



**MONARCH FIRE  
PROTECTION DISTRICT**

**FINANCIAL REPORT**  
(Audited)

Year Ended December 31, 2017



**MONARCH FIRE PROTECTION DISTRICT**  
**DISTRICT'S MISSION STATEMENT**

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*The mission of the Monarch Fire Protection District is to provide the highest quality emergency services to the community through fire rescue and emergency medical services, fire prevention, and education.*

*We will maintain the highest standard through experience, education, and planning.*

*Our Commitment extends beyond the traditional role of the fire service to improve the safety and quality of life for all.*



**MONARCH FIRE PROTECTION DISTRICT**  
**FINANCIAL REPORT**

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**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

## **INDEPENDENT AUDITOR'S REPORT**

June 4, 2018

Board of Directors  
**MONARCH FIRE PROTECTION DISTRICT**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **MONARCH FIRE PROTECTION DISTRICT** (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's prep-

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aration and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Hochschild, Bloom & Company LLP*  
**CERTIFIED PUBLIC ACCOUNTANTS**



# MONARCH FIRE PROTECTION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

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The Management's Discussion and Analysis (MD&A) of the Monarch Fire Protection District's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this MD&A in conjunction with the District's financial statements.

### FINANCIAL HIGHLIGHTS

1. The District's total net position increased by \$1,439,923 or 4.5% as a result of this year's operations.
2. In the government-wide financial statements, the assets of the District exceeded its liabilities at December 31, 2017 by \$33,554,418 (net position). Of this amount, \$9,320,268 represents the District's net investment in capital assets; restricted for pension of \$1,958,950; and the balance of \$22,275,200 will be used to meet the District's ongoing obligations to citizens and creditors.
3. As of December 31, 2017, the District's governmental funds reported combined ending fund balances of \$21,446,657, an increase of \$524,018 in comparison with the prior year. A portion of this amount, \$8,669,456, represents collections of the 2017 tax levy which are assigned to fund the District's 2018 General Fund operations.
4. Unassigned fund balance for the General Fund at December 31, 2017 was \$4,734,962 or 43.9% of General Fund expenditures. This fund balance resulted from prior years District surpluses and is available for contingencies.
5. At December 31, 2017, the fund balance committed for public safety of the Ambulance Fund was \$5,342,776 or 71.3% of Ambulance Fund expenditures. This fund balance and future charges for services will be used to finance 2018 and future emergency medical services (EMS) operations.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplemental information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements provide the reader with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities provides information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in

**MONARCH FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present activities of the District that are principally supported by taxes and charges for services. The District provides services for fire protection, emergency medical, fire prevention, safety, rescue, and hazardous materials response services.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate their comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Ambulance Fund, Dispatch Fund, and Pension Revenue Fund, which are all considered to be major funds.

The District adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required supplemental information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information.

**MONARCH FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$33,554,418 at December 31, 2017. The condensed statements of net position was as follows:

	<u>December 31</u>		<u>2017 Change</u>	
	<u>2017</u>	<u>2016</u>	<u>Amount</u>	<u>Percent</u>
<b>ASSETS</b>				
Current and other assets	\$ 26,814,830	25,767,747	1,047,083	4.1 %
Capital assets, net	10,446,329	10,626,090	(179,761)	(1.7)
Total Assets	<u>37,261,159</u>	<u>36,393,837</u>	<u>867,322</u>	2.4
<b>LIABILITIES</b>				
Current liabilities	1,006,303	1,304,395	(298,092)	(22.9)
Noncurrent liabilities	2,700,438	2,974,947	(274,509)	(9.2)
Total Liabilities	<u>3,706,741</u>	<u>4,279,342</u>	<u>(572,601)</u>	(13.4)
<b>NET POSITION</b>				
Net investment in capital assets	9,320,268	9,182,920	137,348	1.5
Restricted	1,958,950	1,846,056	112,894	6.1
Unrestricted	22,275,200	21,085,519	1,189,681	5.6
Total Net Position	<u>\$ 33,554,418</u>	<u>32,114,495</u>	<u>1,439,923</u>	4.5 %

The portion of the District's net position reflected in its investment in capital assets (e.g., land, buildings, fire and rescue equipment), less any related debt used to acquire those assets that is still outstanding was \$9,320,268. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining assets consist mainly of cash, investments, and property taxes receivable which are used to meet the District's ongoing obligations to its citizens.

**Governmental activities.** This analysis focuses on the net position and change in net position of the District's governmental activities. Governmental activities decreased the District's net position in the current year by \$1,439,923. The condensed statements of activities was as follows:

**MONARCH FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	For The Years		2017 Change	
	Ended December 31		Amount	Percent
	2017	2016		
<b>REVENUES</b>				
Program revenues:				
Charges for services	\$ 2,126,056	937,417	1,188,639	126.8 %
General revenues:				
Taxes	20,149,606	19,487,982	661,624	3.4
Investment income	41,730	27,427	14,303	52.1
Other	83,011	83,356	(345)	(0.4)
Gain on sale of capital assets	8,251	19,656	(11,405)	(58.0)
Total Revenues	<u>22,408,654</u>	<u>20,555,838</u>	<u>1,852,816</u>	9.0
<b>EXPENSES</b>				
Public safety	19,935,256	20,105,533	(170,277)	(0.8)
Dispatch services	979,749	937,041	42,708	4.6
Interest on long-term debt	53,726	57,617	(3,891)	(6.8)
Total Expenses	<u>20,968,731</u>	<u>21,100,191</u>	<u>(131,460)</u>	(0.6)
<b>CHANGE IN NET POSITION</b>	1,439,923	(544,353)	1,984,276	364.5
NET POSITION, JANUARY 1	<u>32,114,495</u>	<u>32,658,848</u>	<u>(544,353)</u>	(1.7)
<b>NET POSITION, DECEMBER 31</b>	<u>\$ 33,554,418</u>	<u>32,114,495</u>	<u>1,439,923</u>	4.5 %

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

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2017, the District's governmental funds reported combined ending fund balances of \$21,446,657, an increase of \$524,018 in comparison with the prior year. The majority of this total amount (65.1%) constitutes amounts assigned and committed for fire/safety and EMS 2018 operations, which is available for spending at the District's discretion. The remainder of fund balance is unassigned, restricted for pension, or nonspendable for prepaid items and inventory.

