

***MONARCH FIRE PROTECTION DISTRICT***  
***FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED DECEMBER 31, 2010***

# MONARCH FIRE PROTECTION DISTRICT

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## INDEPENDENT AUDITORS' REPORT



Members of the Board of Directors of  
***MONARCH FIRE PROTECTION DISTRICT***

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, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

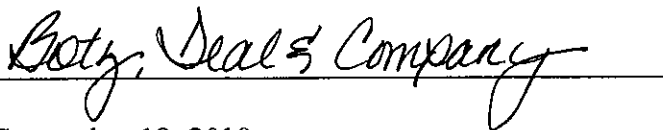
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Monarch Fire Protection District, as of December 31, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011 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 grants 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 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 response 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.

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 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 information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting 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 basic financial statements as a whole.

A handwritten signature in cursive script that reads "Gotz, Deal & Company". The signature is written in black ink and is positioned above a horizontal line.

September 19, 2010

## 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, 2010. 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 \$38,423,915 (net assets). Of this amount, \$16,605,491 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$851,430 during the fiscal year as a result of revenue exceeding expenses.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,756,791, an increase of \$47,958 as a result of current year's operations.
- At the end of the current fiscal year, fund balances in the General Fund and Ambulance Fund were a combined \$22,700,950.

### 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 Assets and Statement of Activities, report the District's net assets and how they have 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 Assets presents information on all of the District's assets and liabilities, with the differences between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$38,423,915 as of December 31, 2010 (See Table 1). Of this amount, \$10,357,960 is invested in capital assets (net of related debt), \$11,460,464 is restricted for specific activities, and \$16,605,491 is unrestricted and available to meet current and future obligations of the District.

**Table 1**  
**Statement of Net Assets as of December 31,**

	<i>Governmental Activities</i>		Increase (Decrease)
	2010	2009	
Current and other assets	\$ 31,547,920	\$ 30,821,767	\$ 726,153
Capital assets	11,586,382	11,628,952	(42,570)
<b>Total Assets</b>	<u>43,134,302</u>	<u>42,450,719</u>	<u>683,583</u>
Other liabilities	1,108,001	2,094,924	(986,923)
Long-term liabilities	3,602,386	4,850,391	(1,248,005)
<b>Total Liabilities</b>	<u>4,710,387</u>	<u>6,945,315</u>	<u>(2,234,928)</u>
Net assets invested in capital assets, net of related debt	10,357,960	9,828,952	529,008
Restricted	11,460,464	11,202,566	257,898
Unrestricted	<u>16,605,491</u>	<u>14,473,886</u>	<u>2,131,605</u>
<b>Total Net Assets</b>	<u>\$ 38,423,915</u>	<u>\$ 35,505,404</u>	<u>\$ 2,918,511</u>

The largest portion of the District's net assets, 43%, 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. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current and long-term liabilities decreased in 2010 compared to 2009 due to adjustments made to prior period balances. Liabilities for accrued vacation and accrued pension expenses were removed because vacation benefits are not able to be carried over to a subsequent period and pension contributions are not payable until the payment is authorized by the board. As a result of these adjustments, net assets increased by a similar amount.

**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 \$15,574,765. Of the total fund balance, \$181,894 is reserved for prepaid items and is therefore not available for the District to spend. The unreserved fund balance of \$15,392,871 would cover 140% of 2010 expenditures.

Revenues exceeded expenditures in the District's General Fund by \$129,626 during the current fiscal year. However, after transfers to the Capital Projects Fund of \$342,000 fund balance decreased in the General Fund by \$194,174.

**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 \$7,126,185. Of the total fund balance, \$795 is reserved from prepaid items and is therefore not available for the District to spend. The unreserved fund balance of \$7,125,390 would cover 105% of 2010 expenditures.

Revenues exceeded expenditures in the District's General Fund by \$496 during the current fiscal year. However, after transfers to the Capital Projects Fund of \$60,000 fund balance decreased in the Ambulance Fund by \$40,503.

## BUDGET ANALYSIS

During the year there was a \$537,163 increase in appropriated expenditures in the General Fund budget. This increase in expenditure was approved to allow for the purchase of capital items not in the original General Fund Budget. All of the District's funds were under the final approved budget for the year.

## CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

**Capital assets.** The District's investment in capital assets for its governmental activities as of December 31, 2010, amounts to \$11,586,382 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, furniture and equipment. (See Table 3)

Capital asset balances are as follows as of December 31:

**Table 3**  
**West County EMS and Fire Protection District's Capital Assets**

	2010	2009	Increase (Decrease)
Land	\$ 2,469,167	\$ 2,469,167	\$ -
Construction in progress	71,707	71,707	-
Buildings and improvements	12,384,234	12,349,779	34,455
Equipment and vehicles	8,086,312	7,475,706	610,606
Total			
Less: Accumulated depreciation	(11,425,038)	(10,737,407)	687,631
Net Capital Assets	\$ 11,586,382	\$ 11,628,952	\$ (42,570)

The District's major capital expenditures included a new pumper truck (\$537,162) and the District refurbishing of another truck (\$170,697).

