF YEAR	-	-	2,002,685	2,002,685
FUND BALANCES-END OF YEAR	-	-	2,121,431	2,121,431

See independent auditor's report and notes to the financial statements.

**Normandy Fire Protection District
Budgetary Comparison Schedule
For The Year Ended
June 30, 2007**

	Ambulance			
	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUE				
Property taxes and contract fees	\$ 1,107,452	\$ 1,107,452	\$ 784,210	\$ (323,241)
Ambulance billings	764,854	764,854	586,384	(178,469)
Inspection and permit fees	1,070	1,070	-	(1,070)
Income from investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Interest and other charges	7,742	7,742	8,708	966
Miscellaneous	300	300	(7,119)	(7,419)
Total Revenue	1,881,418	1,881,418	1,372,183	(509,234)
EXPENDITURES				
Personal services	1,094,495	1,094,495	998,623	95,872
Employee benefits	238,484	238,484	247,414	(8,930)
Supplies	96,366	96,366	102,177	(5,811)
Contractual services	10,276	10,276	96,783	(86,507)
Heat, light and power	15,872	15,872	17,525	(1,653)
Capital outlay	974	974	29,649	(28,675)
Operations/Dispatching service	54,918	54,918	-	54,918
Building and mobile equipment	86,119	86,119	53,846	32,273
Depreciation Expense	-	-	-	-
Miscellaneous	-	-	4,974	(4,974)
Administration	79,799	79,799	21,582	58,217
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	1,677,302	1,677,302	1,572,572	104,730
EXCESS OF REVENUE (OVER) UNDER EXPENDITURES	204,116	204,116	(200,389)	404,505
FUND BALANCES AT BEGINNING OF YEAR	-	-	1,645,934	1,645,934
FUND BALANCES-END OF YEAR	204,116	204,116	1,445,545	2,050,439

See independent auditor's report and notes to the financial statements.

Normandy Fire Protection District
Budgetary Comparison Schedule
For The Year Ended
June 30, 2007

	Dispatch - No Budget			
	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUE				
Property taxes and contract fees	\$ -	\$ -	\$ 170,729	\$ 170,729
Ambulance billings			-	-
Inspection and permit fees			-	-
Income from investments			-	-
Proceeds from sale of assets			-	-
Interest and other charges			-	-
Miscellaneous			-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>170,729</u>	<u>170,729</u>
EXPENDITURES				
Personal services	-		-	-
Employee benefits			-	-
Supplies			-	-
Contractual services			170,729	170,729
Heat, light and power			-	-
Capital outlay			-	-
Operations/Dispatching service			-	-
Building and mobile equipment			-	-
Depreciation Expense			-	-
Miscellaneous			-	-
Administration			-	-
Debt service:			-	
Principal retirement			-	
Interest and other charges			-	
Total expenditures	<u>-</u>	<u>-</u>	<u>170,729</u>	<u>170,729</u>
EXCESS OF REVENUE (OVER) UNDER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>56,991</u>	<u>56,991</u>
FUND BALANCES-END OF YEAR	<u>-</u>	<u>-</u>	<u>56,991</u>	<u>56,991</u>

See independent auditor's report and notes to the financial statements.

Normandy Fire Protection District
Budgetary Comparison Schedule
For The Year Ended
June 30, 2007

	Pension - No Budget			
	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUE				
Property taxes and contract fees	\$ -	\$ -	\$ 181,723	\$ 181,723
Ambulance billings			-	-
Inspection and permit fees			-	-
Income from investments			-	-
Proceeds from sale of assets			-	-
Interest and other charges			38	38
Miscellaneous			-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>181,761</u>	<u>181,761</u>
EXPENDITURES				
Personal services			-	-
Employee benefits			180,718	180,718
Supplies			-	-
Contractual services			-	-
Heat, light and power			-	-
Capital outlay			-	-
Operations/Dispatching service			-	-
Building and mobile equipment			-	-
Depreciation Expense			-	-
Miscellaneous			-	-
Administration			-	-
Debt service:			-	-
Principal retirement			-	-
Interest and other charges			-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>180,718</u>	<u>180,718</u>
EXCESS OF REVENUE (OVER) UNDER EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,043</u>	<u>1,043</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>152,084</u>	<u>152,084</u>
FUND BALANCES-END OF YEAR	<u>-</u>	<u>-</u>	<u>153,127</u>	<u>153,127</u>

See independent auditor's report and notes to the financial statements.

