

***MONARCH FIRE PROTECTION DISTRICT***

***FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2011***

# 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, 2011, 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, 2011, 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 October 26, 2012 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.

Botz, Deal & Company

October 26, 2012

## 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, 2011. 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 \$37,461,304 (net assets). Of this amount, \$16,378,374 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$962,611 during the fiscal year as a result of expenses exceeding revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$25,579,692, a decrease of \$1,177,099 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 \$22,541,877.

### 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.

The Statement of Activities presents information showing how the District's net assets 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, pension, and debt service 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, pension, debt service and capital projects 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 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 \$37,461,304 as of December 31, 2011 (See Table 1). Of this amount, \$10,567,067 is invested in capital assets (net of related debt), \$10,515,863 is restricted for specific activities, and \$16,378,374 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)
	2011	2010	
Current and other assets	\$ 29,774,914	\$ 31,547,920	\$ (1,773,006)
Capital assets	11,192,557	11,586,382	(393,825)
<b>Total Assets</b>	<u>40,967,471</u>	<u>43,134,302</u>	<u>(2,166,831)</u>
Other liabilities	1,045,555	1,108,001	(62,446)
Long-term liabilities	2,460,612	3,602,386	(1,141,774)
<b>Total Liabilities</b>	<u>3,506,167</u>	<u>4,710,387</u>	<u>(1,204,220)</u>
Net assets invested in capital assets, net of related debt	10,567,067	10,357,960	209,107
Restricted	10,515,863	11,460,464	(944,601)
Unrestricted	16,378,374	16,605,491	(227,117)
<b>Total Net Assets</b>	<u>\$ 37,461,304</u>	<u>\$ 38,423,915</u>	<u>\$ (962,611)</u>

The largest portion of the District's net assets, 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. 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 2011 compared to 2010 due to the payment of debt principal totaling \$600,000 and a reduction in compensated absences of \$504,000.

**Table 2**  
**Statement of Activities for the Years Ended December 31**

	2011	2010	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for service	\$ 395,377	\$ 426,333	\$ (30,956)
General revenues:			
Taxes	19,725,405	21,367,141	(1,641,736)
Interest income	25,715	27,401	(1,686)
Miscellaneous	42,454	139,207	(96,753)
Gain on disposal of capital assets	-	10,576	(10,576)
Total revenues	<u>20,188,951</u>	<u>21,970,658</u>	<u>(1,781,707)</u>
Expenses:			
Public safety	20,146,712	20,053,067	93,645
Dispatching	975,514	1,015,708	(40,194)
Interest and fiscal charges	29,336	50,453	(21,117)
Total expenses	<u>21,151,562</u>	<u>21,119,228</u>	<u>32,334</u>
Change in net assets	(962,611)	851,430	(1,814,041)
Prior period adjustments	-	2,067,081	(2,067,081)
Net assets, beginning of year	38,423,915	35,505,404	2,918,511
Net assets, end of year	<u>\$ 37,461,304</u>	<u>\$ 38,423,915</u>	<u>\$ (962,611)</u>

**Governmental activities.** As reflected in Table 2, governmental activities decreased the District's net assets by \$962,411 indicating an overall decrease in financial position. 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 non-operating revenue. Tax revenue decreased \$1,641,736 because assessed values decreased 4.6% from 2011 to 2010, and the tax rate decreased 2.7%. Public Safety expenses increased \$93,645 or 0.5%. This small increase is mostly attributable to flat personnel costs in 2011 compared to 2010. Personnel cost accounts for approximately 85% 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 \$15,656,037. Of the total fund balance, \$3,844 is non-spendable for prepaid items and is therefore not available for the District to spend. The unassigned fund balance of \$15,652,193 would cover 147% of 2011 expenditures.

Revenues exceeded expenditures in the District's General Fund by \$81,272 during the current fiscal year.

**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 \$6,885,840. Of the total fund balance, \$795 is non-spendable for prepaid items and is therefore not available for the District to spend. The restricted fund balance of \$6,885,045 would cover 100% of 2011 expenditures.

Expenditures exceeded revenues in the District's Ambulance Fund by \$240,340 during the current fiscal year.

