

***MONARCH FIRE PROTECTION DISTRICT***

***FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2013***

# MONARCH FIRE PROTECTION DISTRICT

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## INDEPENDENT AUDITORS' REPORT

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

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Monarch Fire Protection District, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the Monarch Fire Protection District, as of December 31, 2013, and the respective changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

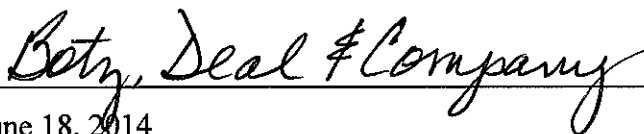
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 33 through 37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2014 on our consideration of Monarch Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of our audit.

  
Betty Deal & Company

June 18, 2014

## 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, 2013. 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 \$34,823,944 (net position). Of this amount, \$15,172,120 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$24,059,412, a decrease of \$606,897 as a result of current year's operations. The Board used reserves to purchase equipment, which accounted for a majority of decrease in ending fund balance.
- At the end of the current fiscal year, fund balances in the General Fund and Ambulance Fund were a combined \$22,584,155.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

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

The Monarch Fire Protection District adopts annual appropriated budgets for its general, ambulance, dispatch and pension funds. Budgetary comparison statements are provided for each fund to demonstrate compliance with these budgets. No budget was adopted for the Debt Service Fund as no expenditures were expected during the year. All outstanding debt has been paid in full.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$34,823,944 as of December 31, 2013 (See Table 1). Of this amount, \$10,194,374 is invested in capital assets (net of related debt), \$9,457,450 is restricted for specific activities, and \$15,172,120 is unrestricted and available to meet current and future obligations of the District.

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

	<i>Governmental Activities</i>		Increase (Decrease)
	2013	2012	
Current and other assets	\$ 27,108,480	\$ 28,110,204	\$ (1,001,724)
Capital assets	10,194,374	10,980,586	(786,212)
<b>Total Assets</b>	<b>37,302,854</b>	<b>39,090,790</b>	<b>(1,787,936)</b>
Other liabilities	774,094	1,058,607	(284,513)
Long-term liabilities	1,704,816	1,749,413	(44,597)
<b>Total Liabilities</b>	<b>2,478,910</b>	<b>2,808,020</b>	<b>(329,110)</b>
Net investment in capital assets	10,194,374	10,980,586	(786,212)
Restricted	9,457,450	9,815,671	(358,221)
Unrestricted	15,172,120	15,486,513	(314,393)
<b>Total Net Position</b>	<b>\$ 34,823,944</b>	<b>\$ 36,282,770</b>	<b>\$ (1,458,826)</b>

The largest portion of the District's net position, 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. \$7,698,398 or 22% of the District's restricted net position is restricted for ambulance services and capital assets.

Current and long-term liabilities decreased in 2013 compared to 2012 due to a reduction in the OPEB liability of \$40,000 and the decrease in accrued wages based on the number of days to accrue due to the timing of pay day.

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

	2013	2012	Increase (Decrease)
<b>Revenues:</b>			
Program revenues:			
Charges for service	\$ 709,140	\$ 503,559	\$ 205,581
General revenues:			
Taxes	18,711,928	19,363,663	(651,735)
Interest income	27,986	27,455	531
Miscellaneous	51,675	6,012	45,663
Gain on disposal of capital assets	44,100	19,100	25,000
Total revenues	<u>19,544,829</u>	<u>19,919,789</u>	<u>(374,960)</u>
<b>Expenses:</b>			
Public safety	20,053,565	20,109,587	(56,022)
Dispatching	950,090	984,194	(34,104)
Interest and fiscal charges	-	4,542	(4,542)
Total expenses	<u>21,003,655</u>	<u>21,098,323</u>	<u>(94,668)</u>
Change in net position	(1,458,826)	(1,178,534)	(280,292)
Net position, beginning of year	36,282,770	37,461,304	(1,178,534)
Net position, end of year	<u>\$ 34,823,944</u>	<u>\$ 36,282,770</u>	<u>\$ (1,458,826)</u>

**Governmental activities.** As reflected in Table 2, governmental activities decreased the District's net position by \$1,458,826 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 general revenues. Tax revenue decreased \$651,735 mostly because assessed values decreased approximately 2%. Public Safety expenses decreased \$56,022 or 0.4%. This small increase is mostly attributable to flat personnel costs in 2013 compared to 2012. 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 \$15,859,370. Of the total fund balance, \$762,944 is non-spendable for prepaid items and is therefore not available for the District to spend. The unassigned fund balance of \$15,096,426 would cover 135% of 2013 expenditures.

