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1-1-2004

## Financial Statements and Management's Discussion and Analysis and Supplementary Information, 2003

Monarch Fire Protection District of St. Louis County

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

November 2, 2004

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

RE: Monarch 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

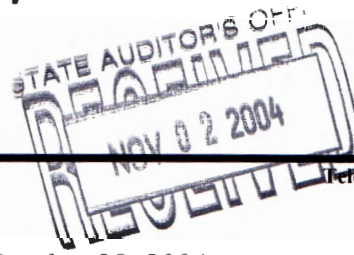
Judy Buerky  
Local Government Analyst



# 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

October 29, 2004

Ms. Alice Fast  
Missouri State Auditors Office  
301 West High Street  
Truman Building, Room 880  
Jefferson City, MO 65101

Dear Alice,

At the request of my client, Monarch Fire Protection District, I am enclosing one copy of their audited financial statements for the year ended December 31, 2003. The District is presently working on responses to the management letter comments. The management letter will be provided to your office after the responses are completed.

As always, feel free to call with any questions you may have.

Very truly yours,

McCOY & ASSOCIATES, P.C.

Kent G. McCoy, CPA

KGM  
Enclosures

cc: Monarch Fire Protection District



MONARCH FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS  
AND MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND SUPPLEMENTARY INFORMATION

*With report of independent auditors*

Year Ended December 31, 2003



MONARCH FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS  
Year Ended December 31, 2003  
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## McCoy & Associates, P.C.

Certified Public Accountants and Consultants

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St. Louis, MO 63129

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

### INDEPENDENT AUDITORS REPORT

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

We have audited the accompanying financial statements of the governmental activities, each fund and the aggregate remaining fund information of the Monarch Fire Protection District (the District), as of and for the year ended December 31, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each fund and the aggregate remaining fund information as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of December 31, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 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.



The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 34 through 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 District's basic financial statements. The accompanying supplementary information on pages 38 through 40 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Mc Coy & Associates, P.C.*

September 29, 2004



## MONARCH FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the Monarch Fire Protection District annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on December 31, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District covers an area of land operating as a Tax Increment Financing (TIF) District. The assessed valuation of personal property and real estate within the TIF district was \$73.2 Million. The District is unable to include this amount when calculating tax rates and assessing taxes for collection.
- During the year expenses exceeded revenue for governmental programs by \$1.3 Million.
- The District has no business-type activities, but does operate one Internal Service Fund
- The District passed a bond issue in April, 2004.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like fire suppression were financed in the short term as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships - like the Retirement Plan for Employees of the Monarch Fire Protection District - in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.
  - Proprietary fund statements offer financial information about business-type activities and internal service funds. Since the District has no business-type activities, these statements cover only the internal service fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**MONARCH FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The figure below summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of Monarch Fire Protection District Government-wide and Fund Financial Statements				
		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as fire suppression and emergency medical services	Includes only the District's Internal Service Fund	The District is trustee or agent for someone else's resources such as the Retirement Plan
Required financial statements	<ul style="list-style-type: none"> <li>▪ Statement of net assets</li> <li>▪ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet</li> <li>▪ Statement of revenue, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Net Assets</li> <li>▪ Statement of revenue, expenditures, and changes in net assets</li> <li>▪ Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of fiduciary net assets</li> <li>▪ Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenue and expenditures during year, regardless of when cash is received or paid	All revenue and expenses during the year, regardless of when cash is received or paid



## MONARCH FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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- **Fiduciary funds** - The District is the trustee, or fiduciary, for the Retirement Plan for Employees of the Monarch Fire Protection District and the Welfare Benefit Plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.
- **Proprietary funds** - The District uses an internal service fund (a kind of proprietary fund) to report activities of the District health, dental and vision plans.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets.** The District's combined net assets were \$23.9 Million.

Two particular features of the District's recent financial activity adversely affected the balance in unrestricted governmental net assets:

- During the past two years tax revenue has been flat as a result of several factors including the overall economy, the growth of the District being primarily in the TIF District, and the restrictions placed upon the rates by the State Hancock Amendment.
- The District has used accumulated cash balances to avoid any tax increases to the citizens.

**Changes in net assets.** The District's total revenue (excluding special items) was \$14.6 Million. The majority of the District's revenue comes from property taxes, accounting for approximately 94.7%. Another 3.7% comes from fees charged for services. Less than 2% is investment earnings and other miscellaneous revenue such as contributions.

The total cost of all programs and services (excluding special items) was \$16 Million. The District has two major types of expenditures, including personnel costs and equipment purchase and maintenance costs. This year, the personnel costs have accounted for 83.9% of the total expenditures.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported a combined fund balance of \$17.4 Million. Included in this year's total change in fund balance, however, are excess expenditures over revenue of \$1.5 Million in the District's general fund and \$320,000 in the District's ambulance fund. One other change to the District's beginning of the year fund balance should be noted, as follows:

- In the fall of 2002, the District switched from fully-funded health and dental plans to self-insurance plans. During 2002, all of the activity was recorded in the



## MONARCH FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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General, Ambulance and Pension Funds. At the start of 2003, the District decided to present these self-funded plans, along with the Vision self-funded plan as an internal service fund. For the District, this presentation allows a more efficient way to track the performance of the self-funded plans, and permits better management of those plans. As a result, the District reflects all net assets related to those self-funded plans as being reclassified from the General, Ambulance and Pension funds as of December 31, 2002.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised the budget two times. These budget amendments fall into three categories:

- Changes to reflect actual beginning account balances and expected revenue (correcting estimated amounts in the budget adopted in August 2002). This was adopted as part of the third quarter amendment
- Increases in appropriations to prevent budget overruns.
- Changes to reflect the switch from a budgetary basis under modified accrual for revenue and cash basis for expenditures to a full accrual budget basis. This reflects the adoption of GASB 34 for the 2003 fiscal year ended December 31, and a budgetary basis that is consistent with our reporting.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2003, the District had invested \$10.6 Million in a broad range of capital assets, including land and buildings, fire and medical equipment, communications equipment and maintenance equipment, as well as the furniture and fixtures for the engine houses and administration building. The District is not responsible for maintaining any infrastructure assets and does not own any such assets.

