



**MONARCH FIRE
PROTECTION DISTRICT**

FINANCIAL REPORT
(Audited)

Year Ended December 31, 2016

MONARCH FIRE PROTECTION DISTRICT
DISTRICT'S MISSION STATEMENT

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

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

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

MONARCH FIRE PROTECTION DISTRICT
FINANCIAL REPORT

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

INDEPENDENT AUDITOR'S REPORT

June 22, 2017

Board of Directors
MONARCH FIRE PROTECTION DISTRICT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **MONARCH FIRE PROTECTION DISTRICT** (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

MONARCH FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The Management's Discussion and Analysis (MD&A) of the Monarch Fire Protection District's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2016. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this MD&A in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

1. The District's total net position decreased by \$544,353 or 1.7% as a result of this year's operations.
2. In the government-wide financial statements, the assets of the District exceeded its liabilities at December 31, 2016 by \$32,114,495 (net position). Of this amount, \$9,182,920 represents the District's net investment in capital assets; restricted for pension of \$1,846,056; and the balance of \$21,085,519 will be used to meet the District's ongoing obligations to citizens and creditors.
3. As of December 31, 2016, the District's governmental funds reported combined ending fund balances of \$20,922,639, a decrease of \$2,029,422 in comparison with the prior year. A portion of this amount, \$8,778,061, represents collections of the 2016 tax levy which are assigned to fund the District's 2017 General Fund operations.
4. Unassigned fund balance for the General Fund at December 31, 2016 was \$4,031,278 or 32.4% of General Fund expenditures. This fund balance resulted from prior years District surpluses and is available for contingencies.
5. At December 31, 2016, the fund balance committed for public safety of the Ambulance Fund was \$5,420,022 or 76.6% of Ambulance Fund expenditures. This fund balance and future charges for services will be used to finance 2017 and future emergency medical services (EMS) operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

MONARCH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

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

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

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

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

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

MONARCH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$32,114,495 at December 31, 2016. The condensed statements of net position was as follows:

	<u>December 31</u>		<u>2016 Change</u>	
	<u>2016</u>	<u>Restated 2015</u>	<u>Amount</u>	<u>Percent</u>
ASSETS				
Current and other assets	\$ 25,767,747	26,893,397	(1,125,650)	(4.2) %
Capital assets, net	10,626,090	9,746,979	879,111	9.0
Total Assets	<u>36,393,837</u>	<u>36,640,376</u>	<u>(246,539)</u>	<u>(0.7)</u>
LIABILITIES				
Other liabilities	1,304,395	733,980	570,415	77.7
Long-term liabilities	2,974,947	3,247,548	(272,601)	(8.4)
Total Liabilities	<u>4,279,342</u>	<u>3,981,528</u>	<u>297,814</u>	<u>7.5</u>
NET POSITION				
Net investment in capital assets	9,182,920	8,152,391	1,030,529	12.6
Restricted	1,846,056	1,713,795	132,261	7.7
Unrestricted	21,085,519	22,792,662	(1,707,143)	(7.5)
Total Net Position	<u>\$ 32,114,495</u>	<u>32,658,848</u>	<u>(544,353)</u>	<u>(1.7) %</u>

The portion of the District's net position reflected in its investment in capital assets (e.g., land, buildings, fire and rescue equipment), less any related debt used to acquire those assets that is still outstanding was \$9,182,920. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining assets consist mainly of cash, investments, and property taxes receivable which are used to meet the District's ongoing obligations to its citizens.