**MONARCH FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**General Fund.** The General Fund is the chief operating fund of the District. As of December 31, 2017, unassigned fund balance of the General Fund was \$4,734,962, while total fund balance reached \$14,044,340. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 43.9% of total General Fund expenditures and total fund balance represents 130.3% of that same amount.

The fund balance of the District's General Fund increased by \$568,957, or 4.2%, during the current fiscal year.

**Ambulance Fund.** The Ambulance Fund has a total fund balance of \$5,857,487, which is committed for public safety and nonspendable for prepaid items and inventory. As a measure of the Ambulance Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 78.2% of total Ambulance Fund expenditures.

The fund balance of the District's Ambulance Fund decreased by \$93,785, or 1.6%, during the current fiscal year. Expenditures increased by \$416,004 from the prior year mainly due to an increase in capital outlay expenditures for the purchase of an ambulance.

The fund balance of the District's Dispatch Fund was unchanged for the year and the fund balance of the District's Pension Revenue Fund increased by \$48,846, or 3.3% for the year.

**BUDGETARY HIGHLIGHTS**

Original budgeted expenditures in the General Fund were decreased by \$82,006 during the year. The most significant decreases to expenditures was capital outlay.

Original budgeted expenditures in the Ambulance Fund were increased by \$468,050 during the year. The most significant increase to expenditures was to capital outlay.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The District's investment in capital assets includes land, buildings and improvements, fire apparatus and equipment, and office furniture and equipment. As of December 31, 2017, the District had invested \$10,446,329 in capital assets, net of depreciation, as shown in the following table:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Land	\$ 2,469,167	2,469,167
Construction in progress	-	138,349
Buildings and improvements	3,972,094	4,305,502
Vehicles and equipment	4,005,068	3,713,072
Total Capital Assets, Net	\$ 10,446,329	10,626,090

**MONARCH FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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During the year, the District's investment in capital assets decreased by \$179,761, which is net of depreciation expense of \$1,122,007.

Additional information of the District's capital assets can be found in Note F.

**Long-term debt.** During the current year, the District's total debt decreased by \$274,509 due to the net effect of scheduled principal payments and increased compensated absences. Additional information of the District's long-term debt can be found in Note H.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- 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 to the rate of inflation certified by the State of Missouri plus new construction. 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 continuing rise in the cost of providing medical coverage to employees has caused the District to begin looking at the plan design in order to mitigate the ongoing increases.
- The continuing rise in the cost of workers compensation insurance to cover its employees has caused the District to begin looking internally for ways to improve the health and safety procedures established. In 2012 the District took actions to address the workers compensation cost increase; these actions included on-site training and the implementation of a light duty program. The District has also established a fit for duty program and increased overall communication and awareness as it pertains to workers compensation. The overall efforts to decrease workers compensation premiums will continue to be recognized in 2018.

In 2018, the District expects to maintain and improve its services through several primary means as follows:

- Continued hiring and retention of highly qualified personnel.
- Training of existing personnel in the latest breakthroughs in fire suppression, emergency medicine, and other related topics.
- Fire prevention programs and educational events for the community.
- Ongoing updates and replacement of equipment and research of the latest technology related to fire suppression and emergency medicine.
- The overall economic conditions of the St. Louis metro area appear reflective of the nation as a whole; consumer spending is up, inflation is on the rise, interest rates increased slightly in 2017, and are projected to increase marginally in 2018.
- The market for fuel continues to be unstable, with many price fluctuations.
- 2018 is likely to be somewhat volatile nationwide. The District has unreserved, undesignated funds in place for such uncertain times and is monitoring revenues and expenditures on a regular basis in order to track any pressure from overall economic trends.



**MONARCH FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information about the District, please direct the request to:

Michelle DePew, Controller  
Monarch Fire Protection District  
13725 Olive Blvd.  
Chesterfield, MO 63017

**MONARCH FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 7,465,198
Investments	5,539,977
Receivables:	
Taxes, net	12,115,173
EMS fees, net	353,109
Inventory	91,922
Prepaid items	1,062,711
Due from Fiduciary Fund	186,740
Capital assets:	
Land	2,469,167
Other capital assets, net of accumulated depreciation	7,977,162
Total Assets	37,261,159
<b>LIABILITIES</b>	
Accounts payable	566,254
Accrued payroll	358,924
Due to Fiduciary Fund	81,125
Noncurrent liabilities:	
Due within one year	295,366
Due in more than one year	2,405,072
Total Liabilities	3,706,741
<b>NET POSITION</b>	
Net investment in capital assets	9,320,268
Restricted for pension	1,958,950
Unrestricted	22,275,200
Total Net Position	\$ 33,554,418

**MONARCH FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Revenues		Net Revenues (Expenses) And Changes In Net Position
Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions
<b>FUNCTIONS/PROGRAMS</b>			
<b>Governmental Activities</b>			
Public safety	\$ 19,935,256	-	(17,809,200)
Dispatch services	979,749	-	(979,749)
Interest on long-term debt	53,726	-	(53,726)
Total Governmental Activities	\$ 20,968,731	-	(18,842,675)
<b>General Revenues</b>			
Property taxes			20,149,606
Investment income			41,730
Other			83,011
Gain on sale of capital assets			8,251
Total General Revenues			20,282,598
<b>CHANGE IN NET POSITION</b>			1,439,923
<b>NET POSITION, JANUARY 1</b>			32,114,495
<b>NET POSITION, DECEMBER 31</b>			\$ 33,554,418