SUPPLEMENTAL INFORMATION

Normandy Fire Protection District
Unaudited Statement of Fiduciary Net Assets
For the year ended June 30, 2007

	Pension Trust Fund
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 496,962
INVESTMENTS - AT FAIR VALUE 457 DC Plan and Trust	
Participant loans	261,886
Certificate of deposit	10,592
Equity investments (mutual funds)	3,711,608
	3,984,086
RECEIVABLES	
Accrued interest receivable	
Employer contribution	
Replacement taxes	
Accounts receivable - other	
	-
TOTAL ASSETS	4,481,047
LIABILITIES	
Accounts payable	-
Total liabilities	-
NET ASSETS AVAILABLE FOR BENEFITS	
Reserved for statutory requirements	4,481,047
Unreserved balance	-
TOTAL ASSETS AVAILABLE FOR BENEFITS	\$ 4,481,047

See independent auditor's report and notes to the financial statements

Normandy Fire Protection District
Unaudited Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2007

	Pension Trust Fund
Additions	
INVESTMENT INCOME:	
Gain (loss) on sale of securities	\$ (154,572)
Net appreciation in fair value of investments	748,237
Interest and Dividend Income	<u>224,242</u>
	817,908
Less: Investment expenses	
Total Investment income, net	<u>817,908</u>
 Other Income	 <u> </u>
CONTRIBUTIONS:	
Employee contributions	
Employer contributions:	477,902
Total contributions	<u>477,902</u>
Total additions	<u>1,295,810</u>
 BENEFITS PAID DIRECTLY TO PARTICIPANTS	
Payments to participants	(120,549)
Total benefits paid	<u>(120,549)</u>
 OTHER DEDUCTIONS AND EXPENSES	
Refund of contributions	-
Professional and contractual fees	(10,446)
Other	(14,261)
Total other deductions and expenses	<u>(24,706)</u>
Total deductions	<u>(145,256)</u>
Net increase	1,150,554
 NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of year	<u>3,330,494</u>
End of year	<u>\$ 4,481,047</u>

See independent auditor's report and notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Normandy Fire Protection District (the District) provides fire protection, fire prevention, and emergency ambulance service to its residents. The 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 financial statements include all funds controlled by the District. A component unit is an organization that is included in the District's financial statements for which the District is financially accountable, or for which the District is not accountable, but for which the nature and significance or their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenue for the different functions of the District's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenue include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements: The fund financial statements provide information about the District's funds, excluding fiduciary fund. Separate statements for each fund category - governmental and fiduciary - are presented.

The District reports the following governmental funds:

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.

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the provision of emergency medical services.

Debt Service Fund

This fund accounts for the accumulation of resources for the payment of general long-term debt principal and interest. The long term debt was liquidated in 2006. The fund has minimal activity.

Dispatching Fund

This fund receives tax revenue and disburses funds in order to participate with other fire protection districts in a centralized dispatching service for the dispatching of fire and ambulance calls. The costs are equivalent to the revenue. The cost behavior is central services. The for-profit behavior is the contract vendor.

The District reports the following fund types:

Pension Trust Fund

This is a fiduciary fund used to account for assets held by the District in a trustee capacity. The fund accumulates contributions from the District generated from a pension tax levy as well as earnings from the fund's investments. Disbursements are made from the fund for retirement and administrative expenses. The activities of this fund were not audited. This data is presented for limited informational purposes.

Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, property taxes are recognized in the fiscal year for which the taxes are levied.

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after year-end. Property taxes are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental funds of the District follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the internal service fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are generally stated at market value.

Statutes authorize the District to invest in time deposits, U.S. Treasury and federal agency securities, commercial paper, bankers' acceptances and repurchase agreements. Statutes authorize the Pension Trust Fund to invest in corporate stocks and bonds.

Budgets and Budgetary Practices

The Fire Protection District Directors and other applicable boards are responsible for the preparation and approval of budgets for various District funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the Fire Protection District did not adopt formal budgets for the Year Ended June 30, 2007.

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Published Financial Statements

Sections 50.800 and 50.810 RSMo 2000, the Fire Protection District is responsible for preparing and publishing in a local newspaper detailed annual financial statements for the Fire Protection District. The financial statements are required to show receipts and revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The Fire Protection District failed to publish the required financial statement information as necessitated by Sections 50.800 and 50.810 RSMo 2000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by December 31. Property taxes not collected by January 1 of the subsequent year are delinquent. The St. Louis County Collector collects the property tax and remits it to the District. The County's fee for this service is 1.5% of the taxes collected.