Governmental activities. This analysis focuses on the net position and change in net position of the District's governmental activities. Governmental activities decreased the District's net position in the current year by \$544,353. The condensed statements of activities was as follows:

**MONARCH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	For The Years		2016 Change	
	Ended December 31		Amount	Percent
	2016	Restated 2015		
REVENUES				
Program revenues:				
Charges for services	\$ 937,417	1,214,504	(277,087)	(22.8) %
General revenues:				
Taxes	19,487,982	19,670,154	(182,172)	(0.9)
Investment income	27,427	12,981	14,446	111.3
Other	83,356	25,235	58,121	230.3
Gain on sale of capital assets	19,656	38,206	(18,550)	(48.6)
Total Revenues	<u>20,555,838</u>	<u>20,961,080</u>	<u>(405,242)</u>	(1.9)
EXPENSES				
Public safety	20,105,533	20,218,773	(113,240)	(0.6)
Dispatch services	937,041	938,203	(1,162)	(0.1)
Interest on long-term debt	57,617	50,337	7,280	14.5
Total Expenses	<u>21,100,191</u>	<u>21,207,313</u>	<u>(107,122)</u>	(0.5)
CHANGE IN NET POSITION	(544,353)	(246,233)	(298,120)	(121.1)
NET POSITION, JANUARY 1	32,658,848	33,240,928	(582,080)	(1.8)
RESTATEMENT	<u>-</u>	<u>(335,847)</u>	<u>335,847</u>	100.0
NET POSITION, DECEMBER 31	<u>\$ 32,114,495</u>	<u>32,658,848</u>	<u>(544,353)</u>	(1.7) %

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

At December 31, 2016, the District's governmental funds reported combined ending fund balances of \$20,922,639, a decrease of \$2,029,422 in comparison with the prior year. The majority of this total amount

**MONARCH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

(67.9%) constitutes amounts assigned and committed for fire/safety and EMS 2017 operations, which is available for spending at the District's discretion. The remainder of fund balance is unassigned, restricted for pension, or nonspendable for prepaid items and inventory.

General Fund. The General Fund is the chief operating fund of the District. As of December 31, 2016, unassigned fund balance of the General Fund was \$4,031,278, while total fund balance reached \$13,475,383. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.4% of total General Fund expenditures and total fund balance represents 108.4% of that same amount.

The fund balance of the District's General Fund decreased by \$1,579,608, or 10.5%, during the current fiscal year.

Ambulance Fund. The Ambulance Fund has a total fund balance of \$5,951,272, which is committed for public safety and nonspendable for prepaid items and inventory. As a measure of the Ambulance Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 84.1% of total Ambulance Fund expenditures.

The fund balance of the District's Ambulance Fund decreased by \$501,306, or 7.8%, during the current fiscal year. Expenditures increased by \$442,175 from the prior year mainly due to an increase in capital outlay expenditures for the purchase of an ambulance.

BUDGETARY HIGHLIGHTS

Original budgeted expenditures in the General Fund were increased by \$526,740 during the year. The most significant increases to expenditures was capital outlay.

Original budgeted expenditures in the Ambulance Fund were increased by \$44,235 during the year. The most significant increase to expenditures was to insurance, professional fees, and debt service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvements, fire apparatus and equipment, and office furniture and equipment. As of December 31, 2016, the District had invested \$10,626,090 in capital assets, net of depreciation, as shown in the following table:

	December 31	
	2016	2015
Land	\$ 2,469,167	2,469,167
Construction in progress	138,349	-
Buildings and improvements	4,305,502	4,639,417
Vehicles and equipment	3,713,072	2,638,395
Total Capital Assets, Net	\$ 10,626,090	9,746,979

MONARCH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

During the year, the District's investment in capital assets increased by \$879,111, which is net of depreciation expense of \$1,144,026.

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

Long-term debt. During the current year, the District's total debt decreased by \$272,601 due to the net effect of scheduled principal payments and decreased compensated absences. Additional information of the District's long-term debt can be found in Note H.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The District is subject to the Missouri State Hancock Amendment. This restricts the amount of growth the District may have in revenue in any given year to the rate of inflation certified by the State of Missouri plus new construction. The revenue, aside from new construction, may grow at a maximum of 5%, with other restrictions within the law. Actual allowable revenue growth has been less than 5%.
- The continuing rise in the cost of providing medical coverage to employees has caused the District to begin looking at the plan design in order to mitigate the ongoing increases.
- The continuing rise in the cost of workers compensation insurance to cover its employees has caused the District to begin looking internally for ways to improve the health and safety procedures established. In 2012 the District took actions to address the workers compensation cost increase; these actions included on-site training and the implementation of a light duty program. The District has also established a fit for duty program and increased overall communication and awareness as it pertains to workers compensation. The overall efforts to decrease workers compensation premiums will continue to be recognized in 2017.