See notes to financial statements

**MONARCH FIRE PROTECTION DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	<u>General</u>	<u>Ambulance</u>	<u>Dispatch</u>	<u>Pension Revenue</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 4,958,273	1,534,833	569	971,523	7,465,198
Investments	4,290,713	1,249,264	-	-	5,539,977
Receivables:					
Taxes, net of allowance for uncollectible amounts	6,409,533	3,910,009	612,791	1,182,840	12,115,173
EMS fees, net of allowance for uncollectible amounts	-	353,109	-	-	353,109
Inventory	-	91,922	-	-	91,922
Prepaid items	639,922	422,789	-	-	1,062,711
Due from other funds	310,585	-	-	-	310,585
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 16,609,026</u>	<u>7,561,926</u>	<u>613,360</u>	<u>2,154,363</u>	<u>26,938,675</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 156,669	16,022	392,825	738	566,254
Accrued payroll	207,922	151,002	-	-	358,924
Due to other funds	-	10,295	-	194,675	204,970
Total Liabilities	<u>364,591</u>	<u>177,319</u>	<u>392,825</u>	<u>195,413</u>	<u>1,130,148</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue:					
Property taxes	2,200,095	1,360,280	220,535	414,120	4,195,030
EMS fees	-	166,840	-	-	166,840
Total Deferred Inflows Of Resources	<u>2,200,095</u>	<u>1,527,120</u>	<u>220,535</u>	<u>414,120</u>	<u>4,361,870</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	639,922	422,789	-	-	1,062,711
Inventory	-	91,922	-	-	91,922
Restricted - pension	-	-	-	1,544,830	1,544,830
Committed - EMS services	-	5,342,776	-	-	5,342,776
Assigned for - subsequent year tax levy	8,669,456	-	-	-	8,669,456
Unassigned	4,734,962	-	-	-	4,734,962
Total Fund Balances	<u>14,044,340</u>	<u>5,857,487</u>	<u>-</u>	<u>1,544,830</u>	<u>21,446,657</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows Of Resources, And Fund Balances	<u>\$ 16,609,026</u>	<u>7,561,926</u>	<u>613,360</u>	<u>2,154,363</u>	<u>26,938,675</u>

**MONARCH FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

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Total Fund Balances - Governmental Funds	\$ 21,446,657
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$27,117,556 and the accumulated depreciation is \$16,671,227.	10,446,329
Other long-term assets (property taxes and EMS fees receivable not collected within 60 days of year-end) are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.	4,361,870
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Capital leases	(1,126,061)
Compensated absences	<u>(1,574,377)</u>
Total Net Position Of Governmental Activities	<u><u>\$ 33,554,418</u></u>

**MONARCH FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Ambulance</u>	<u>Dispatch</u>	<u>Pension Revenue</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 10,291,472	6,323,612	979,643	1,910,396	19,505,123
EMS fees	-	1,044,179	-	-	1,044,179
Inspection fees	952,232	-	-	-	952,232
Investment income	32,076	9,272	106	276	41,730
Other	59,513	23,498	-	-	83,011
Total Revenues	<u>11,335,293</u>	<u>7,400,561</u>	<u>979,749</u>	<u>1,910,672</u>	<u>21,626,275</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	10,106,616	6,777,225	-	1,861,826	18,745,667
Dispatch services	-	-	979,749	-	979,749
Capital outlay	497,162	519,595	-	-	1,016,757
Debt service:					
Principal	125,620	191,489	-	-	317,109
Interest	47,689	6,037	-	-	53,726
Total Expenditures	<u>10,777,087</u>	<u>7,494,346</u>	<u>979,749</u>	<u>1,861,826</u>	<u>21,113,008</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	558,206	(93,785)	-	48,846	513,267
<b>OTHER FINANCING SOURCES</b>					
Sale of capital assets	<u>10,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,751</u>
<b>NET CHANGE IN FUND BALANCES</b>	568,957	(93,785)	-	48,846	524,018
FUND BALANCES, JANUARY 1	<u>13,475,383</u>	<u>5,951,272</u>	<u>-</u>	<u>1,495,984</u>	<u>20,922,639</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 14,044,340</u>	<u>5,857,487</u>	<u>-</u>	<u>1,544,830</u>	<u>21,446,657</u>

**MONARCH FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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Net Change In Fund Balances - Governmental Funds \$ 524,018

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay over the threshold \$944,746 exceeded depreciation (\$1,122,007) in the current period. (177,261)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, and donations) is to decrease net assets. (2,500)

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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.  
Increase in unavailable revenue 774,128

Expenditures in the statement of activities that are not paid with current financial resources are not reported as expenditures in the governmental funds.  
Decrease in other accrued liabilities 47,029

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds, however, it has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt:  
Capital lease principal payments 317,109  
Compensated absences earned (202,382)  
Compensated absences payments 159,782

Change In Net Position Of Governmental Activities \$ 1,439,923

**MONARCH FIRE PROTECTION DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION -**  
**WELFARE BENEFIT PLAN TRUST FUND**  
**DECEMBER 31, 2017**

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**ASSETS**

Cash	\$ 13,958
Investments at fair value:	
Annuities	4,342,756
Mutual funds	791,445
Real estate investment trusts	303,359
Limited partnerships	42,500
Total Investments	<u>5,480,060</u>
Due from other funds	81,125
Total Assets	<u>5,575,143</u>

**LIABILITIES**

Accounts payable	7,679
Due to other funds	186,740
Total Liabilities	<u>194,419</u>