**Long-term debt.** The District issued \$4,300,000 in General Obligation bonds in 2004. The purpose of the bonds was to fund apparatus replacement and facility replacements/renovations. The District retired \$575,000 in principal in 2010 leaving an outstanding balance as of December 31, 2010 of \$1,225,000.

More detailed information regarding capital asset (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 2011, 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 have dropped over the course of 2009 and 2010, with uncertainty about what the next twelve months will bring.
- The cost of fuel has risen dramatically over the last two years. The market for fuel continues to be unstable, with many price fluctuations.
- 2011 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 ASSETS**

**DECEMBER 31, 2010**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 20,220,881
Receivables:	
Property taxes	10,909,045
Ambulance billings	99,385
Other	103,294
Prepaid expenses	182,689
Inventory	25,832
Cost of issuance of debt	6,794
Capital assets - net:	
Nondepreciable	2,540,874
Depreciable	9,045,508
<b>TOTAL ASSETS</b>	<u>43,134,302</u>
<b>LIABILITIES</b>	
Accounts payable	521,322
Accrued wages	509,358
Due to other funds	55,564
Claims payable	7,205
Interest payable	14,552
Noncurrent liabilities:	
Due in one year	839,302
Due in more than one year	2,763,084
<b>TOTAL LIABILITIES</b>	<u>4,710,387</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	10,357,960
Restricted for:	
Ambulance services	8,148,490
Dispatch services	158,449
Pension benefits	1,945,397
Bond retirement	1,208,128
Unrestricted	16,605,491
<b>TOTAL NET ASSETS</b>	<u>\$ 38,423,915</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, 2010**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense) Revenue and Change in Net Assets</b>
<b>Governmental Activities</b>	<b>Expenses</b>	<b>Charges for Service</b>	<b>Governmental Activities</b>
Public safety	\$ 20,053,067	\$ 426,333	\$ (19,626,734)
Dispatching	1,015,708	-	(1,015,708)
Interest and fiscal charges	50,453	-	(50,453)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 21,119,228</b>	<b>\$ 426,333</b>	<b>(20,692,895)</b>
Property taxes			21,367,141
Investment income			27,401
Gain from the disposal of capital assets			10,576
Other miscellaneous revenue			139,207
<b>TOTAL GENERAL REVENUES</b>			<b>21,544,325</b>
<b>CHANGE IN NET ASSETS</b>			<b>851,430</b>
<b>NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>			35,505,404
Correction of errors			2,067,081
<b>NET ASSETS - BEGINNING OF YEAR</b>			<b>37,572,485</b>
<b>NET ASSETS - END OF YEAR</b>			<b>\$ 38,423,915</b>

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

**MONARCH FIRE PROTECTION DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2010**

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Capital Projects Fund	Debt Service Fund	Total
<b>ASSETS</b>							
Cash and investments	\$ 12,525,962	\$ 4,664,009	\$ 76,581	\$ 1,045,974	\$ 747,483	\$ 787,861	\$ 19,847,870
Receivables:							
Property taxes	5,544,678	3,391,202	522,350	1,030,548	-	420,267	10,909,045
Ambulance billings	-	99,385	-	-	-	-	99,385
Other	97,098	-	-	-	6,196	-	103,294
Prepaid items	181,894	0	-	-	-	-	181,894
Due from (to) other funds	(712,221)	196,609	-	(131,125)	591,173	-	(55,564)
<b>TOTAL ASSETS</b>	<u>\$ 17,637,411</u>	<u>\$ 8,351,205</u>	<u>\$ 598,931</u>	<u>\$ 1,945,397</u>	<u>\$ 1,344,852</u>	<u>\$ 1,208,128</u>	<u>\$ 31,085,924</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 58,853	\$ 21,987	\$ 440,482	\$ -	\$ -	\$ -	\$ 521,322
Accrued wages	327,835	181,523	-	-	-	-	509,358
Deferred revenue	1,675,958	1,022,305	158,449	309,883	-	132,653	3,299,248
<b>TOTAL LIABILITIES</b>	<u>2,062,646</u>	<u>1,225,815</u>	<u>598,931</u>	<u>309,883</u>	<u>-</u>	<u>132,653</u>	<u>4,329,928</u>
<b>FUND BALANCES</b>							
Reserved:							
Prepaid items	181,894	-	-	-	-	-	181,894
Unreserved:							
Designated for:							
Subsequent year expenditures	9,390,614	5,743,942	-	1,635,514	-	701,772	17,471,842
Undesignated	6,002,257	1,382,243	-	-	1,344,852	373,703	9,103,055
<b>TOTAL FUND BALANCES</b>	<u>15,574,765</u>	<u>7,126,185</u>	<u>-</u>	<u>1,635,514</u>	<u>1,344,852</u>	<u>1,075,475</u>	<u>26,756,791</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 17,637,411</u>	<u>\$ 8,352,000</u>	<u>\$ 598,931</u>	<u>\$ 1,945,397</u>	<u>\$ 1,344,852</u>	<u>\$ 1,208,128</u>	<u>\$ 31,086,719</u>

