

***MONARCH FIRE
PROTECTION DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015***

MONARCH FIRE PROTECTION DISTRICT

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INDEPENDENT AUDITORS' REPORT



Members of the Board of Directors of
MONARCH FIRE PROTECTION DISTRICT

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of the Monarch Fire Protection District, as of and for the year ended December 31, 2015, 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.

Auditors' 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 from 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 auditors' 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 entity's preparation 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 entity'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.

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 major fund and the remaining fund information of the Monarch Fire Protection District, as of December 31, 2015, and the respective changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

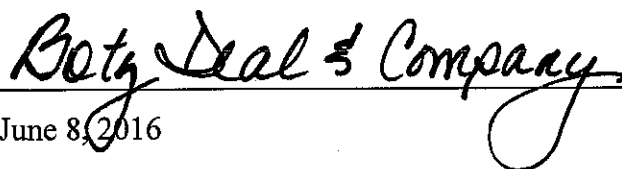
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 31 through 35, be presented to supplement the basic financial statements. Such information, although not a part 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 supplementary 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Monarch Fire Protection District's basic financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016 on our consideration of Monarch Fire Protection District's internal control over financial reporting and 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 and should be read in conjunction with this report in considering the results of our audit.


June 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Monarch Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2015. Please read this narrative in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$32,994,695 (net position). Of this amount, \$14,543,506 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$23,307,682, a decrease of \$10,281 as a result of current year's operations. The Board used reserves to purchase equipment, which accounted for a majority of decrease in ending fund balance.
- At the end of the current fiscal year, fund balances in the General Fund and Ambulance Fund were a combined \$21,824,233.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Responsibility for the completeness and fairness of this information rests with the District. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A). The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and additional supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to those used by private-sector companies. The two government-wide statements, Statement of Net Position and Statement of Activities, report the District's net position and how it has changed. In the government-wide statements, a distinction is made between governmental-type activities and business-type activities. Governmental-type activities are those normally associated with the operation of a government such as fire and ambulance services. Business-type activities are those activities of the government that are designed to be self-supporting. The District had no business-type activities at fiscal year-end.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the differences between the two reported as net position. Increases and decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating. The statement of net position also provides information on unrestricted and restricted amounts and the net investment in capital assets.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows. Thus, revenues and expenses are purported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused compensated absences, etc.). To assess the overall health of the District one needs to consider additional non-financial factors such as changes in the District's property tax base or the condition of the District's fixed asset system.

The Government-wide financial statements report functions of the District that are principally supported by taxes and charges for services. The governmental activities of the District include fire protection, ambulance services, dispatching services and pension activities.

Fund Financial Statements

A *fund* is an accounting device that the District uses to keep track of specific sources of funding and spending for particular purposes. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

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 fund financial statements focus on *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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Monarch Fire Protection District adopts annual appropriated budgets for its general, ambulance, dispatch and pension funds. Budgetary comparison statements are provided for each fund to demonstrate compliance with these budgets.

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 and other supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary presentations of budget to actual amounts.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. 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 \$32,994,695 as of December 31, 2015 (See Table 1). Of this amount, \$8,849,194 is invested in capital assets (net of related debt), \$9,601,995 is restricted for specific activities, and \$14,543,506 is unrestricted and available to meet current and future obligations of the District.

Table 1
Statement of Net Position as of December 31,

	<i>Governmental Activities</i>		Increase (Decrease)
	2015	2014	
Current and other assets	\$ 27,155,487	\$ 26,346,152	\$ 809,335
Capital assets	9,627,160	9,390,019	237,141
Total Assets	<u>36,782,647</u>	<u>35,736,171</u>	<u>1,046,476</u>
Other liabilities	754,205	811,120	(56,915)
Long-term liabilities	3,033,747	1,684,123	1,349,624
Total Liabilities	<u>3,787,952</u>	<u>2,495,243</u>	<u>1,292,709</u>
Net investment in capital assets	8,849,194	9,390,019	(540,825)
Restricted	9,601,995	9,182,422	419,573
Unrestricted	14,543,506	14,668,487	(124,981)
Total Net Position	<u>\$ 32,994,695</u>	<u>\$ 33,240,928</u>	<u>\$ (246,233)</u>

The largest portion of the District's net position, 44%, reflects unrestricted balances which may be used to meet the District's ongoing obligations to citizens and creditors as well as to fund future capital assets needs. \$7,643,140 or 23% of the District's net position is restricted for ambulance services.

The District signed agreements to purchase three new vehicles during 2015. One was delivered in 2015 and the other two will be delivered in 2016. Long-term liabilities increased in 2015 compared to 2014 due to the three new lease agreements for equipment totaling over \$1.6 million.