**NET POSITION**

Restricted for welfare benefits	<u>\$ 5,380,724</u>
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**MONARCH FIRE PROTECTION DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -**  
**WELFARE BENEFIT PLAN TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**ADDITIONS**

Investment income	\$ 445,692
Employer contribution	278,300
Total Additions	723,992

**DEDUCTIONS**

Benefit payments	251,131
Disability payments	76,200
Insurance	37,761
Professional fees	1,912
Administrative fees	9,479
Total Deductions	376,483

**CHANGE IN NET POSITION**

347,509

NET POSITION - RESTRICTED FOR WELFARE BENEFITS,  
 JANUARY 1

5,033,215

**NET POSITION - RESTRICTED FOR WELFARE BENEFITS,  
 DECEMBER 31**

**\$ 5,380,724**

# 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) is a political subdivision duly organized under the laws of the State of Missouri to supply protection to persons and property against injuries and damage from fire and to give assistance in the event of an accident or emergency of any kind.

The accounting policies and financial reporting practices of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies applied by the District in the preparation of the accompanying financial statements are summarized below:

#### **1. Reporting Entity**

The financial statements of the District include the financial activities of the District and any component units, entities which are financially accountable to the District. The District does not currently have any component units.

#### **2. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due (i.e., matured).

Property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Ambulance services are recorded at the time of service, net of allowances for uncollectible amounts. Inspection fees and other income are recorded as revenues when received in cash because they are generally not measurable until actually received. Interest income is recorded as earned since it is measurable and available.

The District reports unavailable revenue on its combined balance sheet. Unavailable revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability is removed from the combined balance sheet and revenue is recognized.

The District reports the following major governmental funds:

**General Fund** -- This 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.

**Ambulance Fund** -- This fund is used to account for the funds to be utilized for promotion, maintenance, and improvements of EMS.

**Dispatch Fund** -- This fund is used to account for the funds to be utilized for dispatching services.

**Pension Revenue Fund** -- This fund is used to collect the tax levy for pension funding.

Additionally, the District reports the following fund type:

**Welfare Benefit Plan Trust Fund** -- This fund is used to account for assets held by the District in a trustee capacity. The fund accumulates contributions from the Pension Revenue Fund. Disbursements are made for death, post-retirement medical, disability, and severance benefits.

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and investment income.

**4. Fund Balance Classification and Policies**

The District's policy is to report the fund balance in the following categories, when applicable, listed from most restrictive to the least restrictive:

**Nonspendable** -- The portion of fund balance that is legally or contractually required to be maintained or is not in spendable form (such as prepaids and inventory).

**Restricted** -- The portion of fund balance that is subject to enforceable legal restrictions by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

**Committed** -- The portion of fund balance with self-imposed constraints or limitations that have been imposed by formal action (motion or resolution) by the District's Board of Directors (the Board), the highest level of decision-making authority. Such constraint is binding unless modified or rescinded by formal action by the District's Board.

**Assigned** -- The portion of fund balance that the District intends to use for a specific purpose; intent can be expressed by the Board.

**Unassigned** -- Amounts that are available for any purpose; these positive amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available, the District will spend the most restricted amounts before the least restricted.

**5. Allowance for Doubtful Accounts**

Allowances for uncollectible receivable amounts by fund are as follows:

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Allowance for Doubtful Accounts (Continued)**

	<b>December 31, 2017</b>	
	<b>Property Taxes</b>	<b>EMS Fees</b>
General Fund	\$ 97,607	-
Ambulance Fund	59,543	572,412
Dispatch Fund	9,332	-
Pension Revenue Fund	18,013	-

**6. Inventories**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**7. Capital Assets**

Capital assets, which include property and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is being computed on the straight-line method, using asset lives as follows:

<b>Assets</b>	<b>Years</b>
Buildings and improvements	5 - 30
Vehicles and equipment	5 - 20

**8. Interfund Transactions**

In the fund financial statements, the District has the following types of transactions among funds:

**Transfers** -- Transfers of resources from a fund receiving revenue to the fund through which resources are to be expended are recorded as transfers. Such transfers are reported as other financing sources (uses).

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**8. Interfund Transactions (Continued)**

**Due From/To Other Funds** -- Current portions of long-term interfund loans receivable/payable are considered “available spendable resources” and are reported as assets and liabilities of the appropriate funds.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

**9. Investments**

Investments are carried at fair value.

In accordance with and subject to restrictions imposed by current Missouri State Statutes, the following list represents the entire range of investments that the District will consider and which shall be authorized for the investments of funds by the District: 1) United States Treasury securities, 2) United States Agency securities, 3) repurchase agreements, 4) collateralized public deposits (certificates of deposit), 5) banker’s acceptance, and 6) commercial paper.

**10. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before December 31. All unpaid taxes are delinquent January 1 of the following year.

Property taxes levied for 2017 are recorded as receivables, net of estimated uncollectibles, as are prior year levies which are re-evaluated annually. Taxes receivable represent estimated amounts to be collected by the County Collector of Revenue for 2017 and prior tax years to be remitted to the District subsequent to year-end. The portion of taxes not collected and remitted to the District within 60 days of year-end is recorded as unavailable tax revenue. The allowance for uncollectible taxes is estimated based on past experience. Property taxes are assessed, billed, and collected by St. Louis County and remitted by the County to the District. The County’s fee is 1.5% of the taxes collected. The following is a summary of the 2017 tax rates:

	<b>2017 Tax Rates</b>				
	<b>General</b>	<b>Ambulance</b>	<b>Dispatch</b>	<b>Pension</b>	<b>Total</b>
Real property:					
Residential	0.3980	0.2500	0.0400	0.0750	0.7630
Agricultural	0.3060	0.1910	0.0280	0.0580	0.5830
Commercial	0.4790	0.2880	0.0440	0.0880	0.8990
Personal property	0.5300	0.3300	0.0480	0.1000	1.0080

Property tax rates for each of the above categories and for each fund type is levied per \$100 of assessed valuation which totaled \$2,475,224,278 for the District (real property \$2,178,003,346 and personal property \$297,220,932).