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

**MONARCH FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF NET ASSETS**  
**OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET**  
**DECEMBER 31, 2010**

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

Total fund balance per balance sheet	\$ 26,756,791
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	25,832
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,586,382
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	3,299,248
Bond issue costs are capitalized in the statement of net assets and amortized over the life of the bonds.	6,794
The net assets of the internal service fund are included in the statement of net assets, however they are not reflected in the governmental funds.	365,806
Interest payable recorded in the statement of net assets does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(14,552)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(3,602,386)</u>
Net assets of governmental activities	<u><u>\$ 38,423,915</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, 2010**

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Capital Projects Fund	Debt Service Fund	Total
<b>REVENUES</b>							
Property taxes	\$10,757,135	\$6,572,943	\$1,015,914	\$1,998,078	\$ -	\$ 793,269	\$21,137,339
Ambulance billings	-	191,769	-	-	-	-	191,769
Interest	14,378	9,067	294	1,748	987	599	27,073
Permits and reports	234,564	-	-	-	-	-	234,564
Miscellaneous income	138,789	418	-	-	-	-	139,207
<b>TOTAL REVENUES</b>	<b>11,144,866</b>	<b>6,774,197</b>	<b>1,016,208</b>	<b>1,999,826</b>	<b>987</b>	<b>793,868</b>	<b>21,729,952</b>
<b>EXPENDITURES</b>							
Current:							
Public safety	10,406,804	6,674,237	-	1,972,649	-	-	19,053,690
Dispatching	-	-	1,016,208	-	-	-	1,016,208
Capital outlay	608,436	99,464	-	-	312,609	-	1,020,509
Debt service:							
Principal, interest and fiscal changes	-	-	-	-	-	628,788	628,788
<b>TOTAL EXPENDITURES</b>	<b>11,015,240</b>	<b>6,773,701</b>	<b>1,016,208</b>	<b>1,972,649</b>	<b>312,609</b>	<b>628,788</b>	<b>21,719,195</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>129,626</b>	<b>496</b>	<b>-</b>	<b>27,177</b>	<b>(311,622)</b>	<b>165,080</b>	<b>10,757</b>
<b>OTHER SOURCES AND (USES)</b>							
Sale of capital assets	18,200	19,001	-	-	-	-	37,201
Transfers in (out)	(342,000)	(60,000)	-	-	402,000	-	-
<b>TOTAL OTHER SOURCES AND (USES)</b>	<b>(323,800)</b>	<b>(40,999)</b>	<b>-</b>	<b>-</b>	<b>402,000</b>	<b>-</b>	<b>37,201</b>
<b>CHANGE IN FUND BALANCES</b>	<b>(194,174)</b>	<b>(40,503)</b>	<b>-</b>	<b>27,177</b>	<b>90,378</b>	<b>165,080</b>	<b>47,958</b>
<b>FUND BALANCE - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	<b>15,768,939</b>	<b>7,166,688</b>	<b>101,915</b>	<b>-</b>	<b>1,254,474</b>	<b>910,395</b>	<b>25,202,411</b>
Correction of error	-	-	(101,915)	1,608,337	-	-	1,506,422
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<b>15,768,939</b>	<b>7,166,688</b>	<b>-</b>	<b>1,608,337</b>	<b>1,254,474</b>	<b>910,395</b>	<b>26,708,833</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$15,574,765</b>	<b>\$7,126,185</b>	<b>\$ -</b>	<b>\$ 1,635,514</b>	<b>\$ 1,344,852</b>	<b>\$ 1,075,475</b>	<b>\$26,756,791</b>

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, 2010**

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

Change in fund balance-total governmental funds	\$ 47,958
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	968,465
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(1,004,449)
Revenues that do not provide current financial resources are not included in the fund financial statements.	229,802
The net effect of other miscellaneous transactions involving capital assets (ie. sales or trade-ins).	(6,586)
Bond issue costs and bond premiums are amortized over the life of the bonds on the statement of activities.	(2,893)
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	125,996
Other post-employment benefits	(114,649)
Interest payable	6,228
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	575,000
An internal service fund is used by management to charge the costs of dental and vision insurance to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	26,558
Change in net assets of governmental activities	\$ 851,430

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

**MONARCH FIRE PROTECTION DISTRICT**  
**PROPRIETARY FUND - STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 373,011
<b>LIABILITIES</b>	
Claims payable	<u>7,205</u>
<b>NET ASSETS</b>	
Unrestricted	<u><u>\$ 365,806</u></u>