This amount represents a net decrease of \$6.9 Million or 39% over last year. There are two main reasons for this decrease:

- Prior to the adoption of GASB 34, the District had no requirement to depreciate fixed assets and maintained those assets in a separate account group. All capital assets were expensed when purchased. Upon adoption of GASB 34, the District must recognize the Accumulated Depreciation that would have been taken if we had been depreciating the assets since their purchase. As a result, the District must recognize \$7.1 Million of accumulated depreciation in the current year, resulting in a decrease of the capital assets.
- Concurrent with the adoption of GASB 34, the District made changes to the capitalization policy that it has used in the past. As a result, some of the assets that had been represented in the account group in 2002 are no longer reflected in the capital assets. These assets amounted to just over \$400,000.

## MONARCH FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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The District's fiscal year 2004 capital budget projected spending for capital projects is \$1.5 Million. The District received voter approval in April 2004 for a bond issue in the amount of \$4.3 Million. More detailed information about the District's plans for the bond issue can be found in the notes to the financial statements. In addition, more detailed information about the District's capital assets can be found in the notes to the financial statements.

### **Long-term Debt**

At year-end the District had \$1,800,000 in bonds outstanding. No new bonds were issued in 2003 and the District continued to pay the outstanding bonds. More detailed information about the District's Long-term liabilities is presented in Note K to the financial statements. Also see Note M regarding subsequent events.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The District is subject to the Missouri State Hancock Amendment. This restricts the amount of growth the District may have in revenue in any given year. The revenue, aside from new construction, may grow at a maximum of 5%, with other restrictions within the law. Actual allowable revenue growth has been less than 5%.
- The District boundaries include two TIF Districts. The largest of these Districts is the Chesterfield Valley. The TIF is expected to be completed somewhere around 2012. A large amount of the growth in assessed valuation is within the TIF District, further restricting the revenue growth available to the District.
- Late in 2003, the District Board of Directors passed a resolution to call the existing Bonds of the District, in the amount of \$1,800,000. This was accomplished in March, 2004. This early payment of the bonds saved the District approximately \$280,000 in interest payments over the next 6 years.
- The District went to the voters in April, 2004 to get approval for a \$4.3 million bond issue. This passed, and as of July, 2004, the bonds have been sold.

The above indicators were taken into account when adopting the general fund budget for 2004. Amounts available for appropriation in the general fund budget are \$8.7 Million, an increase of 2.3% over the final 2003 budget of \$8.5 Million.

Budgeted expenditures are expected to decrease nearly 11.9% to \$9.1 Million. The largest increments are decreased wages of approximately \$805,000 and increased cost of benefits of around \$376,000, based on the agreement reached with the fire District union in early 2004. In addition there were equipment purchases in the 2003 budget of \$650,000 that will not occur in 2004. The District has added no major new programs to the 2004 budget.



**Monarch Fire Protection District**  
**Statement of Net Assets**  
**December 31, 2003**

	Governmental Activities
<b>ASSETS:</b>	
Cash and Cash Equivalents	2,278,436
Cash-Restricted	16,982
Investments	7,950,000
Taxes Receivable, net of allowance	10,448,368
Other Receivables	147,386
Inventories	70,427
Capital Assets:	
Land	1,965,397
Buildings	9,417,268
Equipment and Other	6,328,101
Less accumulated depreciation	(6,514,322)
Total capital assets, net of depreciation	<u>11,196,444</u>
 Total Assets	 <u><u>\$ 32,108,043</u></u>
<b>LIABILITIES:</b>	
Accounts payable	179,266
Accrued wages and payroll taxes	195,500
Claims Payable	88,718
Due to other funds	450,452
Deposits	11,407
Deferred revenue	13,982,257
Long-term liabilities:	
Portion due or payable within one year:	
Bonds	1,800,000
Accrued Interest	22,903
Portion due or payable after one year:	
Compensated absences	<u>2,350,237</u>
Total Liabilities	<u>19,080,740</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	11,196,444
Restricted for:	
Debt service	537,022
Unrestricted	<u>1,293,837</u>
Total net assets	<u><u>\$ 13,027,303</u></u>

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



**Monarch Fire Protection District**  
**Statement of Activities**  
**For the Year Ended December 31, 2003**

FUNCTIONS/PROGRAMS	<u>Governmental Activities</u>
Expenses:	
Administrative and General	\$ 225,037
Training and Support	11,141
Fire Prevention and inspection	10,236
Maintenance and support services	194,130
Fire and EMS operations	110,236
Professional Fees	101,621
Dispatching service	739,027
Director's Fees	23,567
Utilities	108,310
Salaries and Personnel Costs	13,471,148
Bond Interest Payments	121,566
Bond other expenses	2,168
Depreciation Expense	751,338
Total Program expenses	<u>15,869,525</u>
Program revenue:	
Charges for Permit Fees	383,737
Charges for Ambulance Calls	164,964
Total Program revenue	<u>548,701</u>
Net Program Expense	<u>15,320,824</u>
General revenue:	
Taxes Levied	14,987,369
TIF	74,373
Income from Investments	130,283
Miscellaneous	14,522
Total general revenue	<u>15,206,547</u>
Decrease in Net Assets	(114,277)
Special item - Gain/loss on sale of assets	4,322
Net assets-Beginning of year	13,137,258
Net assets-End of year	<u><u>\$ 13,027,303</u></u>