Fund balance in the District's General Fund decreased by \$112,353.

**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 \$6,724,785. Of the total fund balance, \$441,929 is non-spendable for prepaid items and is therefore not available for the District to spend. The restricted fund balance of \$6,282,856 would cover 99% of 2013 expenditures.

Expenditures exceeded revenues in the District's Ambulance Fund by \$296,761 during the current fiscal year.

### BUDGET ANALYSIS

Original budgeted expenditures in the General Fund were increased by \$885,687 during the year. The most significant increases to expenditures were to salaries, insurance and capital outlays.

Original budgeted expenditures in the Ambulance Fund were decreased by \$441,493 during the year. The most significant decreases to expenditures was to salaries.

### CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

**Capital assets.** The District's investment in capital assets for its governmental activities as of December 31, 2013, amounts to \$10,194,374 (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**  
**Monarch Fire Protection District's Capital Assets**

	2013	2012	Increase (Decrease)
Land	\$ 2,469,167	\$ 2,469,167	\$ -
Construction in progress	71,707	71,707	-
Buildings and improvements	12,576,642	12,475,235	101,407
Equipment and vehicles	9,011,766	9,134,566	(122,800)
Total	<u>24,261,714</u>	<u>24,150,675</u>	<u>(21,393)</u>
Less: Accumulated depreciation	<u>(13,934,908)</u>	<u>(13,170,089)</u>	<u>(764,819)</u>
Net Capital Assets	<u>\$ 10,194,374</u>	<u>\$ 10,980,586</u>	<u>\$ (786,212)</u>

**Long-term liabilities.** The District has no outstanding bonds. Long-term liabilities, totaling \$1,704,816, consist of accrued compensated absences and voluntary termination benefits. The majority of these liabilities will not be paid out of current financial resources and therefore are not recorded in the fund statements.

More detailed information regarding capital 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 2014, 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 2012 and 2013, with uncertainty about what the next twelve months will bring.
- The market for fuel continues to be unstable, with many price fluctuations.
- 2014 is likely to be somewhat volatile nationwide. The District has unreserved undesignated funds in place for such uncertain times and is monitoring revenues and expenditures on a regular basis in order to track any pressure from overall economic trends.

## **REQUESTS FOR INFORMATION**

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

**MONARCH FIRE PROTECTION DISTRICT**

STATEMENT OF NET POSITION

DECEMBER 31, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 14,620,703
Receivables:	
Property taxes	11,053,484
Ambulance billings	49,485
Other	10,934
Due to other funds	169,001
Prepaid expenses	1,161,184
Inventory	43,689
Capital assets - net:	
Nondepreciable	2,540,874
Depreciable	7,653,500
<b>TOTAL ASSETS</b>	<u>37,302,854</u>
<b>LIABILITIES</b>	
Accounts payable	609,382
Accrued wages	164,712
Noncurrent liabilities:	
Due in one year	254,000
Due in more than one year	1,450,816
<b>TOTAL LIABILITIES</b>	<u>2,478,910</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,194,374
Restricted for:	
Ambulance services	7,698,398
Dispatch services	111,128
Pension benefits	1,647,924
Unrestricted	15,172,120
<b>TOTAL NET POSITION</b>	<u>\$ 34,823,944</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, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
<b>Governmental Activities</b>		<u>Charges for Service</u>	<u>Governmental Activities</u>
Public safety	\$ 20,053,565	\$ 709,140	\$ (19,344,425)
Dispatching	950,090	-	(950,090)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 21,003,655</u>	<u>\$ 709,140</u>	<u>(20,294,515)</u>
			18,711,928
Property taxes			27,986
Investment income			44,100
Gain on sale of assets			51,675
Other miscellaneous revenue			<u>18,835,689</u>
<b>TOTAL GENERAL REVENUES</b>			
			<u>(1,458,826)</u>
<b>CHANGE IN NET POSITION</b>			
			<u>36,282,770</u>
<b>NET POSITION - BEGINNING OF YEAR</b>			
			<u>\$ 34,823,944</u>
<b>NET POSITION - END OF YEAR</b>			