**MONARCH FIRE PROTECTION DISTRICT**  
**PROPRIETARY FUND - STATEMENT OF REVENUE,**  
**EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Internal Service Fund</u>
<b>OPERATING REVENUE</b>	
Charges for service	<u>\$ 194,796</u>
 <b>OPERATING EXPENSES</b>	
Insurance claims	152,787
Administrative	<u>15,779</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>168,566</u>
 <b>OPERATING INCOME</b>	 26,230
 <b>NONOPERATING REVENUE</b>	
Investment income	<u>328</u>
 <b>CHANGE IN NET ASSETS</b>	 26,558
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 <u>339,248</u>
 <b>NET ASSETS - END OF YEAR</b>	 <u><u>\$ 365,806</u></u>



**MONARCH FIRE PROTECTION DISTRICT**  
**PROPRIETARY FUND - STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Charges for service	\$ 194,796
Insurance claims	(181,515)
Administrative fees and miscellaneous	<u>(15,779)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(2,498)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income received	<u>328</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(2,170)
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>375,181</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 373,011</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 26,230
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in claims payable	<u>(28,728)</u>
 <b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (2,498)</u></u>

**MONARCH FIRE PROTECTION DISTRICT**  
**FIDUCIARY FUND - STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

	Welfare Benefit Plan Trust <u>VEBA</u>
<b>ASSETS</b>	
Investments:	
Money market funds	\$ 144,902
Annuities	3,499,867
Limited partnerships	264,466
Cash and cash equivalents	17,707
Other receivables	1,700
Due from other funds	<u>55,564</u>
TOTAL ASSETS	<u>3,984,206</u>
 <b>LIABILITIES</b>	
Accounts payable	<u>1,333</u>
 <b>NET ASSETS HELD IN TRUST</b>	 <u><u>\$ 3,982,873</u></u>

**MONARCH FIRE PROTECTION DISTRICT**  
**FIDUCIARY FUND - STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Welfare Benefit Plan Trust VEBA
<b>ADDITIONS</b>	
Contributions	\$ 291,500
Interest	1,862
Net appreciation in the fair value of investments	247,965
<b>TOTAL ADDITIONS</b>	<b>541,327</b>
 <b>DEDUCTIONS</b>	
Benefit payments	105,245
Disability payments	91,303
Insurance	8,436
Administrative expenses	67,994
<b>TOTAL DEDUCTIONS</b>	<b>272,978</b>
 <b>INCREASE IN NET ASSETS</b>	<b>268,349</b>
 <b>NET ASSETS - BEGINNING OF YEAR</b>	<b>3,714,524</b>
 <b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,982,873</b>

**MONARCH FIRE PROTECTION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**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. 14, *The Financial Reporting Entity* (GASB 14), 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, 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 Assets* - The statement of net assets 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 assets and reports depreciation expense in the statement of activities. The net assets of the District are broken down into three categories 1) invested in capital assets, net of related debt; 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 assets 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. 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, Capital Projects Fund, Debt Service 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. The District considers the Debt Service Fund and Capital Projects Fund to be major funds even though they do not meet the requirements of GASB 34 due to their significance to the District.

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 the proprietary and fiduciary funds financial statements. 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.

Proprietary funds have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges for services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

**Capital Projects Fund** - This fund is used to account for financial resources to be used for the acquisition or construction of major capital items.

**Debt Service Fund** - This fund is used to account for the accumulation of resources for, and the payment of, principal, interest and fiscal charges on long-term debt.

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

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

Additionally, the government reports the following fund types:

**Internal Service Fund** - This fund accounts for dental and vision insurance coverages provided to the District employees on a cost-reimbursement basis.

**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	30 years
Equipment and vehicles	5-20 years

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.

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

**F. INTERFUND TRANSACTIONS - continued**

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, 2010 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, 70% to 100% of the balance accumulated is paid to the employee. 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, 2010 was \$2,181,511.

**H. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2010, 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.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, 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.



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

**J. NET ASSETS AND FUND EQUITY**

In government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal on related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Net assets are 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 assets are 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 assets reports \$11,460,464 of restricted net assets, all of which are restricted by enabling legislation.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**K. CONCENTRATION OF LABOR**

Approximately 92% of the labor force was subject to a collective bargaining agreement at December 31, 2010, which expired December 31, 2010. Employees are working under the terms of this agreement until a new one is signed.

**L. CASH AND CASH EQUIVALENTS**

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

**M. 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, 2010, the carrying amount of the District's bank deposits totaled \$10,962,064, with a bank balance of \$11,261,823. 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.

2. **CASH AND INVESTMENTS** - continued

Investments	Fair Market Value	Maturities Less Than One Year	No Specific Maturity	S and P Rating
<b>Governmental Activities:</b>				
Federal Home Loan Mortgage Corp. \$	249,796	\$ 249,796	\$ -	AA
Collateralized repurchase agreement	7,761,000	7,761,000	-	Not Rated
Corporate bonds	1,248,021	1,248,021	-	A1
<b>Fiduciary Fund:</b>				
Money market funds	144,902	144,902	-	Not Rated
Annuities	3,499,867	-	3,499,867	Not Rated
Limited partnerships	264,466	-	264,466	Not Rated
Total Fiduciary Fund	<u>\$ 13,168,052</u>	<u>\$ 9,403,719</u>	<u>\$ 3,764,333</u>	

**Investment Policies:**

**Credit Risk** is 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** - 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. 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** - is 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:

2. **CASH AND INVESTMENTS - continued**

	<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

At December 31, 2010, the District had 38% of their available funds invested in collateralized repurchase agreements \$7,761,000.