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

**Monarch Fire Protection District**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2003**

	General Fund	Ambulance Fund	Debt Service Fund	Capital Projects Fund	Dispatch Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ (63,195)	\$ 1,515,880	\$ 351,104	\$ 16,493	\$ 109,109	\$ 1,929,391
Cash-Restricted	16,982	-	-	-	-	16,982
Investments	7,950,000	-	-	-	-	7,950,000
Taxes Receivable, net of allowance	5,545,835	3,382,476	1,003,553	-	516,504	10,448,368
Due from other Funds	-	1,410,023	542,637	-	274,396	2,227,056
Other Receivables	-	147,386	-	-	-	147,386
Total Assets	<u>\$ 13,449,622</u>	<u>\$ 6,455,765</u>	<u>\$ 1,897,294</u>	<u>\$ 16,493</u>	<u>\$ 900,009</u>	<u>\$ 22,719,183</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 136,972	\$ 42,062	\$ 232	\$ -	\$ -	\$ 179,266
Accrued wages and payroll taxes	123,500	72,000	-	-	-	195,500
Due to other funds	2,677,095	-	-	-	-	2,677,095
Deposits	11,407	-	-	-	-	11,407
Deferred revenue	1,183,886	723,625	195,552	-	108,081	2,211,144
Total Liabilities	<u>4,132,860</u>	<u>837,687</u>	<u>195,784</u>	<u>-</u>	<u>108,081</u>	<u>5,274,412</u>
<b>Fund Balances:</b>						
Reserved for:						
Debt service	-	-	1,701,510	-	-	1,701,510
Unreserved						
Designated	9,316,762	5,617,500	-	16,493	791,928	15,742,683
Undesignated	-	578	-	-	-	578
Total Fund Balance	<u>9,316,762</u>	<u>5,618,078</u>	<u>1,701,510</u>	<u>16,493</u>	<u>791,928</u>	<u>17,444,771</u>
Total liabilities and fund balances	<u>\$ 13,449,622</u>	<u>\$ 6,455,765</u>	<u>\$ 1,897,294</u>	<u>\$ 16,493</u>	<u>\$ 900,009</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

11,196,444

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. (Inventory)

70,426

Some liabilities are not due and payable in the current period and therefore are not reported in the funds (Compensated absences and bonds payable)

(4,173,140)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the District's internal service funds are included in governmental activities in the statement of net assets.

259,914

The District's 2003 tax revenues are intended to fund the 2004 budget. therefore, 2003 tax revenue reported as received and receivable in the funds is reported as deferred revenue in the statement of net assets.

(11,771,112)

Net assets-governmental activities

\$ 13,027,303

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

**Monarch Fire Protection District**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2003**

	General Fund	Ambulance Fund	Debt Service Fund	Capital Projects Fund	Dispatch Fund	Total
<b>REVENUE</b>						
Tax Revenue						
Levy	\$ 7,563,017	\$ 4,610,034	\$ 1,356,743	\$ -	\$ 702,228	\$ 14,232,022
TIF	43,496	26,586	1,094	-	3,197	74,373
Ambulance billings	-	164,964	-	-	-	164,964
Inspection and permit fees	383,737	-	-	-	-	383,737
Income from investments	87,073	30,795	8,274	237	3,667	130,046
Miscellaneous	14,149	373	-	-	-	14,522
Total Revenue	<u>8,091,472</u>	<u>4,832,752</u>	<u>1,366,111</u>	<u>237</u>	<u>709,092</u>	<u>14,999,664</u>
<b>EXPENDITURES</b>						
Current:						
Administrative and general	162,362	62,675	-	-	-	225,037
Training and support	11,141	-	-	-	-	11,141
Fire prevention and inspection	10,236	-	-	-	-	10,236
Maintenance and support services	165,001	29,129	-	-	-	194,130
Fire and EMS operations	99,323	11,871	-	-	-	111,194
Professional fees	55,203	45,918	-	-	500	101,621
Dispatching service	-	-	-	-	739,027	739,027
Director's fees	14,140	9,427	-	-	-	23,567
Utilities	108,310	-	-	-	-	108,310
Salaries and Personnel Costs	8,232,333	4,895,230	-	-	-	13,127,563
Debt service:						
Principal	-	-	325,000	-	-	325,000
Interest and other charges	-	-	100,831	-	-	100,831
Capital outlay	743,944	103,668	-	-	-	847,612
Total expenditures	<u>9,601,993</u>	<u>5,157,918</u>	<u>425,831</u>	<u>-</u>	<u>739,527</u>	<u>15,925,269</u>
Excess (deficiency) of revenue over expenditures	<u>(1,510,521)</u>	<u>(325,166)</u>	<u>940,280</u>	<u>237</u>	<u>(30,435)</u>	<u>(925,605)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of assets	3,450	8,250	-	-	-	11,700
Total Other Financing Sources (Uses)	<u>3,450</u>	<u>8,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,700</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,507,071)</u>	<u>(316,916)</u>	<u>940,280</u>	<u>237</u>	<u>(30,435)</u>	<u>(913,905)</u>
<b>FUND BALANCES-BEGINNING OF YEAR (as restated)</b>	<u>10,823,833</u>	<u>5,934,994</u>	<u>761,230</u>	<u>16,256</u>	<u>822,363</u>	<u>18,358,676</u>
<b>FUND BALANCES-END OF YEAR</b>	<u>\$ 9,316,762</u>	<u>\$ 5,618,078</u>	<u>\$ 1,701,510</u>	<u>\$ 16,493</u>	<u>\$ 791,928</u>	<u>\$ 17,444,771</u>

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



**Monarch Fire Protection District**  
**Reconciliation of the Governmental Funds Statement of**  
**Revenue, Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities**

**Total net change in fund balances - governmental funds** **\$ (913,905)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$751,338) exceeds capital outlays (\$847,612) for the period. 96,274

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 325,000

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenue and are deferred in the governmental funds. Deferred tax revenue increased (decreased) by this amount this year. 755,347

In the statement of activities, only the gain on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the Net Book Value of the assets sold. (7,378)