Table 2
Statement of Activities for the Years Ended December 31

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Revenues:			
Program revenues:			
Charges for service	\$ 1,214,504	\$ 724,753	\$ 489,751
General revenues:			
Taxes	19,670,154	19,088,655	581,499
Interest income	12,981	15,640	(2,659)
Miscellaneous	25,235	92,549	(67,314)
Gain on sale of capital assets	38,206	4,446	33,760
Total revenues	<u>20,961,080</u>	<u>19,926,043</u>	<u>1,035,037</u>
Expenses:			
Public safety	20,218,773	20,547,989	(329,216)
Dispatching	938,203	961,070	(22,867)
Interest and fiscal charges	50,337	-	50,337
Total expenses	<u>21,207,313</u>	<u>21,509,059</u>	<u>(301,746)</u>
Change in net position	(246,233)	(1,583,016)	1,336,783
Net position, beginning of year	<u>33,240,928</u>	<u>34,823,944</u>	<u>(1,583,016)</u>
Net position, end of year	<u>\$ 32,994,695</u>	<u>\$ 33,240,928</u>	<u>\$ (246,233)</u>

Governmental activities. As reflected in Table 2, governmental activities decreased the District's net position by \$246,233. Program revenue includes activities that have the characteristics of exchange transactions, such as commercial and residential inspections and ambulance billings. General revenues include activities that have the characteristics of non-exchange transactions, such as local property taxes and investment earnings. The District's expenses are funded primarily through general revenues. Tax revenue increased \$581,499 mostly because assessed values increased approximately 5% combined with a 3% decrease in tax rates. Expenses decreased \$301,746 or 1.4%. This decrease is mostly attributable to \$170,000 decrease in personnel costs due to a decrease in total overtime hours and a decrease of \$170,000 in purchases of firefighting gear in 2014. Personnel costs account for approximately 81% of the expenses.

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 near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements.

General Fund. The General Fund is the chief operating fund of the District. As of the end of the current fiscal year, the District's General Fund reported an ending fund balance of \$15,201,297. Of the total fund balance, \$1,175,659 is attributable to prepaid items and is therefore not available for the District to spend.

The unassigned fund balance of \$14,025,638 would cover 115% of 2015 expenditures. Fund balance in the District's General Fund increased by \$17,120.

Ambulance Fund. Fund balance in the Ambulance Fund must be used for ambulance services. As of the end of the current fiscal year, the District's Ambulance Fund reported an ending fund balance of \$6,622,936. Of the total fund balance, \$774,847 is attributable to prepaid items and is therefore not available for the District to spend. The restricted fund balance of \$5,848,089 would cover 88% of 2015 expenditures. Revenues exceeded expenditures in the District's Ambulance Fund by \$30,239 during the current fiscal year.

BUDGET ANALYSIS

Original budgeted expenditures in the General Fund were increased by \$1,845,6673 during the year. The most significant increases to expenditures were to salaries, insurance and capital outlays.

Original budgeted expenditures in the Ambulance Fund were increased by \$187,516 during the year. The most significant increase to expenditures was to debt service and capital outlay.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets for its governmental activities as of December 31, 2015, was \$9,627,160 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, furniture and equipment. Capital asset balances are as follows as of December 31:

**Table 3
Capital Assets**

	2015	2014	Increase (Decrease)
Land	\$ 2,469,167	\$ 2,469,167	\$ -
Buildings and improvements	12,718,899	12,666,640	52,259
Equipment and vehicles	10,002,227	9,064,601	937,626
Total	25,190,293	24,200,408	989,885
Less: accumulated depreciation	(15,563,133)	(14,810,389)	(752,744)
Net Capital Assets	\$ 9,627,160	\$ 9,390,019	\$ 237,141

Long-term liabilities. The District has no outstanding bonds. Long-term liabilities, totaling \$3,033,747, consist of accrued compensated absences and capital lease agreements. The majority of these liabilities will not be paid out of current financial resources and therefore are not recorded in the fund statements.

More detailed information regarding capital assets (Note 4) and long-term debt (Note 5) activity may be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND TAX 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 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, 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 2016.

In 2016, the District expects to maintain and improve its services through several primary means.

- 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 down, inflation is potentially a concern, interest rates were minimal in 2015 and there is no projection for rates to increase significantly in 2016, with uncertainty about what the next twelve months will bring.
- The market for fuel continues to be unstable, with many price fluctuations.
- 2016 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.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, 13725 Olive Blvd. Chesterfield, Missouri 63017.