Property taxes levied for the period January 1, 2006 through June 30, 2007, \$5,208,085, are recorded as receivable, net of estimated uncollectible, as are prior year levies which are reevaluated annually. Taxes receivable represent estimated amounts to be collected by the District for the period January 1, 2006 through June 30, 2007 and prior tax years, to be remitted to the District subsequent to June 30. The portion of taxes considered collectible but not collected and remitted to the District within 60 days of year-end is recorded as deferred tax revenue. Taxes receivable at June 30, 2007 are \$889,324.

Capital Assets

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. The District defines capital assets as assets with an initial, individual cost exceeding capitalization limit amounts as delineated below, and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over the estimated useful life of the assets.

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The estimated useful lives and capitalization limits are as follows:

Description	Estimated Life	Capitalization Limit
Buildings & Improvements	40	\$ 5,000
Fire Apparatus	10	5,000
Ambulances	5	5,000
Staff Vehicles	5	5,000
Office Equipment	5	5,000
Other Equipment	5	5,000
Remodeling	5	\$ 5,000

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations. The depreciation expense for the period January 1, 2006 through June 30, 2007 is \$376,685.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees are accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place. Compensated absences had not been recorded in the prior year. The total of \$1,386,939 represents the Agency's estimate of termination benefits for unused sick and vacation time for all at June 30, 2007 are \$1,386,939. The current portion has not been determined.

Interfund Transactions

Interfund transactions are reflected as loans, services provided reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the concurrent portion of interfund loans). Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates are addressed for uncollectible taxes receivables, fixed assets, depreciation expense, and the cash balances. Accordingly, actual results could differ from those estimates.

NOTE B — DEPOSIT AND INVESTMENT BALANCES

Following is a reconciliation of the District's deposit and investment balances as of June 30, 2007:

	Governmentwide Statement of Net Assets	Fiduciary Statement of Net Assets	Total
Cash	\$ 3,366,891	\$ 496,962	\$ 3,863,853
Investments	-	3,984,086	3,984,086
Total Cash and Investments	\$ 3,366,891	\$ 4,481,048	\$ 7,847,939

At year-end, the carrying amount of the District's cash deposits was \$ 3,863,853 and the government funds bank deposits were \$ 3,366,891. The difference between the bank deposits and the carrying amount represents cash and cash equivalents held by the pension trustees. Of the bank balance, \$100,000 was covered by federal depository insurance and the balance was not collateralized by securities pledged by the financial institutions or held by the Federal Home Loan Bank.

State statutes require that 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. At June 30, 2007, the District's cash deposits were not collateralized.

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE C - CAPITAL ASSETS

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

	January 1, 2006	Additions	Deletions	June 30, 2007
Land	\$ 105,286	\$ -	\$ -	\$ 105,286
Buildings & Improvements	662,260			662,260
Equipment & Other	1,772,224			1,772,224
Total Capital Assets	<u>2,539,770</u>	<u>-</u>	<u>-</u>	<u>2,539,770</u>
Total Accumulated Depreciation	<u>1,058,510</u>	<u>376,685</u>		<u>1,435,195</u>
Net Capital Assets	<u>1,481,260</u>	<u>(376,685)</u>	<u>-</u>	<u>1,104,575</u>

NOTE D – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2007 is as follows:

Fund	Receivable	Payable
General		\$ 377,211
Ambulance	170,906	
Dispatch	44,466	
Debt Service	294	
Pension Trust	\$ 161,545	

NOTE E – RETIREMENT PLAN

Defined Contribution Plan

The pension plan data is unaudited and is included as supplementary information. The plan activity is managed by multiple third parties with an elected board of directors.

The District provides pension benefits for all of its full-time employees after one year vesting through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate if on the payroll by January 1 each year. Employees are allowed, but not required, to make voluntary after-tax contributions to the plan. The District's contributions for each employee (and interest allocated to the employee's account) are fully vested on initial date of eligibility.

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE E—RETIREMENT PLAN (continued)

The District's total covered payroll in fiscal period January 1, 2006 through June 30, 2007 was \$3,142,363. During fiscal period January 1, 2006 through June 30, 2007, the District contributed a total of \$368,140 to the defined contribution plan. The District made all required contributions to the Plan. A copy of the Plan's financial statements may be obtained by contacting the District's management.