In the statement of activities, certain operating expenses - compensated absences (sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used, (essentially the amounts actually paid). This year, sick leave used exceeded the amount of sick leave earned by \$242,525. (242,525)

In the statement of activities, certain operating expenses-cost of inventory, are measured by the amounts used during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used, (essentially the amounts actually paid). This year, inventory on hand exceeded the amount actually used by \$958. 958

An internal service fund is used by management to charge the costs of health, dental and vision insurance to individual funds. The net revenue of the internal service funds is reported with governmental activities. (100,823)

Interest in long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (22,903)

**Change in net assets of governmental activities** \$ (109,955)

**Monarch Fire Protection District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2003**

	<u>Internal Service Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 349,045
Total Assets	<u>349,045</u>
<b>LIABILITIES</b>	
Claims Payable	88,718
Due to other funds	413
Total Liabilities	<u>89,131</u>
<b>NET ASSETS</b>	
Unrestricted - Designated for future catastrophe losses	<u>\$ 259,914</u>

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

**Monarch Fire Protection District**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Net Assets - Proprietary Funds**  
**For the Year Ended December 31, 2003**

	<u>Internal Service Funds</u>
<b>OPERATING REVENUE</b>	
Charges for Services	\$ 1,757,388
Total Operating Revenue	<u>1,757,388</u>
<b>OPERATING EXPENDITURES</b>	
Insurance Claims	1,591,960
Stop Loss Insurance	213,792
Administrative fees and Miscellaneous	52,696
Total operating expenditures	<u>1,858,448</u>
Operating Income (loss)	(101,060)
<b>NONOPERATING REVENUE</b>	
Investment earnings	<u>237</u>
Total nonoperating revenue	<u>237</u>
Income (loss)	(100,823)
Change in net assets	<u>(100,823)</u>
Net Assets - Beginning of year (as restated)	360,737
Net Assets - End of year	<u><u>\$ 259,914</u></u>

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



**Monarch Fire Protection District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2003**

	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Charges for Services	\$ 1,757,388
Insurance Claims	(1,677,945)
Stop Loss Insurance	(213,792)
Administrative fees and Miscellaneous	(52,283)
Net cash provided (used) by operating activities	<u>(186,632)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Subsidies	<u>181,350</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	<u>237</u>
Net (decrease) in cash and cash equivalents	(5,045)
Balances - Beginning of Year	354,090
Balances - End of Year	<u><u>\$ 349,045</u></u>

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

**Monarch Fire Protection District**  
**Statement of Fiduciary Net Assets**  
**December 31, 2003**

	<b>Pension Trust Fund</b>	<b>Welfare Benefit Plan Trust</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 22,400	\$ 295,613	\$ 318,013
Taxes Receivable, net of allowance	1,025,329	-	1,025,329
Other Receivables	6,661	-	6,661
Due from other Funds	553,838	149,530	703,368
Investments, at fair value:	15,950,037	2,935,131	18,885,168
<b>Total Assets</b>	<u>17,558,265</u>	<u>3,380,274</u>	<u>20,938,539</u>
<b>LIABILITIES</b>			
Accounts Payable	3,359	-	3,359
Due to other funds	149,530	103,385	252,915
Deferred revenue	1,375,096	-	1,375,096
<b>Total Liabilities</b>	<u>1,527,985</u>	<u>103,385</u>	<u>1,631,370</u>
<b>NET ASSETS</b>			
Held in trust for benefits and employee welfare	<u>\$ 16,030,280</u>	<u>\$ 3,276,889</u>	<u>\$ 19,307,169</u>

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

**Monarch Fire Protection District**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended December 31, 2003**

	<b>Pension Trust Fund</b>	<b>Welfare Benefit Plan Trust</b>	<b>Total</b>
<b>Additions</b>			
Property Taxes	\$ 1,587,363	\$ -	\$ 1,587,363
TIF Revenue	7,993	-	7,993
Contribution from Pension Trust Fund	-	499,530	499,530
Investment Earnings	3,260,118	183,094	3,443,212
Total Additions	<u>4,855,474</u>	<u>682,624</u>	<u>5,538,098</u>
<b>Deductions</b>			
Contribution to Welfare Benefit Plan	499,530	-	499,530
Benefit payments	615,497	72,108	687,605
Disability Payments	-	232,145	232,145
Actuarial and consulting fees	5,250	9,340	14,590
Insurance	5,056	16,538	21,594
Plan Administrative fees and Miscellaneous	3,993	8,318	12,311
Total Deductions	<u>1,129,326</u>	<u>338,449</u>	<u>1,467,775</u>
Change in net assets	3,726,148	344,175	4,070,323
Net assets-Beginning of Year (as restated)	12,304,132	2,932,714	15,236,846
Net assets-End of Year	<u>\$ 16,030,280</u>	<u>\$ 3,276,889</u>	<u>\$ 19,307,169</u>

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



## MONARCH FIRE PROTECTION DISTRICT NOTES TO FINANCIAL STATEMENTS

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Monarch 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, including its fiduciary funds. 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.

# MONARCH FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 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.

### Capital Projects Fund

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

### Special Revenue-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 District reports the following fund types:

### Internal Service Fund

These funds account for health, dental and vision insurance coverages provided to District departments on a cost-reimbursement basis.

### Pension Trust Fund

This fund is 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.

### Welfare Benefit Plan Trust

This fund is used to account for assets held by the District in a trustee capacity. The fund accumulates contributions from the pension trust fund as well as earnings from the fund's investments. Disbursements are made for death, medical, disability and severance benefits as well as for educational assistance.



MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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Implementation of Governmental Accounting Standards Board Statements

*GASB Statements No. 34 and 37*

In June 1999 and in June 2001, the GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments – Omnibus*, respectively. These statements provide for the most significant change in financial reporting in over twenty years. The District has adopted these statements for its fiscal year ended December 31, 2003.