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

**MONARCH FIRE PROTECTION DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2013**

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Nonmajor Debt Service Fund	Total
<b>ASSETS</b>						
Cash and investments	\$ 9,361,132	\$ 3,844,975	\$ 554,904	\$ 859,692	\$ -	\$ 14,620,703
Receivables:						
Property taxes	5,740,049	3,697,781	551,215	1,064,439	-	11,053,484
Ambulance billings	-	49,485	-	-	-	49,485
Other	10,934	-	-	-	-	10,934
Inventory	-	43,689	-	-	-	43,689
Prepaid items	762,944	398,240	-	-	-	1,161,184
Due from (to) other funds	1,280,579	(275,524)	(559,847)	(276,207)	-	169,001
<b>TOTAL ASSETS</b>	<b>\$ 17,155,638</b>	<b>\$ 7,758,646</b>	<b>\$ 546,272</b>	<b>\$ 1,647,924</b>	<b>\$ -</b>	<b>\$ 27,108,480</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 174,238	\$ -	\$ 435,144	\$ -	\$ -	\$ 609,382
Accrued wages	104,464	60,248	-	-	-	164,712
<b>TOTAL LIABILITIES</b>	<b>278,702</b>	<b>60,248</b>	<b>435,144</b>	<b>-</b>	<b>-</b>	<b>774,094</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - taxes	1,017,566	973,613	111,128	172,667	-	2,274,974
<b>FUND BALANCES</b>						
Non-spendable prepaid	762,944	441,929	-	-	-	1,204,873
Restricted:						
Ambulance services	-	6,282,856	-	-	-	6,282,856
Pension	-	-	-	1,475,257	-	1,475,257
Undesignated	15,096,426	-	-	-	-	15,096,426
<b>TOTAL FUND BALANCES</b>	<b>15,859,370</b>	<b>6,724,785</b>	<b>-</b>	<b>1,475,257</b>	<b>-</b>	<b>24,059,412</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 17,155,638</b>	<b>\$ 7,758,646</b>	<b>\$ 546,272</b>	<b>\$ 1,647,924</b>	<b>\$ -</b>	<b>\$ 27,108,480</b>

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

**MONARCH FIRE PROTECTION DISTRICT**  
RECONCILIATION OF THE STATEMENT OF NET POSITION  
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET  
DECEMBER 31, 2013

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

Total fund balance per balance sheet	\$ 24,059,412
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,194,374
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	2,274,974
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(1,704,816)</u>
Net position of governmental activities	<u>\$ 34,823,944</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, 2013**

	General Fund	Ambulance Fund	Dispatch Fund	Pension Fund	Nonmajor		Total
					Debt Service Fund	Fund	
<b>REVENUES</b>							
Property taxes	\$10,107,843	\$5,878,580	\$ 950,898	\$ 1,883,993	\$ 928		\$ 18,822,242
Ambulance billings	-	183,795	-	-	-		183,795
Interest	15,694	11,663	192	410	27		27,986
Permits and reports	525,345	-	-	-	-		525,345
Miscellaneous income	42,169	3,884	-	-	-		46,053
<b>TOTAL REVENUES</b>	<b>10,691,051</b>	<b>6,077,922</b>	<b>951,090</b>	<b>1,884,403</b>	<b>955</b>		<b>19,605,421</b>
<b>EXPENDITURES</b>							
Current:							
Public safety	10,816,358	6,355,246	-	1,901,732	-		19,073,336
Dispatching	-	-	951,090	-	-		951,090
Capital outlay	350,609	19,437	-	-	-		370,046
<b>TOTAL EXPENDITURES</b>	<b>11,166,967</b>	<b>6,374,683</b>	<b>951,090</b>	<b>1,901,732</b>	<b>-</b>		<b>20,394,472</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(475,916)</b>	<b>(296,761)</b>	<b>-</b>	<b>(17,329)</b>	<b>955</b>		<b>(789,051)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Insurance proceeds	138,054	-	-	-	-		138,054
Proceeds from sale of assets	44,100	-	-	-	-		44,100
Operating transfer in (out)	181,409	-	-	-	(181,409)		-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>363,563</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(181,409)</b>		<b>182,154</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(112,353)</b>	<b>(296,761)</b>	<b>-</b>	<b>(17,329)</b>	<b>(180,454)</b>		<b>(606,897)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>15,971,723</b>	<b>7,021,546</b>	<b>-</b>	<b>1,492,586</b>	<b>180,454</b>		<b>24,666,309</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$15,859,370</b>	<b>\$6,724,785</b>	<b>\$ -</b>	<b>\$ 1,475,257</b>	<b>\$ -</b>		<b>\$24,059,412</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, 2013**