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.

The defined contribution plan is not included in the financial reporting entity.

Deferred Compensation Plan

The deferred compensation plan data is unaudited and is included as supplementary information. The plan activity is managed by multiple third parties with an elected board of directors.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 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.

The District's total covered payroll in fiscal period January 1, 2006 through June 30, 2007 was \$3,142,363. During fiscal period January 1, 2006 through June 30, 2007, the District contributed a total of \$109,492 to the defined contribution plan. The District made all required contributions to the Plan. A copy of the Plan's financial statements may be obtained by contacting the District's management.

The defined contribution plan is not included in the financial reporting entity.

The Plan offers life insurance in addition to retirement benefits. The normal retirement date is the participants' 65th birthday. Participants may elect to retire anytime after their 55th birthday, at which time they are 100% vested regardless of years of service.

The amount a participant receives at early, normal, or postponed retirement is based on the amount accumulated in their account. Although no employee contributions are required, employees may make voluntary contributions not to exceed 10% of their annual salary.

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE G - CONTRACTUAL AGREEMENTS

The District has a contractual agreement with North Central County Fire Alarm System that requires that the District pay fees equal to the amount which would be collected from a tax levy of four cents per one hundred dollars of assessed valuation of all taxable, tangible property within the District's boundaries. The period ending January 1, 2006 through June 30, 2007 tax revenues and payments were \$170,729.

NOTE H - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other districts to form a group of self-insurers for workers' compensation, a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation claims. The District pays an annual premium to the pool for its insurance coverage. The agreement for formation of the Missouri Fire and Ambulance Districts' Insurance Trust (MoFAD) provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. The pooling agreement allows for the pool to use 5% of assessments to make the pool self-sustaining for supplemental aggregate reinsurance coverage. This coverage will be funded until the cumulative balance reaches \$1,000,000. The Missouri Fire and Ambulance Districts' Insurance Trust has published its own financial report for the period ended June 30, 2007 that can be obtained from MoFAD. The amount expended to MoFAD was \$181,618.

NOTE I – NET ASSETS/FUND BALANCES

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- Restricted Net Assets-This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by laws through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE I – NET ASSETS/FUND BALANCES (continued)

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2007, reservations of fund balance are described below:

- Debt Service – to reflect the funds held for future payment of bond principal and interest. These funds are not available for general operations. Debt was defeased in 2006. The fund was not active at June 30, 2007.
- Dispatching Services – to reflect the funds held for dispatching services. These funds are not available for general operations.

NOTE J - CASH and CASH EQUIVALENTS

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand deposits, political subdivisions such as fire protection districts have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of Fire Protection District deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of the state funds and held by either the Fire Protection District, or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Normandy Fire Protection District will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The Fire Protection District's deposits at June 30, 2007 were exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the Fire Protection District's custodial banks in the Fire Protection District's name.

Normandy Fire Protection District
Notes to Financial Statements
June 30, 2007

NOTE J - CASH and CASH EQUIVALENTS (continued)

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in the U.S. Treasury and agency obligations. At June 30, 2007 the Fire Protection District had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The Fire Protection District has not adopted such a policy.

SUPPLEMENTAL REPORTS

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

Board of Directors
Normandy Fire Protection District
St. Louis, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Normandy Fire Protection District, as of and for the year ended June 30, 2007, which collectively comprise the Normandy Fire Protection District's basic financial statements and have issued our report thereon dated July 28, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Normandy Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Normandy Fire Protection District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Normandy Fire Protection District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Normandy Fire Protection District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Normandy Fire Protection District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2007-1 through 2007-7.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-8 through 2007-17 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Normandy Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2007-17, 2007-18, and 2007-23.

We noted certain matters that we reported to management of the District in the current year findings.

This report is intended solely for the information and use of the audit committee, the board of directors, management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

St. Louis, Missouri
July 28, 2008

NORMANDY FIRE PROTECTION DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
CONTROL FINDINGS AND RECOMMENDATIONS
June 30, 2007

2007-1 Finding: Monthly Financial Statements Not Prepared

Financial statements were not prepared and presented to the Board of Directors on a monthly basis. The financial staff was unable to provide a budget to actual revenue and expense variance report. The Board of Directors was deprived of the opportunity to manage NFPD's financial situation. By June 30, 2007 NFPD over drafted its bank accounts by \$388,417.