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**11. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items on the consumption method. Prepaid items are recorded as expenditures when consumed rather than when purchased.

**12. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**13. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from various sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts have become available.

**14. Indirect Cost Allocation**

Certain indirect costs are allocated 60% to the General Fund and 40% to the Ambulance Fund for the fiscal year ended December 31, 2017. These percentages are based on the number of personnel.

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**15. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those amounts.

**NOTE B - CASH AND INVESTMENTS**

**1. Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the District or trustee institution. The value of the securities must amount to the total of the District's cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2017, the District's bank balances were entirely secured or collateralized with securities held by the District or by the agent in the District's name.

**2. Investments**

As of December 31, 2017, the District had the following investments:

<b>Investments</b>	<b>Fair Value</b>	<b>Maturities</b>		<b>Credit Risk</b>
		<b>No Maturity</b>	<b>Less Than One Year</b>	
<b>Primary Government</b>				
Certificates of deposit	\$ 5,043,107	-	5,043,107	N/A
Commercial paper	496,870	-	496,870	Not rated
Money market funds	972,092	972,092	-	Not rated
Total Primary Government Investments	6,512,069	972,092	5,539,977	
<b>Fiduciary Fund</b>				
Annuities	4,342,756	4,342,756	-	Not rated
Mutual funds	791,445	791,445	-	Not rated
Real estate investment trusts	303,359	303,359	-	Not rated
Limited partnerships	42,500	42,500	-	Not rated
Total Fiduciary Fund Investments	5,480,060	5,480,060	-	
Grand Total Investments	\$ 11,992,129	6,452,152	5,539,977	



**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - CASH AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

**Investment Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District minimizes credit risk by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business and diversifying the portfolio to reduce potential losses on individual securities.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing primarily in shorter term securities.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District minimizes concentration of credit risk by diversifying the investment portfolio.

Concentration of credit risk is required to be disclosed by the District for investments in any one issuer that represent 5% or more of total investments (investments issued by or explicitly guaranteed by the United States Government, investments in mutual funds, investments in external investment pools, and investments in other pooled investments are exempt). Fiduciary Funds are required to disclose investments in any one issuer that represent 5% or more of total plan net position with the same exemptions as above. At December 31, 2017, the District had the following investment concentrations:

<b>Investments</b>	<b>Fair Value</b>	<b>Percent Of Total Investments</b>
<b>Primary Government</b>		
Commercial paper	\$ 496,870	8.97 %
Certificates of deposit	5,043,107	91.03
<b>Percent Of Total Plan Net Position</b>		
<b>Fiduciary Fund</b>		
Americo Financial Life Insurance Annuity Contract	\$ 1,768,003	32.89 %
Washington National Life Insurance Annuity Contract	1,203,672	22.37
Metlife Life Insurance Annuity Contract	958,393	17.81
American Funds - The Growth Fund of America	469,887	8.73
PCS Commodity Strategy Fund Class A	321,558	5.98

# MONARCH FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B - CASH AND INVESTMENTS (Continued)

#### 3. Fair Value Measurements

The District classifies its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are prices quoted in active markets for those securities; Level 2 inputs are significant other observable inputs using a matrix pricing technique; and Level 3 inputs are significant unobservable inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The inputs and methodologies used for valuing investment securities are not necessarily an indication of risk associated with investing in those securities.

The District has the following recurring fair value level measurements as of December 31, 2017:

- Mutual funds (\$791 thousand) are valued using quoted market prices (Level 1 inputs)
- Annuities (\$4.34 million) and commercial paper (\$497 thousand) are valued using other observable inputs (Level 2 inputs)
- Limited partnerships (\$42 thousand) are valued using unobservable inputs (Level 3 inputs)
- Money market funds (\$972 thousand) and certificates of deposit (\$5.04 million) are not subject to fair value level classification

The District has the following investments measured at net asset value (NAV) as of December 31, 2017:

- Real estate investment trusts (\$303 thousand) estimated NAVs are based on independent valuations

### NOTE C - DEFERRED COMPENSATION PLAN

The District participates in and complies with a deferred compensation plan under Internal Revenue Code Section 457. The Plan, available to all District 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. Trust provisions are incorporated so that Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. As a result, the assets and liabilities of the Plan are not included in the accompanying financial statements.

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE D - FIRE DISTRICT DIRECTORS' FEES AND RELATED EXPENSES**

Directors' fees consisted of the following:

	<u>For The Year Ended December 31 2017</u>
Richard Gans, Director and President	\$ 11,811
Robin Harris, Director and Treasurer	10,626
Jane Cunningham, Director and Secretary	6,947
Jeannine Millner, Director and Secretary	<u>3,817</u>
Total	<u><u>\$ 33,201</u></u>

No other related expenses were incurred by the District's Directors.