*GASB Statement No. 38*

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt. The District has adopted this statement for its fiscal year ended December 31, 2003.

*GASB Interpretation No. 6*

In March 2000, the GASB issued Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified and accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District has adopted this statement for its fiscal year ended December 31, 2003.

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.

*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.



## MONARCH FIRE PROTECTION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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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 and enterprise 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 Accounting

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

1. Formal budgetary integration is employed as a management control device during the year for all governmental funds. The budgets are adopted on a modified cash basis of accounting.
2. The Board of Directors approves the tax rate by ordinance. Once this rate has been established, the Board approves the total budget appropriation and amendments.
3. Unused appropriations lapse at the end of the year.

MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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Property Taxes

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 2003 are recorded as receivable, net of estimated uncollectibles, as are prior year levies which are reevaluated annually. Taxes receivable represent estimated amounts to be collected by the County Collector of Revenue for 2003 and prior tax years, to be remitted to the District subsequent to December 31. The portion of taxes not collected and remitted to the District within 60 days of year-end is recorded as deferred tax revenue.

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.

The estimated useful lives and capitalization limits are as follows:

	<u>Estimated Lives</u>	<u>Capitalization Limit</u>
Buildings & Improvements	30 years	\$3,000
Furniture & Fixtures	5-20 years	\$500
Communications & Computers	5-10 years	\$250
Medical Equipment	5-10 years	\$1,000
Vehicles & Equipment	5-15 years	\$1,000

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.

Compensated Absences

The District grants vacation to all employees at a rate based on years of experience and employees are scheduled to take vacation in the following year. Vacation time does not accumulate from year to year.



MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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The District also grants sick leave to all employees at the rate of six days per year and eight days per year, and allows covered employees to accumulate unused sick leave days up to 120 days and 240 days, for shift personnel and administrative personnel, respectively. Upon termination of employment due to retirement or other reasons, 70% to 100% of the balance accumulated is paid to the employee.

The District accrues accumulated unpaid compensated absences when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Transactions

Interfund transactions are reflected as either 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 appropriate benefiting 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. Accordingly, actual results could differ from those estimates.

NOTE B – RESTATEMENTS OF FUND EQUITY/NET ASSETS

The beginning fund equity/net assets of the General, Ambulance and Pension Trust Funds have been restated to reflect the cumulative effect of establishing the internal service fund. The impact of the restatements on the fund balances/net assets as previously reported is presented below:

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Pension Trust Fund</u>	<u>Internal Service Fund</u>
Fund balance/net assets, December 31, 2002, as previously reported	\$11,061,334	\$6,040,526	\$13,668,005	\$ -
Reclassification of internal service fund net assets	(237,501)	(105,532)	(17,704)	360,737



MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

Fund balance/net assets, December 31, 2002, as restated	<u>\$10,823,833</u>	<u>\$5,934,994</u>	<u>\$13,650,301</u>	<u>\$ 360,737</u>
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NOTE C – DEPOSIT AND INVESTMENT BALANCES

Deposits

Following is a reconciliation of the District's deposit and investment balances as of December 31, 2003:

	Government- wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Cash	\$ 2,278,436	\$318,013	\$2,596,449
Restricted cash	16,982	-	16,982
Investments	<u>7,950,000</u>	<u>18,885,168</u>	<u>26,835,168</u>
Total	<u>\$10,245,418</u>	<u>\$19,203,181</u>	<u>\$29,448,599</u>

At year-end, the carrying amount of the District's cash deposits was \$ 2,613,431 and the bank balance was \$ 2,796,543. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$100,000 was covered by federal depository insurance and \$ 952,643 was collateralized by the pledging financial institutions. Such collateral was held by the pledging financial institutions agent in the District's name.

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 December 31, 2003, the District's cash deposits were under collateralized by the amount of \$ 1,743,906. On January 2, 2004, the depository bank pledged additional securities to fully secure the District's funds.

Investments

The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the District as of December 31, 2003. Category (1) includes investments that are insured or registered, or held by the District or its agent in the District's name. Category (2) includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or the District's agent in the District's name. Category (3) includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name.

MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

At December 31, 2003, investments included the following:

	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
<b>Categorized investments:</b>			
Repurchase agreements	\$ -	\$ 7,950,000	\$ 7,950,000
Total categorized investments	<u>\$ -</u>	<u>\$ 7,950,000</u>	<u>7,950,000</u>
<b>Uncategorized investments:</b>			
Mutual funds:			
Money market			147,165
Domestic equities			14,027,435
Annuities			4,019,816
Limited Partnerships			<u>690,752</u>
Total investments			<u>\$ 26,835,168</u>

NOTE D - CAPITAL ASSETS

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

	<u>January 1, 2003 (as restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2003</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,965,397	\$ -	\$ -	\$ 1,965,397
<i>Capital assets being depreciated:</i>				
Buildings & improvements	9,371,633	45,635		9,417,268
Equipment & other	<u>5,713,368</u>	<u>801,977</u>	<u>(187,244)</u>	<u>6,328,101</u>
Total capital assets being depreciated:	<u>15,085,001</u>	<u>847,612</u>	<u>(187,244)</u>	<u>15,745,369</u>
Less accumulated depreciation for:				
Buildings & improvements	(3,166,371)	(290,031)	-	(3,456,402)
Equipment & other	<u>(2,776,480)</u>	<u>(461,307)</u>	<u>179,867</u>	<u>(3,057,920)</u>
Total accumulated depreciation	<u>(5,942,851)</u>	<u>(751,338)</u>	<u>179,867</u>	<u>(6,514,322)</u>
Total capital assets being depreciated, net:	<u>9,142,150</u>	<u>96,274</u>	<u>(7,377)</u>	<u>9,231,047</u>
Totals	<u>\$11,107,547</u>	<u>\$ 96,274</u>	<u>\$ (7,377)</u>	<u>\$11,196,444</u>

MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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At January 1, 2003, the District made the following restatements to capital assets:

Capital assets as reported in the general fixed assets account group – December 31, 2002	\$17,504,060
Record accumulated depreciation for buildings and improvements, equipment and furniture and fixtures	(5,942,851)
Remove equipment below the increased capitalization thresholds – See NOTE A	<u>(453,662)</u>
Capital assets as restated – December 31, 2002	<u>\$11,107,547</u>

NOTE E – INTERFUND TRANSACTIONS

The composition of interfund balances as of December 31, 2003 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Welfare Benefit Plan Trust	\$ 103,385
	Internal Service Fund	413
		<u>\$ 103,798</u>
Ambulance Fund	General Fund	<u>\$ 1,410,023</u>
Dispatch Fund	General Fund	<u>\$ 274,396</u>
Debt Service Fund	General Fund	<u>\$ 542,637</u>
Pension Trust Fund	General Fund	<u>\$ 553,838</u>
Welfare Benefit Plan Trust	Pension Fund	<u>\$ 149,530</u>

NOTE F – RETIREMENT PLAN

Plan Description

The Retirement Plan for Employees of the Monarch Fire Protection District (the Plan) is a single-employer, non-contributory, defined contribution pension plan administered by District management that covers all employees at the end of the Plan year who have completed one thousand (1,000) hours of service during the Plan year. The Plan provides retirement, death, disability and other termination of employee benefits to Plan members and beneficiaries. At December 31, 2003, there were 120 Plan members. Plan members are not allowed to contribute to the Plan.



## MONARCH FIRE PROTECTION DISTRICT NOTES TO FINANCIAL STATEMENTS

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### Significant Accounting Policies

Contributions to the Plan are at the sole and absolute discretion of the Board of Directors. Contributions are made with funds derived from the tax established pursuant to Section 321.610 RSMo, or at the discretion of the Board of Directors, from other available revenue of the District. The contribution is allocated to participants' accounts in an amount equal to the total amount contributed multiplied by the ratio of the participant's compensation for the Plan year to total compensation for all participants entitled to a contribution for the Plan year. Participants become 100% vested after 10 years of service. During the year ended December 31, 2003, the District contributed \$ 943,152 to the Plan for the year ended December 31, 2002. The Board has approved an additional 2003 contribution of \$1,160,838 to be contributed in 2004.

### NOTE G – OTHER POST-EMPLOYMENT BENEFITS

In addition to the benefits described in Note F, the District provides postretirement medical benefits, disability benefits, educational assistance benefits, a \$50,000 per participant death benefit and severance benefits to eligible employees. These benefits are provided under a Plan known as the Monarch Fire Protection District Welfare Benefit Plan (the "VEBA"). Employees are eligible to participate in the VEBA after one month of full-time employment. At December 31, 2003, there were 116 participants.

Under the terms of the VEBA, the District shall contribute amounts required to fund benefits under the Plan. The VEBA administrator appoints an actuary to determine the liabilities under the Plan and the contributions required to fund such liabilities. For the year ended December 31, 2003, the District's actuarially required and actual contributions were \$292,960 and \$499,530, respectively. The amount of net assets available for benefits under the Plan totaled \$3,276,889 at December 31, 2003. The actuarial accrued liability and the unfunded actuarial accrued liability were \$2,362,647 and \$-, respectively, at January 1, 2003, the date of the last actuarial valuation.

The District uses the aggregate cost funding method. Under this method, the present value of all projected benefits in excess of plan assets is spread over the present value of future payroll, and funded as a level percentage of covered compensation. Actuarial gains and losses are spread over future normal costs.

Significant actuarial assumptions include an interest rate of 6.5% (reduced from the prior year rate of 7.5%) and salary increases of 5% per year. Mortality rates are the 1983 Group Annuity Mortality Table for Males, set forward 10 years.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE H - LEGAL DEBT MARGIN

Assessed valuation - January 1, 2003	<u>\$1,672,046,390</u>
Debt limit - 5% of assessed value	83,602,320
Amount of debt applicable to debt limit:	
Total bonded debt outstanding	1,800,000
Less amount available in debt service fund	<u>(1,701,510)</u>
	98,490
Legal Debt Margin	<u>\$ 83,503,830</u>

NOTE I - CONTRACTUAL AGREEMENTS

The District, in conjunction with the City of Town and Country, and the Creve Coeur, Maryland Heights, Metro West and West County EMS & Fire Protection Districts, has created the Central County Emergency 911 Dispatching Center (CCE911). The board of CCE911 is composed of one member from each of the boards of the participating governments. The District has entered into an agreement with CCE911 for dispatching services and maintenance of communication equipment. The agreement requires the District to pay annual assessments equal to five cents per one hundred dollars of assessed valuation of the District.

NOTE J - 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 transferred these risks by purchasing insurance from commercial enterprises. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District self-insures for employee health, dental and vision claims up to predetermined maximums. Under the program, an internal service fund provides coverage for up to annual per person maximums of \$60,000, \$2,000 and \$200 for health, dental and vision claims, respectively. The District purchases commercial insurance for health claims in excess of coverage provided by the internal service fund. The claims liability reflected in the internal service fund as accrued expenses in the amount of \$88,718 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.



MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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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 year ended December 31, 2003 that can be obtained from MoFAD.

NOTE K – LONG-TERM DEBT

General long-term debt as of December 31, 2003 consisted of the following:

1994 Series - Sale of one million dollars (\$1,000,000) in general obligation bonds. The amount of interest paid on these bonds ranges from 3.9% to 5.0%. Principal payments range between \$175,000 and \$225,000 per year and are due on March 1, with semi-annual interest payments due on March 1 and September 1.

1995 Series - Sale of one million, five hundred thousand dollars (\$1,500,000) in general obligation bonds. The amount of interest paid on these bonds ranges from 4.9% to 7.5%. Principal payments range between \$50,000 and \$200,000 per year and are due on March 1, with semi-annual interest payments due on March 1 and September 1.