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. An allowance for uncollectible taxes of 2% of the outstanding balance has been provided for delinquent taxes. The assessed valuation of the tangible taxable property for calendar year 2010 for purposes of local taxation was:

Assessed Valuation	
Residential	\$ 1,438,295,660
Agricultural	4,586,870
Commercial	516,624,090
State Railroad and utilities	23,615,454
Personal property	302,068,570
Total Assessed Valuation	<u>\$ 2,285,190,644</u>

Tax Rate (per \$100 of Assessed Valuation)

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Debt Service Fund
Residential	\$ .4330	\$ .2720	\$ .0430	\$ .0810	\$ .0360
Agricultural	.4050	.2520	.0370	.0760	.0360
Commercial	.5240	.3150	.0480	.0960	.0360
Personal Property	.5300	.3300	.0480	.1000	.0360

#### 4. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2010 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	71,707	-	-	71,707
Total capital assets, not being depreciated	<u>2,540,874</u>	<u>-</u>	<u>-</u>	<u>2,540,874</u>
Capital assets, being depreciated:				
Buildings and improvements	12,349,779	34,455	-	12,384,234
Equipment and vehicles	7,475,706	934,010	(323,404)	8,086,312
Total capital assets, being depreciated	<u>19,825,485</u>	<u>968,465</u>	<u>(323,404)</u>	<u>20,470,546</u>
Less accumulated depreciation for:				
Buildings and improvements	( 5,517,218)	( 410,586)	-	( 5,927,804)
Equipment and vehicles	( 5,220,189)	( 593,863)	316,818	( 5,497,234)
Total accumulated depreciation	<u>(10,737,407)</u>	<u>(1,004,449)</u>	<u>316,818</u>	<u>(11,425,038)</u>
Total capital assets, being depreciated, net	<u>9,088,078</u>	<u>( 35,984)</u>	<u>( 6,586)</u>	<u>9,045,508</u>
Total governmental activities	<u>\$ 11,628,952</u>	<u>\$ ( 35,984)</u>	<u>\$ ( 6,586)</u>	<u>\$ 11,586,382</u>

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

#### 5. LONG-TERM DEBT

**General Obligation Bonds** - The District issued \$4,300,000 in bonds. The bonds were issued for the purpose of constructing, purchasing, equipping and maintaining fire stations, and purchasing fire-fighting apparatus and auxiliary equipment for the District. These bonds are being serviced through a separate property tax.

General Obligation Bonds Series 2004 \$1,225,000  
Interest rate - 3.0% to 3.625%  
Matures - March 2012

Annual debt service payments on the bonds payable for the year ending December 31 are as follows:

YEAR	Governmental Activities		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011	\$ 600,000	\$ 33,156	\$ 633,156
2012	625,000	11,328	636,328
Total	<u>\$ 1,225,000</u>	<u>\$ 44,484</u>	<u>\$ 1,269,484</u>

5. **LONG-TERM DEBT** - continued

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

	<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:					
General obligation bonds	\$ 1,800,000	\$ -	\$ (575,000)	\$ 1,225,000	\$ 600,000
Bond premium	6,354	-	( 2,932)	3,422	-
Voluntary termination					
benefits	77,804	168,000	( 53,351)	192,453	64,302
Compensated absences	<u>2,307,507</u>	<u>50,775</u>	<u>(176,771)</u>	<u>2,181,511</u>	<u>175,000</u>
Total Governmental					
Activities	<u>\$ 4,191,665</u>	<u>\$ 218,775</u>	<u>\$ (808,054)</u>	<u>\$ 3,602,386</u>	<u>\$ 839,302</u>

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, 2010 are as follows:

	<u>DUE TO</u>	<u>DUE FROM</u>
General Fund	\$ -	\$ 712,221
Ambulance Fund	196,609	-
Pension Fund	-	131,125
Capital Projects Fund	591,173	-
Welfare Benefit Plan Trust- VEBA	55,564	-

During the year the District made the following transfers between funds:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 342,000
Ambulance Fund	-	60,000
Capital Projects Fund	402,000	-

The General Fund and Ambulance Fund make transfers to the Capital Projects Fund to provide resources for the purchase of capital equipment.

## **7. 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 joined together with other districts to form a group of self-insurers for workers' compensation, a public entity risk pool currently operating as a common risk management and insurance program for worker compensation claims. The District pays an annual premium to the pool for its insurance coverage. The agreement for formation of the Missouri Fire and Ambulance Districts' Insurance Trust (MOFAD) provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. The purpose of MOFAD is to distribute the cost of the annual premium payment to cover estimated claims payable and reserves for claims from each entity. The members of MOFAD have no legal interest in assets, liabilities, or fund balances of the insurance association. However, the District retains a contingent liability to fund its pro rata share of any deficit incurred by MOFAD should it cease operations at some future date. The District has not been made aware of any contingent liabilities as of December 31, 2010. The District's annual premium payment for 2010 to MoFAD was \$858,076.