**NOTE E - INSURANCE COVERAGE**

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 following insurance policies of the District were in force during the fiscal year ended December 31, 2017:

<u>Company</u>	<u>Type Of Coverage</u>	<u>Amount Of Coverage</u>
American Alternative Insurance Corporation	Property and casualty	\$1,000,000 each occurrence \$10,000,000 aggregate
American Alternative Insurance Corporation	Automobile	\$1,000,000
American Alternative Insurance Corporation	Crime	\$1,000,000
American Alternative Insurance Corporation	Umbrella	\$6,000,000 each occurrence \$6,000,000 aggregate
Benchmark Insurance Company	Workers' compensation	State statutory requirements
Travelers Casualty & Surety Company	Fiduciary	\$2,000,000
RSUI Indemnity Company	Directors and Officers	\$3,000,000
Ironshore Indemnity, Inc.	Directors and Officers	\$2,000,000
Starr Indemnity & Liability Co.	Directors and Officers	\$5,000,000

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - CAPITAL ASSETS**

Capital asset activity was as follows:

	<b>For The Year Ended December 31, 2017</b>			
	<b>Balance December 31 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31 2017</b>
Capital assets not being depreciated:				
Land	\$ 2,469,167	-	-	2,469,167
Construction in progress	138,349	-	138,349	-
Total Capital Assets Not Being Depreciated	<u>2,607,516</u>	<u>-</u>	<u>138,349</u>	<u>2,469,167</u>
Capital assets being depreciated:				
Buildings and improvements	12,795,786	52,812	-	12,848,598
Vehicles and equipment	10,951,036	1,030,283	181,528	11,799,791
Total Capital Assets Being Depreciated	<u>23,746,822</u>	<u>1,083,095</u>	<u>181,528</u>	<u>24,648,389</u>
Less - Accumulated depreciation for:				
Buildings and improvements	8,490,284	386,220	-	8,876,504
Vehicles and equipment	7,237,964	735,787	179,028	7,794,723
Total Accumulated Depreciation	<u>15,728,248</u>	<u>1,122,007</u>	<u>179,028</u>	<u>16,671,227</u>
Total Capital Assets Being Depreciated, Net	<u>8,018,574</u>	<u>(38,912)</u>	<u>2,500</u>	<u>7,977,162</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,626,090</u>	<u>(38,912)</u>	<u>140,849</u>	<u>10,446,329</u>

Depreciation expense of \$1,122,007 for the year ended December 31, 2017 was charged to the public safety function of the primary government.

**NOTE G - COMPENSATED ABSENCES**

The District grants vacation to all employees at a rate based on years of experience and earned in the year it is available for use. Vacation earned by December 31, 2017 must be taken by the end of that year. Unusual circumstances may permit a carryover.

The District also grants sick leave to all employees. Sick leave days are earned at a rate of six days per year for shift personnel and eight days per year for administrative personnel. Covered employees are allowed to accumulate unused sick leave up to 60 days and 90 days for shift personnel and administrative personnel, respectively. Upon termination of employment, employees with balances prior to 2004 have grandfather clause that allows them to be paid at a 2004 rate of pay up to 48 days, all days after 48 are paid at 50%. Employees hired

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - COMPENSATED ABSENCES (Continued)**

after 2004 are subject to the current collective bargaining agreement, which pays \$250 per day for days earned. The amount paid is based upon a formula agreed to in the memorandum of understanding with the Professional Fire Fighter Local 2665. The liability for accumulated sick leave at December 31, 2017 amounted to \$1,574,377 and is reflected in the government-wide financial statements.

**NOTE H - LONG-TERM DEBT**

A summary of changes in the long-term debt is as follows:

	For The Year Ended December 31, 2017			Amounts Due Within One Year	
	Balance December 31 2016	Additions	Payments		Balance December 31 2017
	Capital leases	\$ 1,443,170	-		317,109
Compensated absences	1,531,777	202,382	159,782	1,574,377	
Total Long-term Debt	\$ 2,974,947	202,382	476,891	2,700,438	

The capital leases and compensated absences are liquidated by the General and Ambulance Funds.

The District entered into lease agreements for financing the acquisition of certain vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Capital leases consisted of the following:

	December 31 2017
\$146,717 capital lease for five monitor/defibrillators with accessories, due in 60 monthly principal and interest installments of \$2,755 through January 2019; interest payable at 4.97%.	\$ 34,836
\$1,304,217 capital lease for one pumper and one apparatus, due in 15 annual principal and interest installments of \$114,317 through December 2029; interest payable at 3.596%.	1,091,225
Total	\$ 1,126,061

The assets acquired through capital leases are as follows:

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE H - LONG-TERM DEBT (Continued)**

	<b>December 31 2017</b>
Vehicles and equipment	\$ 1,450,934
Less - Accumulated depreciation	393,054
Total Assets	<b>\$ 1,057,880</b>

A schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments are as follows:

<b>For The Years Ending December 31</b>		
2018	\$	147,380
2019		117,072
2020		114,317
2021		114,317
2022		114,317
2023 - 2027		571,583
2028 - 2029		228,633
Total Future Minimum Lease Payments		1,407,619
Less - Amount representing interest		281,558
Present Value Of Future Minimum Lease Payments	\$	<b>1,126,061</b>

**NOTE I - PENSION PLAN**

The District adopted a single-employer defined contribution plan on January 1, 1998 titled Retirement Plan for the Employees of Monarch Fire Protection District (the Plan).

The District contributes a discretionary amount to the Plan. The Plan is administered by EkonBenefits. Contributions will be made with funds derived from the tax established pursuant to Section 321.610 RSMO or, at the discretion of the District, from other available revenues of the District. Plan amendments are made via resolution by the Board with a majority vote. 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. Contributions are made exclusively by the District. All employees at the end of a plan year who have completed 500 hours of service during that plan year are eligible to participate in the Plan. Participants begin to vest in these contributions after two (2) years of service in increasing percentages of 25% per qualified year of service. During the year ended December 31, 2017, the District contributed \$1,576,827 to the Plan.

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS**

The District provides post-retirement medical benefits, disability benefits, a \$50,000 per participant plus balance of participant’s account as a 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 Plan’s trust fund is exempt under IRC 501(c)(9) as a voluntary employee benefit association (VEBA).

Employees are eligible to participate in VEBA after one month of full-time employment. At December 31, 2017, there were 180 participants (176 active/retired, 3 disabled retirees, and 1 beneficiary).