MONARCH FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 13,905,608
Receivables:	
Property taxes	11,046,511
Ambulance billings, net of allowance for doubtful accounts of \$219,339	89,633
Other	21,990
Due to other funds	141,239
Prepaid expenses	1,172,374
Inventory	56,096
Deposits	722,036
Capital assets - net:	
Nondepreciable	2,469,167
Depreciable	7,157,993
TOTAL ASSETS	<u><u>36,782,647</u></u>
LIABILITIES	
Accounts payable	515,367
Accrued wages	238,838
Noncurrent liabilities:	
Due in one year	310,092
Due in more than one year	2,723,655
TOTAL LIABILITIES	<u><u>3,787,952</u></u>
NET POSITION	
Net investment in capital assets	8,849,194
Restricted for:	
Ambulance services	7,643,140
Dispatch services	167,146
Pension benefits	1,791,709
Unrestricted	14,543,506
TOTAL NET POSITION	<u><u>\$ 32,994,695</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, 2015

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Change in Net Position
		Charges for Service	Governmental Activities
Governmental Activities			
Public safety	\$ 20,218,773	\$ 1,214,504	\$ (19,004,269)
Dispatching	938,203	-	(938,203)
Interest and fiscal charges	50,337	-	(50,337)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 21,207,313	\$ 1,214,504	(19,992,809)
Property taxes			19,670,154
Investment income			12,981
Gain on sale of assets			38,206
Other miscellaneous revenue			25,235
TOTAL GENERAL REVENUES			19,746,576
CHANGE IN NET POSITION			(246,233)
NET POSITION - BEGINNING OF YEAR			33,240,928
NET POSITION - END OF YEAR			\$ 32,994,695

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

MONARCH FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Total
ASSETS					
Cash and investments	\$ 9,072,942	\$ 3,333,224	\$ 595,988	\$ 903,454	\$ 13,905,608
Receivables:					
Property taxes	5,841,009	3,570,233	558,506	1,076,763	11,046,511
Ambulance billings, net of allowance for doubtful accounts of \$219,339	-	89,633	-	-	89,633
Other	21,990	-	-	-	21,990
Inventory	-	56,096	-	-	56,096
Deposits	460,592	261,444	-	-	722,036
Prepaid items	715,067	457,307	-	-	1,172,374
Due from (to) other funds	940,096	(11,936)	(598,413)	(188,508)	141,239
TOTAL ASSETS	<u>\$ 17,051,696</u>	<u>\$ 7,756,001</u>	<u>\$ 556,081</u>	<u>\$ 1,791,709</u>	<u>\$ 27,155,487</u>
LIABILITIES					
Accounts payable	\$ 50,643	\$ 12,789	\$ 388,935	\$ -	\$ 452,367
Accrued wages	138,766	100,072	-	-	238,838
TOTAL LIABILITIES	<u>189,409</u>	<u>112,861</u>	<u>388,935</u>	<u>-</u>	<u>691,205</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	1,660,990	1,020,204	167,146	308,260	3,156,600
FUND BALANCES					
Non-spendable	1,175,659	774,847	-	-	1,950,506
Restricted:					
Ambulance services	-	5,848,089	-	-	5,848,089
Pension	-	-	-	1,483,449	1,483,449
Unassigned	14,025,638	-	-	-	14,025,638
TOTAL FUND BALANCES	<u>15,201,297</u>	<u>6,622,936</u>	<u>-</u>	<u>1,483,449</u>	<u>23,307,682</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 17,051,696</u>	<u>\$ 7,756,001</u>	<u>\$ 556,081</u>	<u>\$ 1,791,709</u>	<u>\$ 27,155,487</u>

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

MONARCH FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF NET POSITION
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
DECEMBER 31, 2015

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

Total fund balance per balance sheet	\$ 23,307,682
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,627,160
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	3,156,600
Liabilities not paid with current financial resources are not accrued in the funds, but are accrued in the statement of financial position.	(63,000)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(3,033,747)</u>
Net position of governmental activities	<u><u>\$ 32,994,695</u></u>

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

MONARCH FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Total
REVENUES					
Property taxes	\$ 9,877,000	\$ 6,084,521	\$ 936,328	\$ 1,832,774	\$ 18,730,623
Ambulance billings	-	312,067	-	-	312,067
Interest	9,326	3,094	175	386	12,981
Permits and reports	902,437	-	-	-	902,437
Miscellaneous income	15,885	5,280	-	-	21,165
TOTAL REVENUES	<u>10,804,648</u>	<u>6,404,962</u>	<u>936,503</u>	<u>1,833,160</u>	<u>19,979,273</u>
EXPENDITURES					
Current:					
Public safety	10,736,112	6,503,258	-	1,890,800	19,130,170
Dispatching	-	-	938,703	-	938,703
Capital outlay	1,323,347	76,920	12,355	-	1,412,622
Debt service					
Principal, interest and fiscal charges	119,982	55,989	-	-	175,971
TOTAL EXPENDITURES	<u>12,179,441</u>	<u>6,636,167</u>	<u>951,058</u>	<u>1,890,800</u>	<u>21,481,495</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,374,793)</u>	<u>(231,205)</u>	<u>(14,555)</u>	<u>(57,640)</u>	<u>(1,678,193)</u>
OTHER FINANCING SOURCES (USES)					
Transfer in (out)	(14,555)	-	14,555	-	-
Proceeds from borrowing	1,364,192	261,444	-	-	1,625,636
Insurance proceeds	4,070	-	-	-	4,070
Proceeds from sale of assets	38,206	-	-	-	38,206
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,391,913</u>	<u>261,444</u>	<u>14,555</u>	<u>-</u>	<u>1,667,912</u>
CHANGE IN FUND BALANCE	17,120	30,239	-	(57,640)	(10,281)
FUND BALANCES - BEGINNING OF YEAR	<u>15,184,177</u>	<u>6,592,697</u>	<u>-</u>	<u>1,541,089</u>	<u>23,317,963</u>
FUND BALANCES - END OF YEAR	<u>\$ 15,201,297</u>	<u>\$ 6,622,936</u>	<u>\$ -</u>	<u>\$ 1,483,449</u>	<u>\$ 23,307,682</u>