In 2017, the District expects to maintain and improve its services through several primary means as follows:

- Continued hiring and retention of highly qualified personnel.
- Training of existing personnel in the latest breakthroughs in fire suppression, emergency medicine, and other related topics.
- Fire prevention programs and educational events for the community.
- Ongoing updates and replacement of equipment and research of the latest technology related to fire suppression and emergency medicine.
- The overall economic conditions of the St. Louis metro area appear reflective of the nation as a whole; consumer spending is down, inflation is potentially a concern, interest rates were minimal in 2016, and there is no projection for rates increasing significantly in 2017, with uncertainty about what the next twelve months will bring.
- The market for fuel continues to be unstable, with many price fluctuations.
- 2017 is likely to be somewhat volatile nationwide. The District has unreserved, undesignated funds in place for such uncertain times and is monitoring revenues and expenditures on a regular basis in order to track any pressure from overall economic trends.

MONARCH FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

REQUESTS FOR INFORMATION

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

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

MONARCH FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities
ASSETS	
Cash	\$ 10,179,781
Investments	3,525,912
Receivables:	
Taxes, net of allowance for uncollectible amounts	10,646,959
EMS fees, net of allowance for uncollectible amounts	97,362
Inventory	72,069
Prepaid items	1,125,225
Due from Fiduciary Fund	120,439
Capital assets:	
Land and construction in progress	2,607,516
Other capital assets, net of accumulated depreciation	8,018,574
Total Assets	36,393,837
LIABILITIES	
Accounts payable	911,203
Accrued payroll	382,067
Due to Fiduciary Fund	11,125
Noncurrent liabilities:	
Due within one year	340,737
Due in more than one year	2,634,210
Total Liabilities	4,279,342
NET POSITION	
Net investment in capital assets	9,182,920
Restricted for pension	1,846,056
Unrestricted	21,085,519
Total Net Position	\$ 32,114,495

MONARCH FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues
Governmental Activities	Charges For	Operating	Capital	(Expenses)
Expenses	Services	Grants And	Grants And	And Changes
Expenses	Services	Contributions	Contributions	In Net Position
Public safety	\$ 20,105,533	937,417	-	(19,168,116)
Dispatch services	937,041	-	-	(937,041)
Interest on long-term debt	57,617	-	-	(57,617)
Total Governmental Activities	\$ 21,100,191	937,417	-	(20,162,774)
General Revenues				
Property taxes				19,487,982
Investment income				27,427
Other				83,356
Gain on sale of capital assets				19,656
Total General Revenues				19,618,421
CHANGE IN NET POSITION				(544,353)
NET POSITION, JANUARY 1, AS RESTATED				32,658,848
NET POSITION, DECEMBER 31				\$ 32,114,495