Under the terms of VEBA, the District shall contribute an amount determined by the Board to fund benefits under VEBA. In addition to the defined contribution “indemnity account”, the District has a “Disability Reserve” included in VEBA’s assets. The “Disability Reserve” assets will provide benefits to four individuals currently receiving benefits from VEBA. Disability benefits are provided to all current employees through insurance purchased through a third party. The District received an actuarial valuation performed on the “Disability Reserve”. This valuation was limited to determining the present value of projected benefits for the four individuals receiving benefits under VEBA. As of January 1, 2018, the present value of the projected benefits was \$519,224 and the value of VEBA’s assets designated for these benefits was \$656,403.

In determining the present value of the projected benefits from the “Disability Reserve”, the District uses the aggregate funding method. Under this method, the present value of future normal costs equals the present value of benefits reduced by VEBA’s assets. These future costs are spread as a level percentage over current and future expected pay. The portion attributable to current pay is the current year normal costs. Experience gains and losses are included in the present value of future normal costs and, therefore, are spread over future years as a level percentage of pay. Pre-retirement and post-retirement mortality rates are based on the 2016 PBGC Social Security Disable Life Mortality Table for males. Investment earnings are assumed to be 6.5%. All assets are valued at market value or NAV. 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.

During the year ended December 31, 2017, the District contributed \$278,300 to VEBA. This contribution is funded by pension property tax levy.

**NOTE K - INTERFUND TRANSACTIONS**

Individual interfund transactions due from/to other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>December 31 2017</u>
General Fund	Fiduciary Fund	\$ 186,740
General Fund	Ambulance Fund	10,295
General Fund	Pension Revenue Fund	113,550
Fiduciary Fund	Pension Revenue Fund	81,125
Total		\$ 391,710

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE K - INTERFUND TRANSACTIONS (Continued)**

All of these interfund balances are due to timing differences. All interfund balances are expected to be repaid during the next fiscal year.

**NOTE L - CONTRACTUAL AGREEMENTS**

The District has a contractual agreement with Central County Emergency 911 for dispatching services that renews annually unless notice is given prior to July 1 of the preceding year. The agreement requires that the District pay fees equal to the amount which would be collected from a tax levy based on the assessed valuation of all taxable, tangible property within the District's boundaries.

The District has a contractual agreement with Mediclaims, Inc. for ambulance billing, billing processing, and fee collection services. The District pays Mediclaims, Inc. on a monthly basis an amount equal to 7% of "Net Collections". The agreement automatically renews on the same terms and conditions for successive one-year terms each April, unless either party gives written notice of intent not to renew at least 30 days before the expiration of any term.

**NOTE M - COMMITMENTS AND CONTINGENCIES**

As of January 1, 2018, the District entered into employment agreements with three employees. Under each of the agreements, in the event employment is terminated (other than voluntarily by the employee or by the District for cause or upon the death of the employee), the District is committed to pay certain benefits. The benefits are to be paid from the date of termination through December 31, 2020.

In June 2016, the District entered into a maintenance agreement for their security system for a fixed annual fee of \$72,120 and a monitoring agreement for \$12,600 per year for a total of five years.

In February 2017, the District entered into an agreement to purchase a Smeal Pumper Fire Apparatus for \$540,584. The District expects to receive the new truck in 2018.

From time to time, the District is a party to various pending claims and legal actions arising in the ordinary course of its operations. Although the outcome of such matters cannot be forecast with certainty, in the opinion of management, all such matters are adequately covered by insurance, or if not covered, are without merit or involve amounts such that an unfavorable disposition would not have a material effect on the financial statements of the District.

**NOTE N - RISK MANAGEMENT**

The District self-insures for employee dental and vision claims up to predetermined maximums. Under the program, the General Fund and Ambulance Fund pays claims to annual per person maximums of \$2,000 and \$300 for dental and vision claims, respectively.



**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE N - RISK MANAGEMENT (Continued)**

Liabilities are reported when it is probable that a claim has occurred and the amount of the claim can be reasonably estimated. At December 31, 2017, the total estimated liability of incurred but unpaid claims for dental and vision were \$9,163.

The District purchases commercial insurance for health claims. The District's overall program deductibles are \$5,000 individual and \$10,000 family. The employee is responsible for the first \$1,000 individual and \$2,000 family of the deductible.

**NOTE O - TAX ABATEMENTS**

During 2017, the District implemented the disclosure requirements of GASB Statement No. 77, *Tax Abatement Disclosures*. In Missouri, a taxing district can issue industrial development revenue bonds (Revenue Bonds) pursuant to Chapter 100 of the Revised Statutes of Missouri (RSMo). Under the Act, the taxing district may issue Revenue Bonds to finance the cost of the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities which provide interstate commerce, and industrial plants, including the real estate either within or without the limits of such tax district, buildings, fixtures and machinery. Under the Chapter 100 Revenue Bonds, the District has five tax abatement projects which were entered into by St. Louis County. Total property taxes abated under this agreement totaled \$237,479 for the year ended December 31, 2017.

**NOTE P - FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 75 (GASB 75), *Financial Reporting for Post-employment Benefits Other Than Pension Plans*, amends GASB 43 as they relate to governmental employers that provide post-employment benefits other than pension through trusts. GASB 75 will be effective for the District for the year ending December 31, 2018. GASB 75 establishes procedures for measuring and recognizing the obligations associated with post-employment benefits other than pension. Also included in GASB 75 are amendments to the notes to financial statements and required supplemental information requirements.

**NOTE Q - SUBSEQUENT EVENTS**

In February 2018, the District approved to purchase a new ambulance for \$255,550.

Management has evaluated subsequent events through June 4, 2018, the date which the financial statements were available for issue and no other events require disclosure.