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

MONARCH FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Change in fund balance-total governmental funds	\$ (10,281)
The acquisition of capital assets requires the use of current financial resources but has no effect on net position.	1,333,405
The cost of capital assets is allocated over their estimated useful lives and is reported as depreciation expense in the statement of activities.	(1,096,264)
Revenues that do not provide current financial resources are not included in the fund financial statements.	939,531
Repayment of principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position	125,634
Liabilities not paid with current financial resources are expenses in the statement of activities, but not expenditures in the fund financial statements.	(63,000)
The issuance of debt is recorded as a liability in the statement of net position, however it is reported as other financing sources in the fund financial statements.	(1,625,636)
The payment of certain liabilities do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds:	
Compensated absences	134,378
Other post-employment benefits	<u>16,000</u>
Change in net position of governmental activities	<u><u>\$ (246,233)</u></u>

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

MONARCH FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

	Welfare Benefit Plan Trust <u>VEBA</u>
ASSETS	
Investments:	
Money market funds	\$ 72,845
Annuities	3,444,733
Mutual Funds	1,537,674
Limited partnerships	<u>102,582</u>
TOTAL ASSETS	<u>5,157,834</u>
LIABILITIES	
Due to other funds	141,239
Other liabilities	<u>10,415</u>
TOTAL LIABILITIES	<u>151,654</u>
NET POSITION	
Restricted for benefits	<u><u>\$ 5,006,180</u></u>

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

MONARCH FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	Welfare Benefit Plan Trust <u>VEBA</u>
ADDITIONS	
Contributions	\$ 282,400
Investment income	109,122
TOTAL ADDITIONS	<u>391,522</u>
 DEDUCTIONS	
Benefit payments	208,752
Disability payments	86,716
Insurance	35,950
Professional fees	2,467
Administrative expenses	14,076
TOTAL DEDUCTIONS	<u>347,961</u>
 INCREASE IN NET POSITION	 43,561
 NET POSITION - BEGINNING OF YEAR	 <u>4,962,619</u>
 NET POSITION - END OF YEAR	 <u>\$ 5,006,180</u>

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

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. 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 which are controlled by the Board of Directors. The accounting policies of the District conform to generally accepted accounting principles applicable to governmental entities of this type. The following is a summary of such significant policies.

A. REPORTING ENTITY

The District applies the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity* (GASB 61), to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected official’s accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The District presently has no component units included within its reporting entity.

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all the District’s nonfiduciary activities. This approach includes not only current assets and liabilities, deferred outflows and deferred inflows, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

Statement of Net Position - The statement of net position is designed to display the financial position of the Primary Government (governmental and business-type activities). The District reports capital assets in the government-wide statement of net position and reports depreciation expense in the statement of activities. The net position of the District is broken down into three categories 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

B. **BASIC FINANCIAL STATEMENTS** - continued

Statement of Activities - The statement of activities reports, expenses and revenues in a format that focuses on the cost of each of the District's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the District has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect costs are allocated when expenses relate to more than one function. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Ambulance Fund, Dispatch Fund and Pension Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures of either fund category for the governmental and enterprise combined) for the determination of major funds.

C. **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 fiduciary funds. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** - continued

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The District reports the following major governmental funds:

The General Fund - The District's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in other specialized funds.

Ambulance Fund - This fund is a special revenue fund used to account for the proceeds of a special tax levy restricted for ambulance operations as well as fees charged and expenditures incurred to provide ambulance services.

Dispatch Fund - This fund is a special revenue fund used to account for taxes received and expenditures incurred by the District to participate in a centralized dispatch service.

Pension Fund - This fund is a special revenue fund used to account for taxes received that will be used to provide pension benefits to employees of the District.

Additionally, the government reports the following fund types:

Welfare Benefit Plan Trust - This fund is used to account for assets held by the District in a trustee capacity. The fund accumulates contributions and earnings from the fund's investments for death, post-retirement medical, disability, severance benefits and educational assistance.

D. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market 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 asset lives is not capitalized.

Capital assets of the District are depreciated using a straight-line method over the following estimated useful lives:

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	5-30 years
Equipment and vehicles	5-20 years

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

E. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles 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 vary from the estimates that management uses.

F. **INTERFUND TRANSACTIONS**

All property taxes are received into the General Fund and subsequently transferred to each fund's respective bank account. In addition, various expenditures are paid out of the General Fund and are subsequently transferred or refunded back to the General Fund.