**BUDGET ANALYSIS**

During the year there was a \$220,000 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, 2011, amounts to \$11,192,557 (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**

	2011	2010	Increase (Decrease)
Land	\$ 2,469,167	\$ 2,469,167	\$ -
Construction in progress	71,707	71,707	-
Buildings and improvements	12,437,237	12,384,234	53,003
Equipment and vehicles	8,631,304	8,086,312	544,992
Total			
Less: Accumulated depreciation	(12,416,858)	(11,425,038)	(991,820)
Net Capital Assets	\$ 11,192,557	\$ 11,586,382	\$ (393,825)

The District's major capital expenditures included two new ambulances totaling \$450,558.

**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 \$600,000 in principal in 2011 leaving an outstanding balance as of December 31, 2011 of \$625,000.

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 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 and prepared a RFP for a district wide wellness program.

In 2012, 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 2010 and 2011, 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.
- 2012 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, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 19,222,230
Receivables:	
Property taxes	10,333,810
Ambulance billings	116,029
Other	34,704
Due to other funds	36,701
Prepaid expenses	4,297
Inventory	26,174
Cost of issuance of debt	969
Capital assets - net:	
Nondepreciable	2,540,874
Depreciable	8,651,683
<b>TOTAL ASSETS</b>	<u>40,967,471</u>
<b>LIABILITIES</b>	
Accounts payable	537,325
Accrued wages	500,678
Interest payable	7,552
Noncurrent liabilities:	
Due in one year	711,151
Due in more than one year	1,749,461
<b>TOTAL LIABILITIES</b>	<u>3,506,167</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	10,567,067
Restricted for:	
Ambulance services	7,809,269
Dispatch services	142,122
Pension benefits	1,744,288
Bond retirement	820,184
Unrestricted	16,378,374
<b>TOTAL NET ASSETS</b>	<u>\$ 37,461,304</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, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense) Revenue and Change in Net Assets</b>
		<b>Charges for Service</b>	<b>Governmental Activities</b>
<b>Governmental Activities</b>			
Public safety	\$ 20,146,712	\$ 395,377	\$ (19,751,335)
Dispatching	975,514	-	(975,514)
Interest and fiscal charges	29,336	-	(29,336)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 21,151,562</b>	<b>\$ 395,377</b>	<b>(20,756,185)</b>
			19,725,405
			25,715
			42,454
			<b>19,793,574</b>
			<b>(962,611)</b>
			<b>38,423,915</b>
			<b>\$ 37,461,304</b>

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

**MONARCH FIRE PROTECTION DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

DECEMBER 31, 2011

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Capital Projects Fund	Debt Service Fund	Total
<b>ASSETS</b>							
Cash and investments	\$ 12,955,120	\$ 4,385,239	\$ 23,921	\$ 744,366	\$ 228,142	\$ 650,655	\$ 18,987,443
Receivables:							
Property taxes	5,409,819	3,281,781	502,148	999,177	-	140,885	10,333,810
Ambulance billings	-	116,029	-	-	-	-	116,029
Other	17,508	11,000	-	-	6,196	-	34,704
Prepaid items	3,844	795	-	-	-	-	4,639
Due from (to) other funds	(874,537)	235,106	79,588	745	567,155	28,644	36,701
<b>TOTAL ASSETS</b>	<b>\$ 17,511,754</b>	<b>\$ 8,029,950</b>	<b>\$ 605,657</b>	<b>\$ 1,744,288</b>	<b>\$ 801,493</b>	<b>\$ 820,184</b>	<b>\$ 29,513,326</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 52,452	\$ 14,075	\$ 463,535	\$ -	\$ 7,263	\$ -	\$ 537,325
Accrued wages	294,072	206,606	-	-	-	-	500,678
Deferred revenue	1,509,193	923,429	142,122	280,783	-	40,104	2,895,631
<b>TOTAL LIABILITIES</b>	<b>1,855,717</b>	<b>1,144,110</b>	<b>605,657</b>	<b>280,783</b>	<b>7,263</b>	<b>40,104</b>	<b>3,933,634</b>
<b>FUND BALANCES</b>							
Non-spendable prepaid	3,844	795	-	-	-	-	4,639
Restricted:							
Ambulance services	-	6,885,045	-	-	-	-	6,885,045
Pension	-	-	-	1,463,505	-	-	1,463,505
Debt service	-	-	-	-	-	780,080	780,080
Assigned:							
Capital Projects	-	-	-	-	794,230	-	794,230
Undesignated	15,652,193	-	-	-	-	-	15,652,193
<b>TOTAL FUND BALANCES</b>	<b>15,656,037</b>	<b>6,885,840</b>	<b>-</b>	<b>1,463,505</b>	<b>794,230</b>	<b>780,080</b>	<b>25,579,692</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,511,754</b>	<b>\$ 8,029,950</b>	<b>\$ 605,657</b>	<b>\$ 1,744,288</b>	<b>\$ 801,493</b>	<b>\$ 820,184</b>	<b>\$ 29,513,326</b>