**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

**MONARCH FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>REVENUES</b>				
Taxes	\$ 10,662,944	10,364,627	10,291,472	(73,155)
Inspection fees	505,500	952,500	952,232	(268)
Investment income	10,000	32,100	32,076	(24)
Other	25,000	59,600	59,513	(87)
Total Revenues	<u>11,203,444</u>	<u>11,408,827</u>	<u>11,335,293</u>	<u>(73,534)</u>
<b>EXPENDITURES</b>				
Public safety:				
Salaries and personnel costs	6,812,024	7,100,244	7,058,408	(41,836)
Insurance	2,146,475	2,031,975	1,954,798	(77,177)
Administration	349,700	342,144	306,182	(35,962)
Operations	247,453	208,653	194,521	(14,132)
Maintenance	285,900	344,400	338,908	(5,492)
Training	96,300	109,600	107,494	(2,106)
Fire prevention	44,250	46,680	36,342	(10,338)
Professional fees	143,200	129,200	109,963	(19,237)
Capital outlay	827,457	504,457	497,162	(7,295)
Debt service:				
Principal	74,800	125,620	125,620	-
Interest	45,200	47,780	47,689	(91)
Total Expenditures	<u>11,072,759</u>	<u>10,990,753</u>	<u>10,777,087</u>	<u>(213,666)</u>
<b>REVENUES OVER EXPENDITURES</b>	130,685	418,074	558,206	140,132
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	<u>20,000</u>	<u>11,000</u>	<u>10,751</u>	<u>(249)</u>
<b>NET CHANGE IN FUND BALANCE</b>	150,685	429,074	568,957	<u>139,883</u>
FUND BALANCE, JANUARY 1	<u>13,475,383</u>	<u>13,475,383</u>	<u>13,475,383</u>	
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 13,626,068</u>	<u>13,904,457</u>	<u>14,044,340</u>	

**MONARCH FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - AMBULANCE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 6,603,210	6,366,649	6,323,612	(43,037)
EMS fees	315,500	1,327,500	1,044,179	(283,321)
Investment income	4,000	9,300	9,272	(28)
Other	5,000	23,600	23,498	(102)
Total Revenues	<u>6,927,710</u>	<u>7,727,049</u>	<u>7,400,561</u>	<u>(326,488)</u>
<b>EXPENDITURES</b>				
Public safety:				
Salaries and personnel costs	5,076,947	4,834,247	4,818,474	(15,773)
Insurance	1,432,621	1,564,621	1,540,135	(24,486)
Operations	319,964	337,664	296,047	(41,617)
Professional fees	81,800	122,850	122,569	(281)
Capital outlay	46,000	521,000	519,595	(1,405)
Debt service:				
Principal	75,000	160,000	191,489	31,489
Interest	45,000	5,000	6,037	1,037
Total Expenditures	<u>7,077,332</u>	<u>7,545,382</u>	<u>7,494,346</u>	<u>(51,036)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(149,622)	181,667	(93,785)	<u>(275,452)</u>
FUND BALANCE, JANUARY 1	<u>5,951,272</u>	<u>5,951,272</u>	<u>5,951,272</u>	
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 5,801,650</u>	<u>6,132,939</u>	<u>5,857,487</u>	

**MONARCH FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - DISPATCH FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>REVENUES</b>				
Taxes	\$ 1,006,268	990,000	979,643	(10,357)
Investment income	-	-	106	106
Total Revenues	<u>1,006,268</u>	<u>990,000</u>	<u>979,749</u>	<u>(10,251)</u>
<b>EXPENDITURES</b>				
Dispatch:				
Dispatching fees	1,005,768	990,000	979,749	(10,251)
Professional fees	500	-	-	-
Total Expenditures	<u>1,006,268</u>	<u>990,000</u>	<u>979,749</u>	<u>(10,251)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	<u>-</u>
<b>FUND BALANCE, JANUARY 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	

**MONARCH FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PENSION REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Over (Under) Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,952,219	1,900,000	1,910,396	10,396
Investment income	-	-	276	276
Total Revenues	<u>1,952,219</u>	<u>1,900,000</u>	<u>1,910,672</u>	<u>10,672</u>
<b>EXPENDITURES</b>				
Public safety:				
Professional fees	-	7,000	6,699	(301)
VEBA contribution	292,833	278,300	278,300	-
Pension contribution	1,659,386	1,576,827	1,576,827	-
Total Expenditures	<u>1,952,219</u>	<u>1,862,127</u>	<u>1,861,826</u>	<u>(301)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	37,873	48,846	<u>10,973</u>
FUND BALANCE, JANUARY 1	<u>1,495,984</u>	<u>1,495,984</u>	<u>1,495,984</u>	
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 1,495,984</u>	<u>1,533,857</u>	<u>1,544,830</u>	

**MONARCH FIRE PROTECTION DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO  
SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Budgets**

Budgets are adopted on a modified accrual basis. Annual appropriated budgets are adopted for each governmental fund. All annual appropriations lapse at fiscal year-end.

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

- a. The Office Manager submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed operating expenditures, capital expenditures, and the means to finance them.
- b. The preliminary budget and proposed tax rates are presented at a public hearing to obtain comments from all interested parties.
- c. The final budget for the coming year is formally adopted on or before the last day of the current fiscal year by the Board.
- d. The legal level of control is at the activity level within an individual fund. Expenditures may not exceed budgeted appropriations at the activity level unless approved by the Board. Total fund expenditures may not legally exceed current year revenues plus prior year's fund balance. All budget revisions of any fund must be approved by the Board. This is done during a periodic review and analysis by the District.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

**INDEPENDENT AUDITOR'S 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**

June 4, 2018

Board of Directors  
**MONARCH FIRE PROTECTION DISTRICT**

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **MONARCH FIRE PROTECTION DISTRICT** (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 4, 2018.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A

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significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hochschild, Bloom & Company LLP*

**CERTIFIED PUBLIC ACCOUNTANTS**