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

G. **COMPENSATED ABSENCES**

Vacation time is earned based on the number of years of service. Vacation time is earned in the year it is available for use. Vacation earned by December 31, 2015 must be taken by the end of that year. Unusual circumstances may permit a carryover.

The District also grants sick leave to all employees at the 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 120 days and 240 days for shift personnel and administrative personnel, respectively. Upon termination of employment due to retirement or other reasons, employees are paid either 50% of their balance at their hourly pay in 2003 or \$250 per day for days earned after 2003. 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 accrued sick leave as of December 31, 2015 was \$1,533,745.

H. **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. **ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

I. **ACCRUED LIABILITES AND LONG-TERM OBLIGATIONS** - continued

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements, only if they will be liquidated with current resources. In addition, special termination benefits, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

J. **NET POSITION AND FUND EQUITY**

In government-wide financial statements net position is reported in three categories: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal on related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is considered unrestricted.

When both restricted and unrestricted sources are available for use, it is the District policy to use restricted first, then unrestricted resources as they are needed. The government-wide statement of net position reports \$9,601,995 of restricted, all of which are restricted by enabling legislation.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - Resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted - Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed - Resources which are subject to limitations the government imposes upon itself at its highest level of decision making (resolution), and that remain binding unless removed in the same manner.

Assigned - Resources neither restricted nor committed for which a government has a stated intended use as established by the Board of Directors or an official to which the Board of Directors has delegated the authority to assign amounts for specific purposes.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

J. **NET POSITION AND FUND EQUITY** - continued

Unassigned - Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

The District would typically use Restricted fund balances first, followed by Committed resources and Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first.

K. **CONCENTRATION OF LABOR**

Approximately 92% of the labor force was subject to a collective bargaining agreement, which expired on December 31, 2013. The employees continue to work under the old agreement.

L. **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.

2. **CASH AND INVESTMENTS**

The District is governed by the deposit and investment limitations of state law. The depository bank is to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times in accordance with sections 110.010 and 110.020 of the Missouri Revised Statutes. State Statutes authorize the Welfare Benefit Plan Trust - VEBA to invest in corporate stocks, bonds, and insurance contracts. As of December 31, 2015, the carrying amount of the District's bank deposits totaled \$13,905,608, with a bank balance of \$14,179,521. The entire bank balance was covered by the FDIC or was covered by collateral pledged in the name of the District and held by the pledging bank's trust department or agent. As of December 31, 2015, the entire carrying amount of the Fiduciary Fund bank deposits was covered by the FDIC.

Investments	Fair Market Value	Maturities		S & P Rating
		Less Than One Year	No Specific Maturity	
Fiduciary Fund:				
Money market funds	\$ 72,845	\$ 72,845	\$ -	Not Rated
Mutual funds	1,537,674	-	1,537,674	Not Rated
Annuities	3,444,733	-	3,444,733	Not Rated
Limited partnerships	102,582	-	102,582	Not Rated
Total Investments	\$ <u>5,157,834</u>	\$ <u>72,845</u>	\$ <u>5,084,989</u>	

2. **CASH AND INVESTMENTS** - continued

Investment Policies:

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with its formal investment policy, the District minimizes credit risk by:

- Prequalifying the financial institutions, brokers/dealers, intermediaries and advisors with which the District will do business.
- Diversifying the portfolio so potential losses on individual securities will be minimized.

Interest Rate Risk - 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. In accordance with its formal investment policy, the District minimizes interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirement for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities

Concentration of Credit Risk - The risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy to minimize concentration of credit risk is the diversification strategies to be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

	<u>Maximum</u>
a. U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. government	100%
b. Collateralized time and demand deposits	100
c. U.S. government agencies and government-sponsored enterprises	60
d. Collateralized repurchase agreements	80
e. U.S. government agency callable securities	40
f. Commercial paper	40
g. Bankers' acceptances	40

3. **PROPERTY TAX**

The District's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are levied on September 1 and payable by December 31. The County collects the property tax and remits it to the District. Assessed values are established by the St. Louis County Assessor subject to review by the Board of Equalization. The District defers recognition of revenue for uncollected property taxes. The assessed valuation of the tangible taxable property for calendar year 2015 for purposes of local taxation was:

Assessed Valuation	
Residential	\$ 1,413,796,270
Agricultural	1,088,510
Commercial	537,567,280
State Railroad and utilities	30,072,814
Personal property	288,426,446
Total Assessed Valuation	<u>\$ 2,270,951,320</u>

Tax Rate (per \$100 of Assessed Valuation)

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund
Residential	\$.4210	\$.2640	\$.0420	\$.0790
Agricultural	.3650	.2270	.0330	.0690
Commercial	.5020	.3020	.0460	.0920
Personal Property	.5300	.3300	.0480	.1000

4. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2015 is as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>TRANSFERS AND ADDITIONS</u>	<u>TRANSFERS AND DELETIONS</u>	<u>BALANCE, END OF YEAR</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,469,167	\$ -	\$ -	\$ 2,469,167
Construction in progress	-	-	-	-
Total capital assets, not being being depreciated	<u>2,469,167</u>	<u>-</u>	<u>-</u>	<u>2,469,167</u>
Capital assets, being depreciated:				
Buildings and improvements	12,666,640	52,259	-	12,718,899
Equipment and vehicles	9,064,601	1,281,146	(343,520)	10,002,227
Total capital assets, being depreciated	<u>21,731,241</u>	<u>1,333,405</u>	<u>(343,520)</u>	<u>22,721,126</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,643,675)	(435,807)	-	(8,079,482)
Equipment and vehicles	(7,166,714)	(660,457)	343,520	(7,483,651)
Total accumulated Depreciation	<u>(14,810,389)</u>	<u>(1,096,264)</u>	<u>343,520</u>	<u>(15,563,133)</u>
Total capital assets, being depreciated, net	<u>6,920,852</u>	<u>237,141</u>	<u>-</u>	<u>7,157,993</u>
Total governmental activities	<u>\$ 9,390,019</u>	<u>\$ 237,141</u>	<u>\$ -</u>	<u>\$ 9,627,160</u>

Depreciation was charged to the public safety function in the statement of activities.

5. LONG-TERM LIABILITIES

At December 31, 2015, the District has the following government obligation contracts outstanding:

Republic First National Corporation	\$ 1,232,159
Interest rate - 3.596%	
Matures - December 2029	
Payment - annual principal and interest payments of \$114,317	
Republic First National Corporation	211,013
Interest rate - 3.484%	
Matures - August 2019	
Payment - annual principal and interest payments of \$55,989	

5. **LONG-TERM LIABILITIES** - continued

Republic First National Corporation	\$ 56,830
Interest rate - 5.372%	
Matures - December 2029	
Payment - annual principal and interest payments of \$5,666	
 Total Notes Payable	 <u><u>\$ 1,500,002</u></u>

The annual debt service payments as of December 31, are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 122,592	\$ 53,377	175,969
2017	126,509	49,460	175,969
2018	130,555	45,414	175,969
2019	134,740	41,229	175,969
2020	83,071	36,910	119,981
2021 - 2025	464,394	135,511	599,905
2026 - 2030	438,141	41,789	479,930
TOTAL	<u><u>\$ 1,500,002</u></u>	<u><u>\$ 403,690</u></u>	<u><u>\$ 1,903,692</u></u>

The following is a summary of changes in long-term liabilities:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE, END OF YEAR</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental activities:					
Notes payable	\$ -	\$ 1,625,636	\$ (125,634)	\$ 1,500,002	\$ 122,592
Voluntary termination					
Benefits	16,000	-	(16,000)	-	-
Compensated absences	<u>1,668,123</u>	<u>187,500</u>	<u>(321,878)</u>	<u>1,533,745</u>	<u>187,500</u>
Total Governmental					
Activities	<u>\$ 1,684,123</u>	<u>\$ 1,813,136</u>	<u>\$ (463,512)</u>	<u>\$ 3,033,747</u>	<u>\$ 310,092</u>

Long-term liabilities have historically been paid out of the General Fund and Ambulance Fund.

6. **INTERFUND TRANSACTIONS**

Certain revenues and expenditures that affect multiple funds are initially recorded through the General Fund cash receipts and disbursements records. This method results in the necessity of maintaining interfund accounts receivable and payable to provide fund accountability. The interfund balances at December 31, 2015 are as follows:

	<u>DUE TO</u>	<u>DUE FROM</u>
General Fund	\$ -	\$ 940,096
Ambulance Fund	11,936	-
Pension Fund	288,508	100,000
Dispatch Fund	598,413	-
Welfare Benefit Plan Trust - VEBA	141,239	-

7. **LEASES**

The District leases various pieces of office equipment. Lease expense totaled \$3,670 in 2015. Minimum future rental payments under these non-cancellable operating leases as of December 31, are as follows:

2016	\$ 3,852
2017	3,852
2018	963
Total	<u>\$ 8,667</u>

8. **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 has purchased workman's compensation insurance through Missouri Employers Mutual (MEM). The District pays an annual premium for its insurance coverage.

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.

The District purchases commercial insurance for health claims in excess of coverage provided by the Internal Service Fund. The District implemented a program to provide for reimbursement of 50% of individual deductibles of \$2,000 individual and \$4,000 family. The employee is responsible for the first \$1,000 individual and \$2,000 family of the deductible.

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, 2015, the total estimated liability of incurred but unpaid claims for dental and vision were \$-0-.

9. **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 defined contribution pension 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 of Directors 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 1,000 hours of service during that plan year and are 21 years of age are eligible to participate in the plan. Participants begin to vest in these contributions after five (5) years of service in increasing percentages and are 100% vested after ten (10) years of service. During the year ended December 31, 2015, the District contributed \$1,601,549 to the defined contribution plan.

10. **OTHER POST-EMPLOYMENT BENEFITS**

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 VEBA).