Recommendation: NFPD should consider utilizing software for financial reporting, utilize external support to produce the financial statements, train the staff to utilized fund accounting, and enable a monthly management review as a part of the process.

2007-2 Finding: Accounts Payable Balances did Not Agree to General Ledger

NFPD does not utilize the accounts payable reporting module. Accounts payable detail was not reconciled to the general ledger control account. Expenses & payables may be under/overstated by \$29,918.

Recommendation: We recommend the open invoice file be reconciled with the general ledger monthly. Differences should be investigated and resolved promptly.

2007-3 Finding: Multiple Unrecorded Transactions and Accounting Errors in Pension Transaction Recording and Reporting

Numerous posting errors in the money purchase (\$80,721) and 457B (\$57,113) deferred compensation plan transactions were not correctly recorded. NFPD's finance personnel did not understand the interfund impact to comply with accounting principles generally accepted in the United States of America. The pension participant receivable is misstated, and the withholding liabilities in the general fund are inaccurately recorded.

Recommendation: We recommend NFPD correct its pension withholding accounts by recording the 2005 audit adjusting journal entries and remove withholding payments paid through the ADP payroll processor.

2007-4 Finding: Interfund Transactions, Receivable and Payables, are Mixed. This Causes Contra Indicated Amounts in the Balance Sheet

The general fund due from the ambulance, \$-658,701, and the ambulance due to the general fund, \$1,160,878, is recorded as a negative liability, and a negative asset. Liabilities are materially misstated on the related financial statements.

Recommendation: We recommend staff analyze interfund transactions and accounts. Details should then be reconciled monthly with the general ledger accounts on a regular basis.

**NORMANDY FIRE PROTECTION DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
CONTROL FINDINGS AND RECOMMENDATIONS
June 30, 2007**

2007-5 Finding: Bank Reconciliation Approval

Currently, employees who are responsible for other cash functions also review bank reconciliations. This provides an ineffective system of cash control, because it permits the possibility of fraudulent activities due to the lack of an adequate segregation of duties.

Recommendations: An employee independent of cash receipt and disbursement activities should review the bank reconciliations for any unusual items and document their approval by initialing the form.

2007-6 Finding: Support for Cash Disbursements Needs to be Retained

On occasion, the District officer disposes of the vendor's invoice once the check is disbursed. This procedure leaves the District without documentary evidence to support such disbursements and could lead to duplicate payments and other problems.

Recommendations: The original invoice should always be retained as supporting documentation for any disbursement.

2007-7 Finding: Reconciling Statements Regularly

We noted the bank statements for the District various accounts were not reconciled to the general ledger.

Recommendations: We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all reconciling items be promptly investigated and adjusted with adequate explanations.

2007-8 Finding: Failure to make Prior Year Audit Adjustments

The District failed to record the 2005 adjusting journal entries prepared by the external auditor, into its 2006 and 2007 unaudited trial balances. The District did not provide accounting support for the period January 1, 2006 through June 30, 2007.

The 2006 and 2007 interim financial statements were materially misstated. This created a significant increase in the activities to address significant misstatements to the financial statements. The operations fund balance was understated from the prior year audited amount, \$1,449,527.

Recommendation: The District should arrange for the adjustments to be included in the year end 2007 audited financial statements.

2007-9 Finding: Interprogram Receivables/Payables, Transfers Ins/Out Did Not Balance with Each Other

The interprogram receivables/payables and transfers in/out did not agree by \$358,922.

NORMANDY FIRE PROTECTION DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
CONTROL FINDINGS AND RECOMMENDATIONS
June 30, 2007

Transactions were processed where resources were available, as opposed to the objective, The impact was to understate income/expense activity and GAAP departure
Recommendation: We recommend staff analyze interprogram accounts.

2007-10 Finding: Tax Receipt Deposits have not been Recorded for Ambulance, Dispatch, and Pension Funds

We noted \$104,078, \$114,255, and \$234,121 in posting errors within property tax revenues for dispatch, pension, and ambulance fund processing. The impact is to under/over stated activity in the related funds.

Recommendation: We recommend reconciling these details with source documents and the respective general ledger accounts on a regular basis.