MONARCH FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General</u>	<u>Ambulance</u>	<u>Dispatch</u>	<u>Pension Revenue</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 7,041,956	2,283,831	74,863	779,131	10,179,781
Investments	3,275,912	250,000	-	-	3,525,912
Receivables:					
Taxes, net of allowance for uncollectible amounts	5,622,307	3,449,856	540,209	1,034,587	10,646,959
EMS fees, net of allowance for uncollectible amounts	-	97,362	-	-	97,362
Inventory	-	72,069	-	-	72,069
Prepaid items	666,044	459,181	-	-	1,125,225
Due from other funds	120,439	715,660	111,156	43,553	990,808
	<u>16,726,658</u>	<u>7,327,959</u>	<u>726,228</u>	<u>1,857,271</u>	<u>26,638,116</u>
Total Assets	<u>\$ 16,726,658</u>	<u>7,327,959</u>	<u>726,228</u>	<u>1,857,271</u>	<u>26,638,116</u>
LIABILITIES					
Accounts payable	\$ 316,189	24,593	523,302	90	864,174
Accrued payroll	257,152	124,915	-	-	382,067
Due to other funds	870,369	-	-	11,125	881,494
Total Liabilities	<u>1,443,710</u>	<u>149,508</u>	<u>523,302</u>	<u>11,215</u>	<u>2,127,735</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue:					
Property taxes	1,807,565	1,189,984	202,926	350,072	3,550,547
EMS fees	-	37,195	-	-	37,195
Total Deferred Inflows Of Resources	<u>1,807,565</u>	<u>1,227,179</u>	<u>202,926</u>	<u>350,072</u>	<u>3,587,742</u>
FUND BALANCES					
Nonspendable:					
Inventory	-	72,069	-	-	72,069
Prepaid items	666,044	459,181	-	-	1,125,225
Restricted - Pension	-	-	-	1,495,984	1,495,984
Committed - EMS services	-	5,420,022	-	-	5,420,022
Assigned for - Subsequent year tax levy	8,778,061	-	-	-	8,778,061
Unassigned	4,031,278	-	-	-	4,031,278
Total Fund Balances	<u>13,475,383</u>	<u>5,951,272</u>	<u>-</u>	<u>1,495,984</u>	<u>20,922,639</u>
Total Liabilities, Deferred Inflows Of Resources, And Fund Balances	<u>\$ 16,726,658</u>	<u>7,327,959</u>	<u>726,228</u>	<u>1,857,271</u>	<u>26,638,116</u>

MONARCH FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total Fund Balances - Governmental Funds \$ 20,922,639

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$26,354,338 and the accumulated depreciation is \$15,728,248. 10,626,090

Other long-term assets (property taxes and EMS fees receivable not collected within 60 days of year-end) are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds. 3,587,742

Other liabilities are not paid from current financial resources and, therefore, are not reported in the governmental funds. (47,029)

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Capital leases (1,443,170)

Compensated absences (1,531,777)

Total Net Position Of Governmental Activities \$ 32,114,495

MONARCH FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Ambulance</u>	<u>Dispatch</u>	<u>Pension Revenue</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 10,186,214	6,172,767	936,945	1,870,879	19,166,805
EMS fees	-	391,035	-	-	391,035
Inspection fees	550,173	-	-	-	550,173
Investment income	21,974	5,066	96	291	27,427
Other	39,704	8,168	-	-	47,872
Total Revenues	<u>10,798,065</u>	<u>6,577,036</u>	<u>937,041</u>	<u>1,871,170</u>	<u>20,183,312</u>
EXPENDITURES					
Current:					
Public safety	10,450,499	6,705,379	-	1,819,678	18,975,556
Dispatching	-	-	937,041	-	937,041
Capital outlay	1,862,332	283,910	-	-	2,146,242
Debt service:					
Principal	72,144	79,274	-	-	151,418
Interest	47,838	9,779	-	-	57,617
Total Expenditures	<u>12,432,813</u>	<u>7,078,342</u>	<u>937,041</u>	<u>1,819,678</u>	<u>22,267,874</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,634,748)</u>	<u>(501,306)</u>	<u>-</u>	<u>51,492</u>	<u>(2,084,562)</u>
OTHER FINANCING SOURCES					
Insurance proceeds	35,484	-	-	-	35,484
Sale of capital assets	19,656	-	-	-	19,656
Total Other Financing Sources	<u>55,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,140</u>
NET CHANGE IN FUND BALANCES	<u>(1,579,608)</u>	<u>(501,306)</u>	<u>-</u>	<u>51,492</u>	<u>(2,029,422)</u>
FUND BALANCES, JANUARY 1	<u>15,054,991</u>	<u>6,452,578</u>	<u>-</u>	<u>1,444,492</u>	<u>22,952,061</u>
FUND BALANCES, DECEMBER 31	<u>\$ 13,475,383</u>	<u>5,951,272</u>	<u>-</u>	<u>1,495,984</u>	<u>20,922,639</u>