Employees are eligible to participate in the VEBA after one month of full-time employment. At December 31, 2015, there were 149 participants. (146 active/retired and 3 disabled retirees).

Under the terms of the VEBA, the District shall contribute an amount determined by the board to fund benefits under the Plan. In addition, to the defined contribution "indemnity account" the District has a "Disability Reserve" included in the VEBA Trust's assets. The "Disability Reserve" assets will provide benefits to three individuals currently receiving benefits from the Trust. Disability benefits are provided to all current employees through insurance purchased through a third party.

As of January 1, 2015, 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 three disabled individuals receiving benefits under this plan. As of January 1, 2016 the present value of the projected benefits was \$544,428 and the value of Trust assets designated for these benefits was \$739,073.

10. **OTHER POST-EMPLOYMENT BENEFITS** - continued

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 plan 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 RP2000 Mortality Table for males, set back four years for healthy lives and set forward ten years for disabled lives. Investment earnings are assumed to be 6.5%. All assets are valued at market 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 market value.

During the year ended December 31, 2015 the Districted contributed \$282,400 to the VEBA.

11. **DEFERRED COMPENSATION**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the sole benefit of participants and beneficiaries. Since amounts held in trust are for the exclusive benefit of all participants, the District does not maintain the assets on the financial statements.

12. **CONTINGENCIES**

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.

As of December 31, 2015, the District had 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, 2017.

13. **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.

13. **CONTRACTUAL AGREEMENTS - continued**

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 is effective through April 8, 2015. The agreement automatically renews on the same terms and conditions for successive one year terms unless either party gives written notice of intent not to renew at least 30 days before the expiration of any term.

14. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 8, 2016, the date the financial statements were available to be issued.

15. **FUTURE ACCOUNTING PRONOUNCEMENTS**

The effect on the District's financial statements of the following statements issued, but not yet adopted, has not yet been determined.

This report does not incorporate GASB Statement No. 72, Fair Value and Measurement, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of FASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government, GASB State No. 77, Tax Abatement Disclosures, GASB Statement No. 78, Pensions Provided through Certain Multiple Employer Defined Benefit Pensions plans and GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The District will adopt and implement these statements at the required time.

REQUIRED SUPPLEMENTARY INFORMATION

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ 10,464,854	\$ 9,877,000	\$ 9,877,000	\$ -
Interest	25,000	9,326	9,326	-
Permits and reports	325,000	902,437	902,437	-
Miscellaneous income	35,500	15,885	15,885	-
TOTAL REVENUES	<u>10,850,354</u>	<u>10,804,648</u>	<u>10,804,648</u>	<u>-</u>
EXPENDITURES				
Public safety	10,613,578	10,810,203	10,736,112	74,091
Capital outlay	254,873	1,783,939	1,323,347	460,592
Debt service				
Principal, interest and fiscal charges	-	119,982	119,982	-
TOTAL EXPENDITURES	<u>10,868,451</u>	<u>12,714,124</u>	<u>12,179,441</u>	<u>534,683</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,097)</u>	<u>(1,909,476)</u>	<u>(1,374,793)</u>	<u>534,683</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from borrowing	-	1,364,192	1,364,192	-
Transfer in (out)	-	-	(14,555)	(14,555)
Insurance proceeds	-	18,901	4,070	(14,831)
Proceeds from sale of capital assets	20,000	38,206	38,206	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>1,421,299</u>	<u>1,391,913</u>	<u>(29,386)</u>
CHANGE IN FUND BALANCES	1,903	(488,177)	17,120	<u>\$ 505,297</u>
FUND BALANCES - BEGINNING OF YEAR	<u>15,184,177</u>	<u>15,184,177</u>	<u>15,184,177</u>	
FUND BALANCES - END OF YEAR	<u>\$ 15,186,080</u>	<u>\$ 14,696,000</u>	<u>\$ 15,201,297</u>	

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

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
AMBULANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ 6,471,494	\$ 6,084,521	\$ 6,084,521	\$ -
Ambulance billing	235,935	258,044	312,067	54,023
Interest	8,000	3,094	3,094	-
Miscellaneous income	4,000	5,280	5,280	-
TOTAL REVENUES	<u>6,719,429</u>	<u>6,350,939</u>	<u>6,404,962</u>	<u>54,023</u>
EXPENDITURES				
Public safety	6,719,429	6,589,512	6,503,258	86,254
Capital outlay	-	261,444	76,920	184,524
Debt service				
Principal, interest and fiscal charges	-	55,989	55,989	-
TOTAL EXPENDITURES	<u>6,719,429</u>	<u>6,906,945</u>	<u>6,636,167</u>	<u>270,778</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(556,006)	(231,205)	324,801
OTHER SOURCES AND (USES)				
Proceeds from borrowing	-	261,444	261,444	-
CHANGE IN FUND BALANCE	-	(294,562)	30,239	<u>\$ 324,801</u>
FUND BALANCES -				
BEGINNING OF YEAR	<u>6,592,697</u>	<u>6,592,697</u>	<u>6,592,697</u>	
FUND BALANCES -				
END OF YEAR	<u>\$ 6,592,697</u>	<u>\$ 6,298,135</u>	<u>\$ 6,622,936</u>	