2007-11 Finding: Lack of Recorded Compensated Absences

During our audit we noted the compensated absences; \$1,386,939, expense and accrual were neither recorded, nor supported by appropriate documentation.

Recommendation: We recommend revising the accounting policy to include an accrual for the amount of accrued compensated time an employee accumulates.

2007-12 Finding: Lack of Written Accounting and Internal Control Procedures

The District has not developed written accounting and internal control procedures to ensure the accurate recording of all financial transactions. The written accounting procedures would detail such matters as how to record particular transactions, reference to and adherence to the implementing regulations, adequate separation of duties, review and control procedures, filing and record maintenance procedures, etc.

Recommendation: We recommend the District develop written accounting and internal control procedures to ensure compliance with the AICPA Audit and Accounting Guide (Audit Guide), Government Organizations, which provides accounting and reporting guidance. The District should seek Board approval of the accounting procedures before implementation.

2007-13 Finding: Multiple Unrecorded Transactions and Accounting Errors in Payroll Transaction Recording and Reporting

\$307,957 in posting errors in the payroll withholding liabilities, associated with tax and employee non-pension withholding transactions, were not correctly recorded

Recommendation: We recommend NFPD correct its payroll withholding accounts by recording the 2005 audit adjusting journal entries and remove withholding payments paid through the ADP payroll processor.

2007-14 Finding: Multiple Unrecorded Transactions and Accounting Errors in Dispatch Transaction Recording and Reporting

**NORMANDY FIRE PROTECTION DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
CONTROL FINDINGS AND RECOMMENDATIONS
June 30, 2007**

\$138,988 in posting errors in the dispatch fund transactions were not correctly recorded. NFPD's finance personnel did not process the dispatch adjusting entries to record remittances to NCCA. The expenses are misstated.

Recommendation: We recommend NFPD acquire external accounting and financial management monitoring on a monthly basis, and at year end.

2007-15 Finding: Valuation of Land and Plant Facilities

\$835,127 was omitted from the complete listing of fixed assets. A complete listing of all fixed assets and their related cost are necessary in order to facilitate the computation of depreciation expense, which is required for all organizations to recognize in their financial statements under generally accepted accounting principles.

Recommendation: We recommend management compile an inventory of fixed assets by location and by fund. Normandy Fire Protection District should develop and maintain such a list; and agree it to the general ledger on a regular basis.

2007-16 Finding: Inconsistencies in Accounting System

During our audit, we discovered inconsistencies within the District's accounting system, specifically, the lack of consistent processing of none check transactions. Interest expense, interest income, and changes to the investment accounts had not been recorded. The payroll tax returns did not reconcile with the yearend payroll reporting.

Recommendation: We recommend the District consider hiring competent accounting personnel.

2007-17 Finding: Lack of Eighteen Month Budget Covering the Audit Period for 2006 and 2007.

The Normandy Fire Protection District did not provide budgeting support or guidance for the period January 1, 2006 through June 30, 2007.

Recommendation: The District shall establish a budget process.

2007-18 Finding: Noncompliance with Cash Collateral

The District failed to obtain collateral to cover deposits over FDIC coverage from its financial institutions. The District did not obtain depository agreements with its financial institutions and subjected its cash to unnecessary risk. The District is required to advertise for depository services biannually.

Recommendation: We recommend the District obtain depository agreements and collateral from its financial institutions.

**NORMANDY FIRE PROTECTION DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
CONTROL FINDINGS AND RECOMMENDATIONS
June 30, 2007**

2007-19 Finding: Expense Reimbursements: Standard Form

To request reimbursement for travel and other expenses, recipients either write the expenses on a plain sheet of paper, submit receipts only, or use some other inconsistent method.

Recommendations: We recommend the District implement the use of a standard form to be completed by all staff members, managers, and board members. This form along with the receipts accompanying the expenses should be required before the issuance of reimbursement payments. This practice will help to specifically identify expenses and to establish much greater accounting consistency regarding reimbursements

2007-20 Finding: Receiving Checks and Receipts

We noted that there are no standard procedures for receiving checks at the office.

Recommendation: The District should consider the following procedures should to improve internal controls:

Checks should be immediately endorsed when they are received. A control list should be made of receipts when they are received and/or opened. Checks should be deposited to the bank on a timely basis. Receipts should be processed timely. Deposit slips should be matched against the list of receipts to ensure that all amounts on the receipts were deposited.