The District self-insures for employee dental and vision claims up to predetermined maximums. Under the program, an Internal Service Fund provides coverage for up to annual per person maximums of \$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.

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, 2010, the total estimated liability of incurred but unpaid claims for dental and vision were \$7,205.

## **8. 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, 2010, the District contributed \$1,652,100 to the defined contribution plan.

## 9. OTHER POST-EMPLOYMENT BENEFITS

In addition to the benefits described in Note 10, 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, 2010, there were 126 participants. (122 active and 4 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 four 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, 2011, 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 disabled individuals receiving benefits under this plan. As of January 1, 2011 the present value of the projected benefits were \$700,524 and the value of Trust assets designated for these benefits was \$888,646.

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. All assets are valued at market value except the 2008 loss which is smoothed over 5 years. 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. Pre-retirement and Post-retirement mortality rates are based on the 1983 Group Annuity Mortality Table for males, set forward 10 years for disabled lives. Investment earnings are assumed to be 6.5%.

During the year ended December 31, 2010 the District contributed \$291,500 to the VEBA.

## 10. VOLUNTARY TERMINATION BENEFITS

The District agreed to provide certain benefits to employees as an incentive to retire. There are two separate agreements entitled "Monarch Fire Protection District Retirement Package" and "The 2009-2010 Voluntary Exit Incentive Program". The Board of Directors agreed to provide payments to retirees under this agreement to supplement the cost of health insurance.

Under the "Monarch Fire Protection District Retirement Package" insurance premiums are paid on behalf of retirees from the General Fund as the premiums come due. Obligations under this package are \$16,302 and \$8,151 for the years ending December 31, 2011 and 2012, respectively.

10. **VOLUNTARY TERMINATION BENEFITS - continued**

Under "The 2009-2010 Voluntary Exit Incentive Program" the District will provide \$2,000 per quarter for 5 years or until the retiree obtains the age of 65, which ever comes first. Under this package the retiree may use the \$2,000 to purchase insurance through the District, on the open market, or not at all. Obligations under this package for the years ending December 31 are follows:

<u>Year</u>	<u>Obligation</u>
2011	\$ 48,000
2012	48,000
2013	40,000
2014	16,000
2015	16,000
TOTAL	<u>\$ 168,000</u>

11. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 19, 2011, the date the financial statements were available to be issued.

12. **PRIOR PERIOD ADJUSTMENTS**

During 2010 the District analyzed the accounting treatment of several of its contracts and policies. It was determined that funds paid for dispatching services previously recorded as prepaid related to services provide in the period in which they were paid. As a result net assets were overstated at December 31, 2009 by \$400,775. In addition, accrued vacation payable was overstated by \$658,756 because the District's policy regarding vacation requires employees to use vacation in the period in which it is earned. As a result no vacation would be payable to employees at the end of any year.

Additional analysis of the accounting treatment of liabilities reported in both the government-wide statements and the fund statements resulted in the identification of an overstatement of the payable in the Pension Fund of \$1,608,337. In prior years the Pension Fund and statement of net asset recognized a liability equal to all of the revenues collected and expected to be collected for pension benefits when the tax was levied. The District has determined that the proper accounting treatment would be to recognize the liability when the contribution has been authorized by the board. As a result of this change, net assets in the government-wide statements were also understated by \$302,708, which is the difference between reporting taxes on the modified accrual basis in the fund statements and accrual basis in the government-wide statements.

An adjustment was made to the beginning net assets in the government-wide statements and the beginning fund balance in the Dispatching Fund to increase the payable at December 31, 2009 by \$101,915. This adjustment was made to report as payable unpaid dispatching fees equal to the amount collected by the District and recognized in the fund as revenue.



12. **PRIOR PERIOD ADJUSTMENTS** - continued

During the year ended December 31, 2010, as described above adjustments were made to the beginning net assets/fund balances as follows:

<b>Governmental Activities</b>	
Net assets as previously stated	\$ 35,505,404
Remove dispatching services as prepaid	(400,775)
Remove accrued vacation liability	658,726
Increase accounts payable for dispatching services	(101,915)
Remove pension expense reported prior to contribution	1,608,337
Increase net assets for full accrual reporting of pension tax	<u>302,708</u>
Net assets as restated	\$ <u>37,572,485</u>
<b>Dispatching Fund</b>	
Fund balance as previously stated	\$ 101,915
Increase accounts payable for dispatching services	<u>(101,915)</u>
Fund balance as restated	\$ <u>-</u>
<b>Pension Fund</b>	
Fund balance as previously stated	\$ -
Remove pension expense reported prior to contribution	<u>1,608,337</u>
Fund balance as restated	\$ <u>1,608,337</u>

13. **FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions (GASB 54), establishes standards for the policies and disclosures for fund balance among other things. GASB 54 will be effective for the District for the year ending December 31, 2011.