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

Change in fund balance-total governmental funds	\$ (606,897)
The acquisition of capital assets requires the use of current financial resources but has no effect on net position.	370,046
Insurance proceeds used to acquire capital assets reduce the cost reported, whereas in the governmental funds, insurance proceeds increase fund balance.	(132,432)
The cost of capital assets is allocated over their estimated useful lives and is reported as depreciation expense in the statement of activities.	(1,023,826)
Revenues that do not provide current financial resources are not included in the fund financial statements.	(110,314)
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	4,597
Other post-employment benefits	40,000
	44,597
Change in net position of governmental activities	\$ (1,458,826)

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

**MONARCH FIRE PROTECTION DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**DECEMBER 31, 2013**

	<u>Welfare Benefit Plan Trust VEBA</u>
<b>ASSETS</b>	
Investments:	
Money market funds	\$ 44,926
Annuities	2,523,400
Mutual Funds	2,372,774
Limited partnerships	124,673
TOTAL ASSETS	<u>5,065,773</u>
<b>LIABILITIES</b>	
Due from other funds	169,001
Other liabilities	7,701
TOTAL LIABILITIES	<u>176,702</u>
<b>NET POSITION</b>	<u>\$ 4,889,071</u>

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

**MONARCH FIRE PROTECTION DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Welfare Benefit Plan Trust VEBA
<b>ADDITIONS</b>	
Contributions	\$ 233,600
Investment income	704,547
<b>TOTAL ADDITIONS</b>	<b>938,147</b>
 <b>DEDUCTIONS</b>	
Benefit payments	100,762
Disability payments	82,999
Insurance	48,543
Professional fees	24,603
Administrative expenses	13,068
<b>TOTAL DEDUCTIONS</b>	<b>269,975</b>
<b>INCREASE IN NET POSITION</b>	668,172
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>4,220,899</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 4,889,071</b>

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

**MONARCH FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**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, deferred outflows and deferred inflows, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**
- B. **BASIC FINANCIAL STATEMENTS - continued**

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

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are fiduciary funds. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

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

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

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

The District reports the following major governmental funds:

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

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

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

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

Additionally, the government reports the following fund types:

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

D. **CAPITAL ASSETS**

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

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

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

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

E. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

F. **INTERFUND TRANSACTIONS**

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

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

G. **COMPENSATED ABSENCES**

Vacation time is earned based on the number of years of service. Vacation time is earned in the year it is available for use. Vacation earned by December 31, 2013 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, 2013 was \$1,672,816.

H. **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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

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

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

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

J. **NET POSITION AND FUND EQUITY**

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

When both restricted and unrestricted sources are available for use, it is the District policy to use restricted first, then unrestricted resources as they are needed. The government-wide statement of net position reports \$9,457,450 of restricted, all of which are restricted by enabling legislation.

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

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

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

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

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

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

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

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

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

K. **CONCENTRATION OF LABOR**

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

L. **INVENTORIES**

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

2. **CASH AND INVESTMENTS**

The District is governed by the deposit and investment limitations of state law. The depository bank is to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times in accordance with sections 110.010 and 110.020 of the Missouri Revised Statutes. State Statutes authorize the Welfare Benefit Plan Trust - VEBA to invest in corporate stocks, bonds, and insurance contracts. As of December 31, 2013, the carrying amount of the District's bank deposits totaled \$14,620,703, with a bank balance of \$16,111,263. 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, 2013, the entire carrying amount of the Fiduciary Fund bank deposits was covered by the FDIC.