**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, 2016**

Net Change In Fund Balances - Governmental Funds \$ (2,029,422)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlay over the threshold \$2,023,137 exceeded depreciation (\$1,144,026) in the current period.	879,111
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. Increase in unavailable revenue	317,386
Expenditures in the statement of activities that are not paid with current financial resources are not reported as expenditures in the governmental funds. Decrease in accounts payable	15,971
The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds, however, it has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt:	
Capital lease principal payments	151,418
Compensated absences earned	(223,912)
Compensated absences payments	345,095
	879,111
Change In Net Position Of Governmental Activities	<u><u>\$ (544,353)</u></u>

MONARCH FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET POSITION -
WELFARE BENEFIT PLAN TRUST FUND
DECEMBER 31, 2016

ASSETS

Cash	\$ 88,636
Investments at fair value:	
Annuities	4,048,235
Mutual funds	684,708
Real estate investment trusts	277,852
Limited partnerships	53,900
Total Investments	<u>5,064,695</u>
Due from other funds	<u>11,125</u>
Total Assets	<u>5,164,456</u>

LIABILITIES

Accounts payable	10,802
Due to other funds	120,439
Total Liabilities	<u>131,241</u>

NET POSITION

Restricted for welfare benefits	<u>\$ 5,033,215</u>
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MONARCH FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
WELFARE BENEFIT PLAN TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

ADDITIONS

Investment income	\$ 161,341
Employer contribution	271,900
Total Additions	<u>433,241</u>

DEDUCTIONS

Benefit payments	278,207
Disability payments	77,715
Insurance	35,856
Professional fees	2,196
Administrative fees	12,232
Total Deductions	<u>406,206</u>

CHANGE IN NET POSITION

27,035

NET POSITION - RESTRICTED FOR WELFARE BENEFITS,
JANUARY 1

5,006,180

NET POSITION - RESTRICTED FOR WELFARE BENEFITS,
DECEMBER 31

\$ 5,033,215

MONARCH FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

2. Government-wide and Fund Financial Statements

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

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

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

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

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

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

MONARCH FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The District reports the following major governmental funds:

General Fund -- This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

Additionally, the District reports the following fund type:

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

MONARCH FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

4. Fund Balance Classification and Policies

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

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

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

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

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

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

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

5. Allowance for Doubtful Accounts

Allowances for uncollectible receivable amounts by fund are as follows:

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Allowance for Doubtful Accounts (Continued)

	December 31, 2016	
	Property Taxes	EMS Fees
General Fund	\$ 85,958	-
Ambulance Fund	52,536	201,046
Dispatch Fund	8,227	-
Pension Revenue Fund	15,755	-

6. Inventories

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

7. Capital Assets

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

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

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

Assets	Years
Buildings and improvements	5 - 30
Vehicles and equipment	5 - 20

8. Interfund Transactions

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

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

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Interfund Transactions (Continued)

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

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

9. Investments

Investments are carried at fair value.

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

10. Property Taxes

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

Property taxes levied for 2016 are recorded as receivables, net of estimated uncollectibles, as are prior year levies which are re-evaluated annually. Taxes receivable represent estimated amounts to be collected by the County Collector of Revenue for 2016 and prior tax years to be remitted to the District subsequent to year-end. The portion of taxes not collected and remitted to the District within 60 days of year-end is recorded as unavailable tax revenue. The allowance for uncollectible taxes is estimated based on past experience. Property taxes are assessed, billed, and collected by St. Louis County and remitted by the County to the District. The County’s fee is 1.5% of the taxes collected. The following is a summary of the 2016 tax rates:

	2016 Tax Rates				
	<u>General</u>	<u>Ambulance</u>	<u>Dispatch</u>	<u>Pension</u>	<u>Total</u>
Real property:					
Residential	0.4200	0.2640	0.0420	0.0790	0.8050
Agricultural	0.3650	0.2270	0.0330	0.0690	0.6940
Commercial	0.5020	0.3020	0.0460	0.0920	0.9420
Personal property	0.5300	0.3300	0.0480	0.1000	1.0080

Property tax rates for each of the above categories and for each fund type is levied per \$100 of assessed valuation which totaled \$2,298,927,112 for the District (real property \$2,001,366,920 and personal property \$297,560,192).

MONARCH FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Prepaid Items

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

12. Long-term Obligations

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

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

13. Deferred Outflows/Inflows of Resources

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

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

14. Indirect Cost Allocation

Certain indirect costs are allocated 60% to the General Fund and 40% to the Ambulance Fund for the fiscal year ended December 31, 2016. These percentages are based on the number of personnel.

MONARCH FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Use of Estimates

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

NOTE B - CASH AND INVESTMENTS

1. Deposits

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

As of December 31, 2016, the District's bank balances totaled \$10,607,627. Of the District's bank balances, \$250,000 was covered by federal depository insurance and \$10,313,085 was covered by additional pledged collateral. The amount of uninsured or uncollateralized deposits amounted to \$44,542 on December 31, 2016. This collateral shortage was due to the banking holiday schedule and direct deposits of tax revenue. The bank balance was fully collateralized on January 3, 2017.

2. Investments

As of December 31, 2016, the District had the following investments:

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

<u>Investments</u>	<u>Fair Value</u>	<u>Maturities</u>		<u>Credit Risk</u>
		<u>No Maturity</u>	<u>Less Than One Year</u>	
Primary Government				
Certificates of deposit	\$ 3,525,912	-	3,525,912	N/A
Money market funds	853,994	853,994	-	Not rated
Total Primary Government Investments	<u>4,379,906</u>	<u>853,994</u>	<u>3,525,912</u>	
Fiduciary Fund				
Annuities	4,048,235	4,048,235	-	Not rated
Mutual funds	684,708	684,708	-	Not rated
Real estate investment trusts	277,852	277,852	-	Not rated
Limited partnerships	53,900	53,900	-	Not rated
Total Fiduciary Fund Investments	<u>5,064,695</u>	<u>5,064,695</u>	<u>-</u>	
Grand Total Investments	<u>\$ 9,444,601</u>	<u>5,918,689</u>	<u>3,525,912</u>	

Investments Policies

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

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

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

Concentration of credit risk is required to be disclosed by the District for investments in any one issuer that represent 5% or more of total investments (investments issued by or explicitly guaranteed by the United States Government, investments in mutual funds, investments in external investment pools, and investments in other pooled investments are exempt). Fiduciary Funds are

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

required to disclose investments in any one issuer that represent 5% or more of total plan net position with the same exemptions as above. At December 31, 2016, the District had the following investment concentrations:

Investments	Fair Value	Percent Of Total Plan Net Position
Fiduciary Fund		
Americo Financial Life Insurance Annuity Contract	\$ 1,769,725	29.99 %
Washington National Life Insurance Annuity Contract	1,290,459	25.64
Metlife Life Insurance Annuity Contract	773,206	15.36
American Funds - The Growth Fund of America	372,515	7.40
PCS Commodity Strategy Fund Class A	312,193	6.20

3. Fair Value Measurements

The District classifies its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The inputs and methodologies used for valuing investment securities are not necessarily an indication of risk associated with investing in those securities.