2007-21 Finding: Accounting Staffing Needs to Perform Year-End Accounting

Bank reconciliations for the entire year had not been prepared.

Recommendation: We suggest the Normandy Fire Protection District provide its accounting staff with the necessary training to ensure they are able to efficiently prepare the year-end accounting for the engagement.

2007-22 Finding: Record Storage and Retrieval

During our engagement we noticed that accounting records frequently could not be located when needed. The causes of the problem were numerous:

- Lack of a clearly specified system for filing records
- Lack of specific policies for removing prior year records from the files to a designated storage space

The result was that employees spent nonproductive time searching for needed documents. This condition could also present problems when other government

NORMANDY FIRE PROTECTION DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
CONTROL FINDINGS AND RECOMMENDATIONS
June 30, 2007

agencies need documents in support of tax returns and other reports subject to audit.

Recommendation: We recommend the District consider following steps:

- Decide on a systematic manner of filing documents, e.g., pre-numbered Company envelopes, invoices and receiving reports filed consecutively by number, vendor bills alphabetically by vendor name, journal entries by month, etc.
- Describe the system in the accounting manual or post a description on the filing cabinets or storage room so employees will know how to find and re-file documents.
- Institute use of “sign-out” cards to be filled out when a document is removed, showing who took the record. The card should be placed in the file in place of the removed document.
- Establish a policy specifying which records should be retained permanently, which records should be kept only for a given period before being destroyed, and how long the period of time should be for the various documents termination.
- Decide on when records should be removed to other storage areas to create room for needed records. For example, some companies keep the current and prior year records in the accounting department or in storage rooms on the premises and store older records in off-premises warehouses, or some files may be stored on microfiche.
- Assign personnel the responsibility to periodically clean out the files in accordance with the established policy.

2007-23 Finding: Supporting Documentation Needed

We noted the District could not locate documentation that supported a majority of the additions to property and equipment over the years, including original invoices. Adequate documentation for such additions to fixed assets is critical and should be retained.

Recommendation: We suggest provisions be implemented to retain supporting documentation for purchases of fixed assets in all cases.

2007-24 Finding: Indirect Cost Allocation Plan

The District receives a significant portion of its revenue for specific funds (ambulance, dispatch, pension, and debt service) in the form of restricted property tax receipts. These funds have established restrictions for their use for certain projects and/or programs. Accordingly, these amounts have been recorded as a separate restricted class of net assets on the District’s financial statements. We found the District does not allocate overhead to the multiple funds. Rather, these costs are all absorbed by the unrestricted net asset class

NORMANDY FIRE PROTECTION DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
CONTROL FINDINGS AND RECOMMENDATIONS
June 30, 2007

and are not allocated to the specific funds' net assets. We believe there is a substantial cost in administering the specific funds and the general fund should be appropriately compensated.

The District has not developed a basis for allocation of overhead cost to programs and other support activities in accordance with SOP 98-2 and OMB A-110. The Program does not utilize substantiated allocation percentages to transfer all administrative and general and fund raising to specific programs. The impact is to misstate fully allocated cost to programs, and to not provide an accurate basis for cost reimbursement.

Recommendation: An allocation methodology should be developed and evidenced by allocated time or other documentation. The District should review the behavior of their overhead pool components to determine the most feasible means for gathering the documentation for overhead allocation.

2007-25 Finding: Computerized Accounts Payable System should be Utilized

The District disburses a number of transactions by electronic remittance (pension transactions), use of credit card, and checks without recording these transactions through the accounts payable system. While this procedure may be effective, it does not maintain the books on an accrual basis, tends to be inefficient, and becomes more cumbersome and error prone as transaction volume grows.

Recommendation: A practical alternative would be the use of the accounts payable system, which is a component of the computer accounting package currently in use. Under this method, a vendor's invoice is recorded in an open invoice journal upon receipt and approval. At any given point in time, a listing of open/unpaid invoices can be produced from the system. This listing should match all items in the open invoice file at all times. This procedure would make available on a virtually automatic basis a monthly list of unpaid invoices. This practice would allow for a much stronger control over the accounts payable and the amounts reflected in the financial statements.

**NORMANDY FIRE PROTECTION DISTRICT
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The prior audit report issued for the year ended December 31, 2005, included audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

Condition:

01-2. Warrants issued in excess of approved budgets.

Status:

Not Implemented.

Condition:

01-3. Published financial statements omitted funds.

Status:

Not Implemented