Investments	Fair Market Value	Maturities Less Than One Year	No Specific Maturity	S & P Rating
Fiduciary Fund:				
Money market funds	\$ 44,926	\$ 44,926	\$ -	Not Rated
Mutual funds	2,372,774	-	2,372,774	Not Rated
Annuities	2,523,400	-	2,523,400	Not Rated
Limited partnerships	124,673	-	124,673	Not Rated
Total Investments	\$ <u>5,065,773</u>	\$ <u>44,926</u>	\$ <u>5,020,847</u>	

2. **CASH AND INVESTMENTS - continued**

Investment Policies:

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

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

**Interest Rate Risk** - The risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. In accordance with its formal investment policy, the District minimizes interest rate risk by:

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

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

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

3. **PROPERTY TAX**

The District's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are levied on September 1 and payable by December 31. The County collects the property tax and remits it to the District. Assessed values are established by the St. Louis County Assessor subject to review by the Board of Equalization. The District defers recognition of revenue for uncollected property taxes. The assessed valuation of the tangible taxable property for calendar year 2013 for purposes of local taxation was:

Assessed Valuation	
Residential	\$ 1,347,147,520
Agricultural	890,270
Commercial	479,052,820
State Railroad and utilities	26,257,039
Personal property	271,301,184
Total Assessed Valuation	<u>\$ 2,124,648,833</u>

Tax Rate (per \$100 of Assessed Valuation)

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

4. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended December 31, 2013 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	<u>71,707</u>	<u>-</u>	<u>-</u>	<u>71,707</u>
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	12,475,235	101,407	-	12,576,642
Equipment and vehicles	<u>9,134,566</u>	<u>136,207</u>	<u>(259,007)</u>	<u>9,011,766</u>
Total capital assets, being depreciated	<u>21,609,801</u>	<u>237,614</u>	<u>(259,007)</u>	<u>21,588,408</u>
Less accumulated depreciation for:				
Buildings and improvements	( 6,779,979)	( 431,549)	-	( 7,211,528)
Equipment and vehicles	<u>( 6,390,110)</u>	<u>( 592,277)</u>	<u>259,007</u>	<u>( 6,723,380)</u>
Total accumulated Depreciation	<u>(13,170,089)</u>	<u>( 1,023,826)</u>	<u>259,007</u>	<u>(13,934,908)</u>
Total capital assets, being depreciated, net	<u>8,439,712</u>	<u>( 786,212)</u>	<u>-</u>	<u>7,653,500</u>
Total governmental activities	<u>\$ 10,980,586</u>	<u>\$ ( 786,212)</u>	<u>\$ -</u>	<u>\$ 10,194,374</u>

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

5. **LONG-TERM LIABILITIES**

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

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE, END OF YEAR</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental activities:					
Voluntary termination					
Benefits	\$ 72,000	\$ -	\$ ( 40,000)	\$ 32,000	\$ 16,000
Compensated absences	<u>1,677,413</u>	<u>238,000</u>	<u>( 242,597)</u>	<u>1,672,816</u>	<u>238,000</u>
Total Governmental Activities	<u>\$ 1,749,413</u>	<u>\$ 238,000</u>	<u>\$ (282,597)</u>	<u>\$ 1,704,816</u>	<u>\$ 254,000</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, 2013 are as follows:

	<u>DUE TO</u>	<u>DUE FROM</u>
General Fund	\$ -	\$ 1,280,579
Ambulance Fund	275,524	-
Pension Fund	276,207	-
Dispatch Fund	559,847	-
Welfare Benefit Plan Trust - VEBA	169,001	-

Funds remaining in the Debt Service Fund after all outstanding bonds were retired were transferred to the General fund. This transfer total was \$181,409 in 2013.

## 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, 2013. The District's annual premium payment for 2013 to MoFAD was \$1,026,072.

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

The District purchases commercial insurance for health claims in excess of coverage provided by the Internal Service Fund. The District implemented a program to provide for reimbursement of 50% of individual deductibles of \$2,000 individual and \$4,000 family. The employee is responsible for the first \$250 individual and \$500 family of the deductible.

Liabilities are reported when it is probable that a claim has occurred and the amount of the claim can be reasonably estimated. At December 31, 2013, 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, 2013, the District contributed \$1,637,617 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 know 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, 2013, there were 149 participants. (146 active/retired and 3 disabled retirees).