The District has the following recurring fair value level measurements as of December 31, 2016:

- Mutual funds (\$685 thousand) are valued using quoted market prices (Level 1 inputs)
- Annuities (\$4.05 million) are valued using other observable inputs (Level 2 inputs)
- Limited partnerships (\$54 thousand) are valued using unobservable inputs (Level 3 inputs)
- Money market funds (\$854 thousand) and certificates of deposit (\$3.53 million) are not subject to fair value level classification

The District has the following investments measured at net asset value (NAV) as of December 31, 2016:

- Real estate investment trusts (\$279 thousand) estimated NAVs are based on independent valuations

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE C - DEFERRED COMPENSATION PLAN

The District participates in and complies with a deferred compensation plan under Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Trust provisions are incorporated so that Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. As a result, the assets and liabilities of the Plan are not included in the accompanying financial statements.

NOTE D - FIRE DISTRICT DIRECTORS' FEES AND RELATED EXPENSES

Directors' fees consisted of the following:

	For The Year Ended December 31 2016
Richard Gans, Director and President	\$ 11,100
Robin Harris, Director and Treasurer	10,933
Jane Cunningham, Director and Secretary	9,945
Total	\$ 31,978

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

NOTE E - INSURANCE COVERAGE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has transferred these risks by purchasing insurance from commercial enterprises. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The following insurance policies of the District were in force during the fiscal year ended December 31, 2016:

<u>Company</u>	<u>Type Of Coverage</u>	<u>Amount Of Coverage</u>
American Alternative Insurance Corporation	Property and casualty	\$1,000,000 each occurrence \$10,000,000 aggregate
American Alternative Insurance Corporation	Automobile	\$1,000,000
American Alternative Insurance Corporation	Crime	\$1,000,000
American Alternative Insurance Corporation	Umbrella	\$6,000,000 each occurrence \$6,000,000 aggregate

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE E - INSURANCE COVERAGE (Continued)

<u>Company</u>	<u>Type Of Coverage</u>	<u>Amount Of Coverage</u>
Benchmark Insurance Company	Workers' compensation	State statutory requirements
Travelers Casualty & Surety Company	Fiduciary	\$2,000,000
RSUI Indemnity Company	Directors and Officers	\$3,000,000
Ironshore Indemnity, Inc.	Directors and Officers	\$2,000,000
Starr Indemnity & Liability Co.	Directors and Officers	\$5,000,000

NOTE F - CAPITAL ASSETS

Capital asset activity was as follows:

	For The Year Ended December 31, 2016			
	Balance			Balance
	December 31	Increases	Decreases	December 31
	2015			2016
Capital assets not being depreciated:				
Land	\$ 2,469,167	-	-	2,469,167
Construction in progress	-	138,349	-	138,349
Total Capital Assets Not Being Depreciated	<u>2,469,167</u>	<u>138,349</u>	<u>-</u>	<u>2,607,516</u>
Capital assets being depreciated:				
Buildings and improvements	12,718,899	76,887	-	12,795,786
Vehicles and equipment	10,148,944	1,807,901	1,005,809	10,951,036
Total Capital Assets Being Depreciated	<u>22,867,843</u>	<u>1,884,788</u>	<u>1,005,809</u>	<u>23,746,822</u>
Less - Accumulated depreciation for:				
Buildings and improvements	8,079,482	410,802	-	8,490,284
Vehicles and equipment	7,510,549	733,224	1,005,809	7,237,964
Total Accumulated Depreciation	<u>15,590,031</u>	<u>1,144,026</u>	<u>1,005,809</u>	<u>15,728,248</u>
Total Capital Assets Being Depreciated, Net	<u>7,277,812</u>	<u>740,762</u>	<u>-</u>	<u>8,018,574</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,746,979</u>	<u>879,111</u>	<u>-</u>	<u>10,626,090</u>

Depreciation expense of \$1,144,026 for the year ended December 31, 2016 was charged to the public safety function of the primary government.

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE G - COMPENSATED ABSENCES

The District grants vacation to all employees at a rate based on years of experience and earned in the year it is available for use. Vacation earned by December 31, 2016 must be taken by the end of that year. Unusual circumstances may permit a carryover.