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, 2011**

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

Total fund balance per balance sheet	\$ 25,579,692
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.	11,192,557
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	2,895,631
Bond issue costs are capitalized in the statement of net assets and amortized over the life of the bonds.	969
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.	234,787
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.	(7,552)
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>(2,460,612)</u>
Net assets of governmental activities	<u><u>\$ 37,461,304</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, 2011

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Capital Projects Fund	Debt Service Fund	Total
<b>REVENUES</b>							
Property taxes	\$10,504,624	\$6,370,738	\$ 975,342	\$ 1,940,903	\$ -	\$ 337,415	\$20,129,022
Ambulance billings	-	231,523	-	-	-	-	231,523
Interest	15,025	8,566	172	882	352	633	25,630
Permits and reports	163,854	-	-	-	-	-	163,854
Miscellaneous income	30,622	11,832	-	-	-	-	42,454
<b>TOTAL REVENUES</b>	<u>10,714,125</u>	<u>6,622,659</u>	<u>975,514</u>	<u>1,941,785</u>	<u>352</u>	<u>338,048</u>	<u>20,592,483</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	10,517,379	6,856,200	-	2,113,794	-	-	19,487,373
Dispatching	-	-	975,514	-	-	-	975,514
Capital outlay	115,474	6,804	-	-	550,974	-	673,252
Debt service:							
Principal, interest and fiscal charges	-	-	-	-	-	633,443	633,443
<b>TOTAL EXPENDITURES</b>	<u>10,632,853</u>	<u>6,863,004</u>	<u>975,514</u>	<u>2,113,794</u>	<u>550,974</u>	<u>633,443</u>	<u>21,769,582</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>81,272</u>	<u>(240,345)</u>	<u>-</u>	<u>(172,009)</u>	<u>(550,622)</u>	<u>(295,395)</u>	<u>(1,177,099)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</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>FUND BALANCES - END OF YEAR</b>	<u>\$15,656,037</u>	<u>\$6,885,840</u>	<u>\$ -</u>	<u>\$1,463,505</u>	<u>\$ 794,230</u>	<u>\$ 780,080</u>	<u>\$25,579,692</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, 2011**

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

Change in fund balance-total governmental funds	\$ (1,177,099)
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	597,995
The cost of capital assets is allocated over their estimated useful lives and is reported as depreciation expense in the statement of activities.	(991,820)
Revenues that do not provide current financial resources are not included in the fund financial statements.	(403,617)
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	474,540
Other post-employment benefits	64,302
Interest payable	7,000
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	600,000
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.	<u>(131,019)</u>
Change in net assets of governmental activities	<u>\$ (962,611)</u>

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



**MONARCH FIRE PROTECTION DISTRICT**  
**PROPRIETARY FUND - STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 234,787
<b>LIABILITIES</b>	
Claims payable	<u>-</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ 234,787</u>

**MONARCH FIRE PROTECTION DISTRICT**  
**PROPRIETARY FUND - STATEMENT OF REVENUE,**  
**EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Internal Service Fund
<b>OPERATING REVENUE</b>	
Charges for service	\$ 164,180
<b>OPERATING EXPENSES</b>	
Insurance claims	281,366
Administrative	13,918
TOTAL OPERATING EXPENSES	295,284
<b>OPERATING LOSS</b>	(131,104)
<b>NONOPERATING REVENUE</b>	
Investment income	85
<b>CHANGE IN NET ASSETS</b>	(131,019)
<b>NET ASSETS - BEGINNING OF YEAR</b>	365,806
<b>NET ASSETS - END OF YEAR</b>	\$ 234,787

**MONARCH FIRE PROTECTION DISTRICT**  
**PROPRIETARY FUND - STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Charges for service	\$ 164,180
Insurance claims	(288,571)
Administrative fees and miscellaneous	(13,918)
NET CASH USED BY OPERATING ACTIVITIES	(138,309)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income received	85
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(138,224)
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	373,011
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 234,787
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (131,104)
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in claims payable	(7,205)
 <b>NET CASH USED BY OPERATING ACTIVITIES</b>	\$ (138,309)