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

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DISPATCH FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ -	\$ 936,328	\$ 936,328	\$ -
Interest	-	175	175	-
TOTAL REVENUES	<u>-</u>	<u>936,503</u>	<u>936,503</u>	<u>-</u>
EXPENDITURES				
Dispatching services	<u>995,150</u>	<u>952,311</u>	<u>951,058</u>	<u>1,253</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(995,150)	(15,808)	(14,555)	1,253
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	<u>-</u>	<u>-</u>	<u>14,555</u>	<u>14,555</u>
CHANGE IN FUND BALANCE	(995,150)	(15,808)	-	<u>\$ 15,808</u>
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	
FUND BALANCES - END OF YEAR	<u>\$ (1,990,300)</u>	<u>\$ (31,616)</u>	<u>\$ -</u>	

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

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ -	\$ 1,832,774	\$ 1,832,774	\$ -
Interest	-	386	386	-
TOTAL REVENUES	<u>-</u>	<u>1,833,160</u>	<u>1,833,160</u>	<u>-</u>
EXPENDITURES				
Public safety	1,894,749	1,890,800	1,890,800	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,894,749)	(57,640)	(57,640)	<u>\$ -</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,541,089</u>	<u>1,541,089</u>	<u>1,541,089</u>	
FUND BALANCES - END OF YEAR	<u>\$ (353,660)</u>	<u>\$ 1,483,449</u>	<u>\$ 1,483,449</u>	

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

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

Budgets and Budgetary Accounting

Budgets are adopted on a modified accrual basis of accounting. Annual appropriated budgets are adopted for each governmental fund. Budgets are not prepared for the and the Fiduciary Fund (Welfare Benefit Plan Trust - VEBA). All annual appropriations lapse at year-end.

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

- a. Budget worksheets are distributed by the Controller to department heads for the accounts that relate to that department. All department heads are responsible for developing their annual budget based upon their needs and goals for the following year.
- b. Information is returned to the Controller by the department heads in a variety of formats. However, all accounts must be addressed and large or unusual expenditure requests must have explanations or supporting documents attached.
- c. All information is compiled as received then reviewed by the Chief and the Controller. Decisions can then be made regarding what budget items are appropriate and necessary and which need to be modified.
- d. The legal level of budgetary control is at the fund level.
- e. State statutes prohibit deficit budgeting by requiring that estimated expenditures for the fiscal year do not exceed estimated revenues for the fiscal year plus unencumbered fund balances at the beginning of the fiscal year.
- f. The draft of the budget, when completed, is presented to the Board of Directors for their revision and approval. The annual operating budget for the fiscal year beginning the following January 1 must be adopted prior to December 31.
- g. During the year, budget amendments may be submitted by the Chief and the Controller to the Board of Directors. Budget amendments were adopted once during the current year.

SUPPLEMENTARY INFORMATION

MONARCH FIRE PROTECTION DISTRICT
SCHEDULE OF INSURANCE IN FORCE
DECEMBER 31, 2015

<u>INSURANCE IN FORCE</u>	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>
Property Structures Contents	American Alternative Insurance Corporatior	\$ 18,477,739 ** \$ 992,007
General liability	American Alternative Insurance Corporatior	\$1,000,000/\$10,000,000
Workers compensation	Missouri Employers Mutual	As required by state statutes
Automobile: Liability	American Alternative Insurance Corporatior	\$ 1,000,000
Umbrella: Liability	American Alternative Insurance Corporatior	\$6,000,000/\$6,000,000
Public employee dishonesty	American Alternative Insurance Corporatior	\$ 1,000,000
Pension and welfare fund: Fiduciary liability	Travelers	\$ 2,000,000
Directors and Officers Liability	Starr Indemnity and Liability Company	\$ 5,000,000
Directors and Officers Liability	RSUI Indemnity Company	\$ 3,000,000
Directors and Officers Liability	Inonshore Indemnity Inc.	\$ 2,000,000

** Building coverage is guaranteed replacement cost up to an agreed upon limit as noted in the policy.

MONARCH FIRE PROTECTION DISTRICT
SCHEDULE OF DIRECTORS' FEES
DECEMBER 31, 2015

<u>OFFICE HOLDER</u>	<u>OFFICE</u>	<u>ANNUAL COMPENSATION</u>
Jane Cunningham	President	\$ 10,428
Robin Harris	Secretary	11,916
Richard Gans	Treasurer	6,467

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



Member of the 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 remaining fund information of Monarch Fire Protection District, as of and for the year ended December 31, 2015, 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 8, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Monarch Fire Protection 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 Monarch Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Monarch Fire Protection 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Monarch Fire Protection 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Botz Deal & Company
June 8, 2016