The District has not yet completed its assessment of these statements or the potential impact on its financial position.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MONARCH FIRE PROTECTION DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property taxes	\$ 10,552,000	\$ 10,552,000	\$ 10,379,162	\$ (172,838)
Interest	150,000	212,000	14,378	(197,622)
Permits and reports	175,000	13,000	234,564	221,564
Miscellaneous income	40,700	137,000	138,789	1,789
TOTAL REVENUES	<u>10,917,700</u>	<u>10,914,000</u>	<u>10,766,893</u>	<u>(147,107)</u>
<b>EXPENDITURES</b>				
Public safety	11,026,805	11,026,805	10,328,636	698,169
Capital outlay	175,726	712,889	608,436	104,453
TOTAL EXPENDITURES	<u>11,202,531</u>	<u>11,739,694</u>	<u>10,937,072</u>	<u>802,622</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(284,831)</u>	<u>(825,694)</u>	<u>(170,179)</u>	<u>655,515</u>
<b>OTHER SOURCES AND (USES)</b>				
Sale of capital assets	-	-	18,200	18,200
Transfers in (out)	(142,000)	(142,000)	(342,000)	(200,000)
TOTAL OTHER SOURCES AND (USES)	<u>(142,000)</u>	<u>(142,000)</u>	<u>(323,800)</u>	<u>(181,800)</u>
<b>CHANGE IN FUND BALANCES</b>	(426,831)	(967,694)	(493,979)	<u>\$ 473,715</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>7,005,965</u>	<u>7,005,965</u>	<u>7,005,965</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,010,303</u>	<u>\$ 4,928,577</u>	<u>\$ 6,511,986</u>	
<b>FUND BALANCE - END OF YEAR - BUDGET BASIS</b>			\$ 6,511,986	
Accrual adjustments:				
Taxes for subsequent year operations			9,390,614	
Salaries			(327,835)	
<b>FUND BALANCE - END OF YEAR - GAAP BASIS</b>			<u>\$ 15,574,765</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, 2010**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property taxes	\$ 6,429,200	\$ 6,429,200	\$ 6,264,278	\$ (164,922)
Permits and reports	150,000	162,000	234,564	72,564
Interest	121,000	8,500	14,378	5,878
Miscellaneous income	11,500	11,500	138,789	127,289
TOTAL REVENUES	<u>6,711,700</u>	<u>6,611,200</u>	<u>6,652,009</u>	<u>40,809</u>
<b>EXPENDITURES</b>				
Public safety	6,931,735	6,917,515	6,674,237	243,278
Capital outlay	120,934	135,154	99,464	35,690
TOTAL EXPENDITURES	<u>7,052,669</u>	<u>7,052,669</u>	<u>6,773,701</u>	<u>278,968</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(340,969)	(441,469)	(121,692)	<u>319,777</u>
<b>OTHER SOURCES AND (USES)</b>				
Sale of capital assets	10,000	19,000	19,001	1
Transfers in (out)	(60,000)	(60,000)	(60,000)	-
TOTAL OTHER SOURCES AND (USES)	<u>(50,000)</u>	<u>(41,000)</u>	<u>(40,999)</u>	<u>1</u>
<b>CHANGE IN FUND BALANCE</b>	(390,969)	(482,469)	(162,691)	<u>\$ 319,778</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,726,457</u>	<u>1,726,457</u>	<u>1,726,457</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,335,488</u>	<u>\$ 1,243,988</u>	<u>\$ 1,563,766</u>	
<b>FUND BALANCE - END OF YEAR - BUDGET BASIS</b>			\$ 1,563,766	
Accrual adjustments:				
Taxes for subsequent year operations			5,743,942	
Salaries			(181,523)	
<b>FUND BALANCE - END OF YEAR - GAAP BASIS</b>			<u>\$ 7,126,185</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, 2010**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property taxes	\$ 1,024,300	\$ 1,024,300	\$ 962,309	\$ (61,991)
Interest	1,000	1,000	294	(706)
<b>TOTAL REVENUES</b>	<u>1,025,300</u>	<u>1,025,300</u>	<u>962,603</u>	<u>(62,697)</u>
<b>EXPENDITURES</b>				
Dispatching services	<u>1,024,800</u>	<u>1,024,800</u>	<u>1,016,208</u>	<u>8,592</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	500	500	(53,605)	<u>\$ (54,105)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>(831,678)</u>	<u>(831,678)</u>	<u>(831,678)</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ (831,178)</u>	<u>\$ (831,178)</u>	<u>\$ (885,283)</u>	
<b>FUND BALANCE - END OF YEAR - BUDGET BASIS</b>			\$ (885,283)	
Accrual adjustments:				
Taxes for subsequent year operations			<u>885,283</u>	
<b>FUND BALANCE - END OF YEAR - GAAP BASIS</b>			<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, 2010**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property taxes	\$ 1,989,600	\$ 1,989,600	\$ 2,007,681	\$ 18,081
Interest	10,800	10,800	1,748	(9,052)
<b>TOTAL REVENUES</b>	<u>2,000,400</u>	<u>2,000,400</u>	<u>2,009,429</u>	<u>9,029</u>
<b>EXPENDITURES</b>				
Public safety	<u>2,000,400</u>	<u>2,000,400</u>	<u>1,972,649</u>	<u>27,751</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	36,780	<u>\$ 36,780</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>(36,780)</u>	<u>(36,780)</u>	<u>(36,780)</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ (36,780)</u>	<u>\$ (36,780)</u>	<u>\$ -</u>	
<b>FUND BALANCE - END OF YEAR - BUDGET BASIS</b>			\$ -	
Accrual adjustments:				
Taxes for subsequent year operations			<u>1,635,514</u>	
<b>FUND BALANCE - END OF YEAR - GAAP BASIS</b>			<u>\$ 1,635,514</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, 2010