**MONARCH FIRE PROTECTION DISTRICT**  
**FIDUCIARY FUND - STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

	Welfare Benefit Plan Trust <u>VEBA</u>
<b>ASSETS</b>	
Investments:	
Money market funds	\$ 144,916
Annuities	3,709,588
Limited partnerships	211,727
Cash and cash equivalents	21,877
Other receivables	200
Due from other funds	<u>(36,701)</u>
<b>TOTAL ASSETS</b>	<u><b>4,051,607</b></u>
 <b>NET ASSETS HELD IN TRUST</b>	 <u><u><b>\$ 4,051,607</b></u></u>

**MONARCH FIRE PROTECTION DISTRICT**  
**FIDUCIARY FUND - STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Welfare Benefit Plan Trust VEBA
	VEBA
<b>ADDITIONS</b>	
Contributions	\$ 440,000
Interest	43,772
Net depreciation in the fair value of investments	(108,163)
<b>TOTAL ADDITIONS</b>	<b>375,609</b>
 <b>DEDUCTIONS</b>	
Benefit payments	92,945
Disability payments	97,959
Insurance	58,053
Professional fees	35,952
Administrative expenses	21,966
<b>TOTAL DEDUCTIONS</b>	<b>306,875</b>
 <b>INCREASE IN NET ASSETS</b>	<b>68,734</b>
 <b>NET ASSETS - BEGINNING OF YEAR</b>	<b>3,982,873</b>
 <b>NET ASSETS - END OF YEAR</b>	<b>\$ 4,051,607</b>

**MONARCH FIRE PROTECTION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

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 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.

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.



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

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

**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.

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

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

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, 2011 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, 2011 was \$1,706,971.

H. **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2011, 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.

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.

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

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

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 \$10,955,863 of restricted net assets, 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, 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.

**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 City 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 at December 31, 2011, which expires on December 31, 2013.

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.

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

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, 2011, the carrying amount of the District's bank deposits totaled \$8,668,472, with a bank balance of \$9,562,650. 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, 2011, the carrying amount of the Fiduciary Fund bank deposits totaled \$21,877, with a bank balance of \$22,110. The entire bank balance was covered by the FDIC.

Investments	Fair Market Value	Maturities Less Than One Year	No Specific Maturity	S & P Rating
<b>Governmental Activities:</b>				
Federal Home Loan Mortgage Corp.	\$ 249,758	\$ 249,758	\$ -	AA
Collateralized repurchase agreement	10,304,000	10,304,000	-	Not Rated
<b>Fiduciary Fund:</b>				
Money market funds	144,916	144,916	-	Not Rated
Annuities	3,709,588	-	3,709,588	Not Rated
Limited partnerships	211,727	-	211,727	Not Rated
<b>Total Investments</b>	<b>\$ 14,620,019</b>	<b>\$ 10,698,674</b>	<b>\$ 3,921,345</b>	

**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.

2. **CASH AND INVESTMENTS** - continued

**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:

	<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, 2011, the District had 51% of their available funds invested in collateralized repurchase agreements totaling \$10,304,000.

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. The assessed valuation of the tangible taxable property for calendar year 2011 for purposes of local taxation was:

Assessed Valuation		
Residential	\$	1,396,746,850
Agricultural		948,580
Commercial		477,761,300
State Railroad and utilities		25,478,645
Personal property		280,248,863
Total Assessed Valuation	\$	2,181,184,238

3. **PROPERTY TAX - continued**

Tax Rate (per \$100 of Assessed Valuation)

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Debt Service Fund
Residential	\$ .4330	\$ .2720	\$ .0430	\$ .0810	\$ .0130
Agricultural	.4050	.2520	.0370	.0760	.0130
Commercial	.5240	.3150	.0480	.0960	.0130
Personal Property	.5300	.3300	.0480	.1000	.0130

4. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended December 31, 2011 is as follows:

	BALANCE, BEGINNING OF YEAR	TRANSFERS AND ADDITIONS	TRANSFERS AND DELETIONS	BALANCE, END OF YEAR
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 2,469,167	\$ -	\$ -	\$ 2,469,167
Construction in progress	71,707	-	-	71,707
Total capital assets, not being being depreciated	<u>2,540,874</u>	<u>-</u>	<u>-</u>	<u>2,540,874</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	12,384,234	53,003	-	12,437,237
Equipment and vehicles	8,086,312	544,992	-	8,631,304
Total capital assets, being depreciated	<u>20,470,546</u>	<u>597,995</u>	<u>-</u>	<u>21,068,541</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	( 5,927,804)	( 426,016)	-	( 6,353,820)
Equipment and vehicles	<u>( 5,497,234)</u>	<u>( 565,804)</u>	<u>-</u>	<u>( 6,063,038)</u>
Total accumulated depreciation	<u>(11,425,038)</u>	<u>( 991,820)</u>	<u>-</u>	<u>(12,416,858)</u>
Total capital assets, being depreciated, net	<u>9,045,508</u>	<u>( 393,825)</u>	<u>-</u>	<u>8,651,683</u>
Total governmental activities	\$ <u>11,586,382</u>	\$ <u>( 393,825)</u>	\$ <u>-</u>	\$ <u>11,192,557</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 \$ 625,000  
 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		
	PRINCIPAL	INTEREST	TOTAL
2012	\$ 625,000	\$ 11,328	\$ 636,328

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

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental activities:					
General obligation bonds	\$ 1,225,000	\$ -	\$ (600,000)	\$ 625,000	\$ 625,000
Bond premium	3,422	-	( 2,932)	490	-
Voluntary termination benefits	192,453	16,000	( 80,302)	128,151	56,151
Compensated absences	2,181,511	30,000	(504,540)	1,706,971	30,000
Total Governmental Activities	\$ 3,602,386	\$ 46,000	\$ (1,187,774)	\$ 2,460,612	\$ 711,151

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, 2011 are as follows:

	DUE TO	DUE FROM
General Fund	\$ -	\$ 874,537
Ambulance Fund	235,106	-
Pension Fund	745	-
Capital Projects Fund	567,155	-
Debt Service Fund	28,644	-
Dispatch Fund	79,588	36,701
Welfare Benefit Plan Trust - VEBA	-	467,701

## 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, 2011. The District's annual premium payment for 2011 to MoFAD was \$867,117.

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, 2011, the total estimated liability of incurred but unpaid claims for dental and vision were \$-0-.

## 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, 2011, 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, 2011, there were 148 participants. (144 active/retired 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, 2012 the present value of the projected benefits were \$669,798 and the value of Trust assets designated for these benefits was \$815,405.

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, 2011 the District contributed \$440,000 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 \$8,151 for the year ending December 31, 2012.

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>
2012	\$ 48,000
2013	40,000
2014	16,000
2015	16,000
TOTAL	<u>\$ 120,000</u>

11. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 26, 2012, the date the financial statements were available to be issued.

12. **CONTINGENCIES**

From time to time, the City 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 City.

13. **EXPENDITURES IN EXCESS OF APPROPRIATIONS**

For the year ended December 31, 2011 expenditures exceeded appropriations in the following funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Difference</u>
Debt Service Fund	\$ 500	\$ 633,443	\$ 632,943
Capital Projects Fund	55,000	550,974	495,974

14. **FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67) and GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, are intended to improve financial reporting by pension plans. GASB 67 and 68 will be effective for the City for the year ending June 30, 2014 and 2015, respectively.