1996 Series - Sale of seven hundred thousand dollars (\$700,000) in general obligation bonds. The amount of interest paid on these bonds ranges from 4.35% to 6.0%. Principal payments range between \$50,000 and \$75,000 per year and are due on March 1, with semi-annual interest payments due on March 1 and September 1.

Maturities of these bonds are as follows:

<u>Bond</u>	<u>Interest</u>	<u>Total</u>	<u>Maturity</u>
\$ 350,000	\$ 84,019	\$ 434,019	2004
225,000	70,744	295,744	2005
225,000	59,257	284,257	2006
225,000	47,576	272,576	2007
250,000	35,038	285,038	2008
250,000	21,638	271,638	2009
275,000	7,450	282,450	2010
<u>\$ 1,800,000</u>	<u>\$ 325,722</u>	<u>\$ 2,125,722</u>	



MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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During the year ended December 31, 2003, the following changes occurred in Long-term debt:

	<u>January 1,</u> <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2003</u>
General Obligation Bonds	\$ 2,125,000	\$ -	\$ 325,000	\$ 1,800,000
Compensated Absences	<u>2,107,712</u>	<u>267,358</u>	<u>24,833</u>	<u>2,350,237</u>
Total	<u>\$ 4,232,712</u>	<u>\$ 267,358</u>	<u>\$ 349,833</u>	<u>\$ 4,150,237</u>

NOTE L – 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.

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 December 31, 2003, reservations of fund balance are described below:

- *Debt Service* – to reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.

MONARCH FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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The beginning net asset amount for governmental activities in the government-wide financial statements reflects the effect on fund balances for governmental funds at December 31, 2002, caused by the adoption of GASB Statement No. 34.

The transition from governmental fund balances to net assets of the governmental activities is presented below:

Fund Balances – Modified Accrual Basis, December 31, 2002 (as restated)	\$ 18,719,413
GASB 34 Adjustments:	
Revenue deferred that was previously recognized	(12,526,459)
Capital assets, net of accumulated depreciation	11,107,547
Inventory	69,469
Bonds payable	(2,125,000)
Compensated absences	<u>(2,107,712)</u>
Total Net Assets, December 31, 2002	<u>\$ 13,137,258</u>

NOTE M – SUBSEQUENT EVENTS

On March 1, 2004, the District called and redeemed early the general obligation bonds then outstanding in the amount of \$1,450,000, plus accrued interest. The advance refunding was undertaken to reduce total debt service payments over the next seven years by \$1,729,916.

On July 13, 2004, the District issued \$4,300,000 of general obligation bonds.

**Monarch Fire Protection District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget- Positive (Negative)
<b>REVENUE</b>				
Tax Revenue-Levy	\$ 7,979,900	\$ 7,980,500	\$ 7,669,648	\$ 310,852
Tax Revenue-TIF	44,000	44,000	43,496	504
Inspection and Permit Fees	280,000	350,000	383,737	(33,737)
Income from Investments	200,000	86,000	87,073	(1,073)
Miscellaneous	14,500	14,500	14,149	351
Proceeds from sale of assets	10,000	3,450	3,450	-
Total Revenue	<u>8,528,400</u>	<u>8,478,450</u>	<u>8,201,553</u>	<u>276,897</u>
<b>EXPENDITURES</b>				
Current:				
Administrative and general	140,750	131,850	157,802	(25,952)
Training and support	107,000	53,000	9,948	43,052
Fire prevention and inspection	24,000	14,500	8,712	5,788
Maintenance and support services	222,000	205,000	144,928	60,072
Fire and EMS operations	129,000	111,000	83,871	27,129
Professional fees	66,200	99,200	51,593	47,607
Director's fees	13,500	13,500	14,140	(640)
Utilities	128,000	117,000	100,561	16,439
Salaries and Personnel Costs	8,614,700	8,453,300	8,108,608	344,692
Capital outlay	838,000	787,000	678,053	108,947
Total expenditures	<u>10,283,150</u>	<u>9,985,350</u>	<u>9,358,216</u>	<u>627,134</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,754,750)</u>	<u>(1,506,900)</u>	<u>(1,156,663)</u>	<u>(350,237)</u>
Fund Balance - Beginning of Year (as restated)			10,823,833	
Fund Balance - End of Year			<u>\$ 9,667,170</u>	



**Monarch Fire Protection District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - Ambulance Fund**  
**For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget- Positive (Negative)
<b>REVENUE</b>				
Tax Revenue-Levy	\$ 4,880,100	\$ 4,880,500	\$ 4,680,308	\$ 200,192
Tax Revenue-TIF	25,000	25,000	26,586	(1,586)
Ambulance Billings	100,000	91,000	164,556	(73,556)
Income from Investments	150,000	31,000	30,795	205
Miscellaneous	2,000	500	373	127
Proceeds from sale of assets	10,000	8,250	8,250	-
Total Revenue	<u>5,167,100</u>	<u>5,036,250</u>	<u>4,910,868</u>	<u>125,382</u>
<b>EXPENDITURES</b>				
Current:				
Administrative and general	73,000	49,500	61,474	(11,974)
Maintenance and support services	155,000	139,000	5,900	133,100
Fire and EMS operations	50,000	50,000	6,123	43,877
Professional fees	49,700	59,200	41,261	17,939
Director's fees	9,000	9,000	9,427	(427)
Salaries and Personnel Costs	5,064,300	5,054,500	4,818,590	235,910
Capital outlay	190,000	19,200	101,489	(82,289)
Total expenditures	<u>5,591,000</u>	<u>5,380,400</u>	<u>5,044,264</u>	<u>336,136</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (423,900)</u>	<u>\$ (344,150)</u>	(133,396)	<u>\$ (210,754)</u>
Fund Balance - Beginning of Year (as restated)			5,934,994	
Fund Balance - End of Year			<u>\$ 5,801,598</u>	