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

As of January 1, 2014, the District received an actuarial valuation preformed on the "Disability Reserve". This valuation was limited to determining the present value of projected benefits for the three disabled individuals receiving benefits under this plan. As of January 1, 2014 the present value of the projected benefits were \$531,806 and the value of Trust assets designated for these benefits was \$829,624.

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

In determining the present value of the projected benefits from the "Disability Reserve" the District uses the aggregate funding method. Under this method the present value of future normal costs equals the present value of benefits reduced by plan assets. These future costs are spread as a level percentage over current and future expected pay. The portion attributable to current pay is the current year normal costs. Experience gains and losses are included in the present value of future normal costs and therefore are spread over future years as a level percentage of pay. Pre-retirement and Post-retirement mortality rates are based on the RP2000 Mortality Table for males, set forward 10 years for disabled lives. Investment earnings are assumed to be 6.5%. All assets are valued at market value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair market value.

During the year ended December 31, 2013 the Districted contributed \$233,600 to the VEBA.

10. **VOLUNTARY TERMINATION BENEFITS**

The District agreed to provide certain benefits to employees as an incentive to retire. The District has recorded a liability for the "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 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>
2014	\$ 16,000
2015	16,000
TOTAL	<u>\$ 32,000</u>

11. **DEFERRED COMPENSATION**

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

12. **CONTINGENCIES**

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

13. **CONTRACTUAL AGREEMENTS**

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

The District has a contractual agreements Mediclaims, Inc. for ambulance billing, billing processing and fee collection services. The District will pay Mediclaims, Inc. on a monthly basis an amount equal to 7% of "Net Collections". The agreement is effective through April 8, 2014. The agreement shall automatically renew on the same terms and conditions for successive one year terms unless either party gives written notice of intent not to renew at least 30 days before the expiration of any term.

14. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 18, 2014, the date the financial statements were available to be issued.

Effective January 1, 2014 the District changed workers' compensation insurance providers to Missouri Employers Mutual. The new policy is provided by a commercial insurance provider and not a public entity risk pool. As a result, the District has no contingent liability to fund a share of any deficits, as it would with the public entity risk pool.

15. **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 District for the year ending June 30, 2014 and 2015, respectively.

The District, 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, 2013**

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property taxes	\$ 10,266,600	\$ 10,092,983	\$ 10,107,843	\$ 14,860
Interest	25,000	15,694	15,694	-
Permits and reports	215,000	525,345	525,345	-
Miscellaneous income	35,000	47,787	42,169	(5,618)
<b>TOTAL REVENUES</b>	<u>10,541,600</u>	<u>10,681,809</u>	<u>10,691,051</u>	<u>9,242</u>
<b>EXPENDITURES</b>				
Public safety	10,187,168	10,883,672	10,816,358	67,314
Capital outlay	110,500	299,683	350,609	(50,926)
<b>TOTAL EXPENDITURES</b>	<u>10,297,668</u>	<u>11,183,355</u>	<u>11,166,967</u>	<u>16,388</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>243,932</u>	<u>(501,546)</u>	<u>(475,916)</u>	<u>25,630</u>
<b>OTHER SOURCES AND (USES)</b>				
Insurance proceeds	-	-	138,054	138,054
Sale of capital assets	15,000	44,100	44,100	-
Operating transfer in (out)	-	27,348	181,409	154,061
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>15,000</u>	<u>71,448</u>	<u>363,563</u>	<u>292,115</u>
<b>CHANGE IN FUND BALANCES</b>	258,932	(430,098)	(112,353)	<u>\$ 317,745</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>15,971,723</u>	<u>15,971,723</u>	<u>15,971,723</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 16,230,655</u>	<u>\$ 15,541,625</u>	<u>\$ 15,859,370</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, 2013**