The City, however, 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, 2011**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property taxes	\$ 10,801,400	\$ 10,801,400	\$ 10,504,624	\$ (296,776)
Interest	55,000	10,000	15,025	5,025
Permits and reports	150,000	150,000	163,854	13,854
Miscellaneous income	20,700	97,700	30,622	(67,078)
<b>TOTAL REVENUES</b>	<u>11,027,100</u>	<u>11,059,100</u>	<u>10,714,125</u>	<u>(344,975)</u>
<b>EXPENDITURES</b>				
Public safety	10,645,606	10,865,606	10,517,379	348,227
Capital outlay	148,154	148,154	115,474	32,680
<b>TOTAL EXPENDITURES</b>	<u>10,793,760</u>	<u>11,013,760</u>	<u>10,632,853</u>	<u>380,907</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	233,340	45,340	81,272	35,932
<b>OTHER SOURCES AND (USES)</b>				
Sale of capital assets	20,000	10,000	-	(10,000)
<b>CHANGE IN FUND BALANCES</b>	253,340	55,340	81,272	<u>\$ 25,932</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>15,574,765</u>	<u>15,574,765</u>	<u>15,574,765</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 15,828,105</u>	<u>\$ 15,630,105</u>	<u>\$ 15,656,037</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, 2011**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property taxes	\$ 6,698,650	\$ 6,698,650	\$ 6,370,738	\$ (327,912)
Ambulance billing	150,000	150,000	231,523	81,523
Interest	25,000	8,000	8,566	566
Miscellaneous income	11,500	11,500	11,832	332
<b>TOTAL REVENUES</b>	<u>6,885,150</u>	<u>6,868,150</u>	<u>6,622,659</u>	<u>(245,491)</u>
<b>EXPENDITURES</b>				
Public safety	7,026,650	7,080,850	6,856,200	224,650
Capital outlay	33,736	31,736	6,804	24,932
<b>TOTAL EXPENDITURES</b>	<u>7,060,386</u>	<u>7,112,586</u>	<u>6,863,004</u>	<u>249,582</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(175,236)	(244,436)	(240,345)	4,091
<b>OTHER SOURCES AND (USES)</b>				
Sale of capital assets	10,000	5,000	-	(5,000)
<b>CHANGE IN FUND BALANCE</b>	(165,236)	(239,436)	(240,345)	<u>\$ (909)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>7,126,185</u>	<u>7,126,185</u>	<u>7,126,185</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,960,949</u>	<u>\$ 6,886,749</u>	<u>\$ 6,885,840</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, 2011**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property taxes	\$ 1,037,000	\$ 1,037,000	\$ 975,342	\$ (61,658)
Interest	1,000	1,000	172	(828)
TOTAL REVENUES	<u>1,038,000</u>	<u>1,038,000</u>	<u>975,514</u>	<u>(62,486)</u>
<b>EXPENDITURES</b>				
Dispatching services	<u>1,038,000</u>	<u>1,038,000</u>	<u>975,514</u>	<u>62,486</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-	<u>\$ -</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</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, 2011**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property taxes	\$ 1,989,800	\$ 1,989,800	\$ 1,940,903	\$ (48,897)
Interest	10,800	10,800	882	(9,918)
<b>TOTAL REVENUES</b>	<u>2,000,600</u>	<u>2,000,600</u>	<u>1,941,785</u>	<u>(58,815)</u>
<b>EXPENDITURES</b>				
Public safety	<u>1,680,100</u>	<u>1,680,100</u>	<u>2,113,794</u>	<u>(433,694)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	320,500	320,500	(172,009)	<u>\$ (492,509)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,635,514</u>	<u>1,635,514</u>	<u>1,635,514</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,956,014</u>	<u>\$ 1,956,014</u>	<u>\$ 1,463,505</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, 2011

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 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 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, 2011**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Property taxes	\$ 832,800	\$ 832,800	\$ 337,415	\$ (495,385)
Interest	14,000	14,000	633	(13,367)
TOTAL REVENUES	<u>846,800</u>	<u>846,800</u>	<u>338,048</u>	<u>(508,752)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal, interest and fiscal charges	<u>500</u>	<u>500</u>	<u>633,443</u>	<u>(632,943)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>846,300</u>	<u>846,300</u>	<u>(295,395)</u>	<u>\$ (1,141,695)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,075,475</u>	<u>1,075,475</u>	<u>1,075,475</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,921,775</u>	<u>\$ 1,921,775</u>	<u>\$ 780,080</u>	

**MONARCH FIRE PROTECTION DISTRICT**

**SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 352	\$ 352
<b>EXPENDITURES</b>				
Capital outlay	95,000	55,000	550,974	(495,974)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(95,000)	(55,000)	(550,622)	496,326
<b>FUND BALANCES - BEGINNING OF YEAR</b>	1,344,852	1,344,852	1,344,852	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,249,852</u>	<u>\$ 1,289,852</u>	<u>\$ 794,230</u>	

**MONARCH FIRE PROTECTION DISTRICT**  
**SCHEDULE OF INSURANCE IN FORCE**  
**DECEMBER 31, 2011**

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	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, 2011

<u>OFFICE HOLDER</u>	<u>OFFICE</u>	<u>ANNUAL COMPENSATION</u>
Kimberly Evans	President	\$ 10,683
Robin Harris	Secretary	10,683
Steven Swyers	Treasurer	- *
Richard Gans		3,920

\* Elected to not be compensated