**Monarch Fire Protection District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - Dispatch Fund**  
**For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget- Positive (Negative)
<b>REVENUE</b>				
Tax Revenue-Levy	\$ 584,100	\$ 584,100	\$ 651,395	\$ (67,295)
Tax Revenue-TIF	4,200	4,200	3,197	1,003
Income from Investments	10,000	3,600	3,667	(67)
Total Revenue	<u>598,300</u>	<u>591,900</u>	<u>658,259</u>	<u>(66,359)</u>
<b>EXPENDITURES</b>				
Current:				
Administrative and general	500	500	500	-
Dispatching service	751,500	744,000	745,148	(1,148)
Capital outlay	15,000	15,000	-	15,000
Total expenditures	<u>767,000</u>	<u>759,500</u>	<u>745,648</u>	<u>13,852</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(168,700)</u>	<u>(167,600)</u>	<u>(87,389)</u>	<u>(80,211)</u>
Fund Balance - Beginning of Year (as restated)			822,363	
Fund Balance - End of Year			<u>\$ 734,974</u>	

Required Supplementary Information  
Budgetary Comparison Schedule  
Note to RSI

Explanation of Differences between budgetary Inflows and Outflows  
and GAAP Revenue and Expenditures

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Dispatch Fund</u>
<b>Sources/Inflows of resources</b>			
Total revenue (budgetary basis) from the Budgetary Comparison Schedule	\$ 8,201,553	4,910,868	658,259
Tax Revenue-Levy on the budgetary basis recognizes revenue based on the total tax levy for the year, regardless of when collected. For financial reporting purposes, the revenue is recognized on a modified accrual basis.	(106,631)	(70,274)	50,833
Included in Ambulance Billings is a refund amount that was recognized for financial reporting purposes in Accounts Payable. On the budgetary basis, the refund is not an outflow of budgetary resources in the current year.	-	408	-
The proceeds from the sale of assets are budgetary resources but are regarded as a <i>special item</i> , rather than revenue, for financial reporting	(3,450)	(8,250)	-
Total revenue as reported on the statement of Revenue, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ 8,091,472</u>	<u>\$ 4,832,752</u>	<u>\$ 709,092</u>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) from the Budgetary Comparison Schedule	\$ 9,358,216	\$ 5,044,264	\$ 745,648
Differences-budget to GAAP			
On the budgetary basis, expenditures for Dispatching services are matched to the year in which the revenue is recognized, regardless of when paid. For financial reporting purposes, the expenditure is recognized on a modified accrual basis.	-	-	(6,121)
Amounts accrued for Accounts payable and Accrued wages and payroll taxes for financial reporting purposes are not outflows of budgetary resources in the current year.	243,777	113,654	-
Total expenditures as reported on the statement of Revenue, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ 9,601,993</u>	<u>\$ 5,157,918</u>	<u>\$ 739,527</u>



MONARCH 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 & Underinsured Motorists Comprehensive Coverage Collision	American Alternative Insurance Corp.	\$1,000,000 Liability \$1,000/Person  \$1,000,000/Accident Actual Cash Value/Cost of Repair Actual Cash Value/Cost of Repair
Commercial Umbrella	American Alternative Insurance Corp.	\$2,000,000/Occurrence \$4,000,000/Products Completed Operation \$4,000,000 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
Commercial Property Buildings Business Personal Property Business Income Earthquake Flood	American Alternative Insurance Corp.	Guaranteed Replacement Cost Specified Amounts 12 Months Actual Loss Sustained \$ 7,661,641 (All Buildings) \$ 3,420,160 (All Buildings)
Management Liability	American Alternative Insurance Corp.	\$3,000,000 aggregate/\$1,000,000 each wrongful act
Commercial Crime Policy Employee Dishonesty	American Alternative Insurance Corp.	\$250,000/Director \$500,000/Chief/Assistant Chief \$500,000/Administrator
Portable Equipment	American Alternative Insurance Corp.	Guaranteed Replacement Cost
Workers' Compensation	MoFAD	Statutory Limits

MONARCH FIRE PROTECTION DISTRICT  
SCHEDULE OF ASSESSED VALUATION, TAX RATE AND TAX LEVY  
Tax Year 2003

	<u>2003</u>
<u>ASSESSED VALUATION</u>	
Real estate	\$1,303,919,780
Personal property	288,197,590
Total Assessed Valuation	<u>\$1,592,117,370</u>

<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>
General fund	.503	.700	.539	.547
Ambulance fund	.309	.330	.329	.330
Debt service fund	.097	.097	.097	.097
Pension fund	.094	.100	.100	.100
Dispatching fund	.048	.050	.050	.050
Total Tax Rate	<u>1.051</u>	<u>1.277</u>	<u>1.115</u>	<u>1.124</u>

<u>TAX LEVY</u>	<u>2003</u>
From assessed valuation	\$17,113,062
From surtax levy	243,644
TOTAL LEVY	<u>\$17,356,706</u>

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

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

<u>OFFICE HOLDER</u>		<u>ANNUAL COMPENSATION</u>
Michelle Sleet	President	\$ 9,500
Richard Gans	Secretary	\$ 5,683
David Terschluse	Treasurer	\$ 8,383

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

Each member of the Board may receive a 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.





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### 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  
Monarch Fire Protection District  
St. Louis County, Missouri

We have audited the financial statements of Monarch Fire Protection District (the District), as of and for the year ended December 31, 2003, and have issued our report thereon dated September 29, 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 Monarch 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Monarch Fire Protection District in a separate letter dated September 29, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monarch 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. 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 material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Monarch Fire Protection District in a separate letter dated September 29, 2004.

This report is intended solely for the information and the use of management, others within the organization and applicable regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report may be a matter of public record and its distribution is not limited.

*Mac Coy & Associates, P.C.*

September 29, 2004