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property taxes	\$ 6,352,100	\$ 5,872,012	\$ 5,878,580	\$ 6,568
Ambulance billing	225,000	204,200	183,795	(20,405)
Interest	8,000	11,663	11,663	-
Miscellaneous income	9,500	3,675	3,884	209
<b>TOTAL REVENUES</b>	<u>6,594,600</u>	<u>6,091,550</u>	<u>6,077,922</u>	<u>(13,628)</u>
<b>EXPENDITURES</b>				
Public safety	6,809,336	6,367,876	6,355,246	12,630
Capital outlay	18,500	18,467	19,437	(970)
<b>TOTAL EXPENDITURES</b>	<u>6,827,836</u>	<u>6,386,343</u>	<u>6,374,683</u>	<u>11,660</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(233,236)</u>	<u>(294,793)</u>	<u>(296,761)</u>	<u>(1,968)</u>
<b>OTHER SOURCES AND (USES)</b>				
Sale of capital assets	5,000	-	-	-
<b>CHANGE IN FUND BALANCE</b>	(228,236)	(294,793)	(296,761)	<u>\$ (1,968)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>7,021,546</u>	<u>7,021,546</u>	<u>7,021,546</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,793,310</u>	<u>\$ 6,726,753</u>	<u>\$ 6,724,785</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, 2013**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property taxes	\$ 994,709	\$ 994,709	\$ 950,898	\$ (43,811)
Interest	1,000	1,000	192	(808)
TOTAL REVENUES	<u>995,709</u>	<u>995,709</u>	<u>951,090</u>	<u>(44,619)</u>
<b>EXPENDITURES</b>				
Dispatching services	<u>972,809</u>	<u>972,809</u>	<u>951,090</u>	<u>21,719</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	22,900	22,900	-	<u>\$ (22,900)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 22,900</u>	<u>\$ 22,900</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, 2013**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property taxes	\$ 1,925,107	\$ 1,925,107	\$ 1,883,993	\$ (41,114)
Interest	10,800	10,800	410	(10,390)
<b>TOTAL REVENUES</b>	<u>1,935,907</u>	<u>1,935,907</u>	<u>1,884,403</u>	<u>(51,504)</u>
<b>EXPENDITURES</b>				
Public safety	<u>2,205,907</u>	<u>2,205,907</u>	<u>1,901,732</u>	<u>304,175</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(270,000)	(270,000)	(17,329)	<u>\$ 252,671</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,492,586</u>	<u>1,492,586</u>	<u>1,492,586</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,222,586</u>	<u>\$ 1,222,586</u>	<u>\$ 1,475,257</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, 2013

Budgets and Budgetary Accounting

Budgets are adopted on a modified accrual basis of accounting. Annual appropriated budgets are adopted for each governmental fund. Budgets are not prepared for the and the Fiduciary Fund (Welfare Benefit Plan Trust - VEBA). Also no budget was prepared for the Debt Service Fund in 2013, because there were no anticipated expenditures. All annual appropriations lapse at year-end.

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

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

**SUPPLEMENTARY INFORMATION**

**MONARCH FIRE PROTECTION DISTRICT**

SCHEDULE OF INSURANCE IN FORCE

DECEMBER 31, 2013

INSURANCE IN FORCE	INSURANCE COMPANY	COVERAGE
Property Structures Contents	Arch Insurance Company	\$ 16,674,891 ** \$ 873,491
General liability	Arch Insurance Company	\$1,000,000/\$10,000,000
Workers compensation	MoFAD	As required by state statutes
Automobile: Liability	Arch Insurance Company	\$ 1,000,000
Umbrella: Liability	Arch Insurance Company	\$2,000,000/\$6,000,000
Employee theft	Arch Insurance Company	\$ 1,000,000
Pension and welfare fund: Fiduciary responsibility	Travelers	\$ 2,000,000
Directors and Officers Liability	Westchester Fire Insurance Company	\$ 5,000,000
Directors and Officers Liability	RSUI Indemnity Company	\$ 3,000,000
Directors and Officers Liability	Inonshore Indemnity Inc.	\$ 2,000,000

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

**MONARCH FIRE PROTECTION DISTRICT**  
**SCHEDULE OF DIRECTORS' FEES**  
**DECEMBER 31, 2013**

<u>OFFICE HOLDER</u>	<u>OFFICE</u>	<u>ANNUAL COMPENSATION</u>
Jane Cunningham	President	\$ 7,150
Robin Harris	Secretary	11,200
Steven Swyers	Treasurer	- *
Kim Evens		3,333

\* Elected to not be compensated