Budgets and Budgetary Accounting

Budgets are adopted on a modified accrual basis adjusted to reflect tax revenues in the year after they are levied and payroll expenditures are reflected in the period paid. Annual appropriated budgets are adopted for each governmental fund. Budgets are not prepared for the Proprietary Fund (Internal Service Fund - Dental and Vision Plan) 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 budget basis 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**  
**SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property taxes	\$ 855,400	\$ 855,400	\$ 609,660	\$ (245,740)
Interest	14,000	14,000	599	(13,401)
<b>TOTAL REVENUES</b>	<u>869,400</u>	<u>869,400</u>	<u>610,259</u>	<u>(259,141)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal, interest and fiscal charges	<u>629,000</u>	<u>629,000</u>	<u>628,788</u>	<u>212</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	240,400	240,400	(18,529)	<u>\$ (258,929)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>392,232</u>	<u>392,232</u>	<u>392,232</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 632,632</u>	<u>\$ 632,632</u>	<u>\$ 373,703</u>	
<b>FUND BALANCE - END OF YEAR - BUDGET BASIS</b>				
Accrual adjustments:			\$ 373,703	
Taxes for subsequent year operations			<u>701,772</u>	
<b>FUND BALANCE - END OF YEAR - GAAP BASIS</b>			<u>\$ 1,075,475</u>	

**MONARCH FIRE PROTECTION DISTRICT**  
**SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Interest	\$ 31,000	\$ 31,000	\$ 987	\$ (30,013)
<b>EXPENDITURES</b>				
Capital outlay	682,000	682,000	312,609	369,391
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(651,000)	(651,000)	(311,622)	(399,404)
<b>OTHER SOURCES (USES)</b>				
Transfers in	202,000	202,000	402,000	200,000
<b>CHANGE IN FUND BALANCE</b>	(449,000)	(449,000)	90,378	\$ 539,378
<b>FUND BALANCES - BEGINNING OF YEAR</b>	1,254,474	1,254,474	1,254,474	
<b>FUND BALANCES - END OF YEAR</b>	\$ 356,474	\$ 356,474	\$ 1,344,852	

**MONARCH FIRE PROTECTION DISTRICT**

SCHEDULE OF INSURANCE IN FORCE

DECEMBER 31, 2010

INSURANCE IN FORCE	INSURANCE COMPANY	COVERAGE
Property Structures Contents	American Alternative Insurance	\$ 11,916,914 **
		\$ 747,667
General liability	American Alternative Insurance	\$1,000,000/\$3,000,000
Workers compensation	MoFAD	As required by state statutes
Automobile:		
Liability - bodily injury	American Alternative Insurance	\$ 1,000,000
Umbrella:		
Liability	American Alternative Insurance	\$2,000,000/\$4,000,000
Fiduciary liability	American Alternative Insurance	\$ 2,000,000
Employee dishonesty	American Alternative Insurance	\$ 500,000

\*\* 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, 2010

<u>OFFICE HOLDER</u>	<u>OFFICE</u>	<u>ANNUAL COMPENSATION</u>
Richard Gans	President	\$ 10,230
Robin Harris	Secretary	10,483
Kimberly Evans	Treasurer	10,083

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



Board of Directors

***MONARCH FIRE PROTECTION DISTRICT***

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Monarch Fire Protection District (the District), as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying letter to management, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. We consider the audit adjustments made during the audit to be a material weakness. Management has taken steps to ensure similar audit adjustments are not necessary in the future.

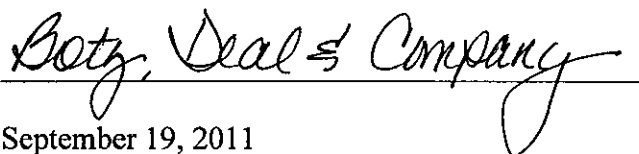
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monarch Fire Protection District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

The District's response to the finding identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

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

  
A handwritten signature in cursive script that reads "Botz, Deal & Company" is written over a horizontal line.

September 19, 2011