The District also grants sick leave to all employees. Sick leave days are earned at a rate of six days per year for shift personnel and eight days per year for administrative personnel. Covered employees are allowed to accumulate unused sick leave up to 60 days and 90 days for shift personnel and administrative personnel, respectively. Upon termination of employment, employees with balances prior to 2004 have grandfather clause that allows them to be paid at a 2004 rate of pay up to 48 days, all days after 48 are paid at 50%. Employees hired after 2004 are subject to the current collective bargaining agreement, which pays \$250 per day for days earned. The amount paid is based upon a formula agreed to in the memorandum of understanding with the Professional Fire Fighter Local 2665. The liability for accumulated sick leave at December 31, 2016 amounted to \$1,531,777 and is reflected in the government-wide financial statements.

NOTE H - LONG-TERM DEBT

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

	For The Year Ended December 31, 2016			Amounts Due Within One Year	
	Balance December 31 2015	Additions	Payments		Balance December 31 2016
	Capital leases	\$ 1,594,588	-		151,418
Compensated absences	1,652,960	223,912	345,095	183,813	
Total Long-term Debt	<u>\$ 3,247,548</u>	<u>223,912</u>	<u>496,513</u>	<u>2,974,947</u>	

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

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

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE H - LONG-TERM DEBT (Continued)

	December 31 2016
\$146,717 capital lease for five monitor/defibrillators with accessories, due in 60 monthly principal and interest installments of \$2,755 through January 2019; interest payable at 4.97%.	\$ 65,426
\$261,444 capital lease for an ambulance, due in five annual principal and interest installments of \$55,989 through August 2019; interest payable at 3.484%.	160,899
\$1,304,217 capital lease for one pumper and one apparatus, due in 15 annual principal and interest installments of \$114,317 through December 2029; interest payable at 3.596%.	1,162,955
\$59,975 capital lease for additional equipment for the pumper, due in 15 annual principal and interest installments of \$5,666 through December 2029; interest payable at 5.372%.	53,890
Total	<u>\$ 1,443,170</u>

The assets acquired through capital leases are as follows:

	December 31 2016
Equipment and vehicles	\$ 1,772,353
Less - Accumulated depreciation	<u>271,344</u>
Total Assets	<u>\$ 1,501,009</u>

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

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE H - LONG-TERM DEBT (Continued)

For The Years Ending December 31	
2017	\$ 209,035
2018	209,035
2019	180,672
2020	119,982
2021	119,982
2022-2026	599,911
2027-2029	<u>356,204</u>
Total Future Minimum Lease Payments	1,794,821
Less - Amount representing interest	<u>351,651</u>
Present Value Of Future Minimum Lease Payments	<u><u>\$ 1,443,170</u></u>

NOTE I - PENSION PLAN

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

The District contributes a discretionary amount to the Plan. The Plan is administered by EkonBenefits. Contributions will be made with funds derived from the tax established pursuant to Section 321.610 RSMO or, at the discretion of the District, from other available revenues of the District. Plan amendments are made via resolution by the Board with a majority vote. The contribution is allocated to participants' accounts in an amount equal to the total amount contributed multiplied by the ratio of the participant's compensation for the plan year to total compensation for all participants entitled to a contribution for the plan year. Contributions are made exclusively by the District. All employees at the end of a plan year who have completed 500 hours of service during that plan year are eligible to participate in the Plan. Participants begin to vest in these contributions after two (2) years of service in increasing percentages of 25% per qualified year of service. During the year ended December 31, 2016, the District contributed \$1,540,768 to the Plan.

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

The District provides post-retirement medical benefits, disability benefits, a \$50,000 per participant plus balance of participant's account as a death benefit, and severance benefits to eligible employees. These benefits are provided under a plan known as the Monarch Fire Protection District Welfare Benefit Plan. The Plan's trust fund is exempt under IRC 501(c)(9) as a voluntary employee benefit association (VEBA).

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Employees are eligible to participate in VEBA after one month of full-time employment. At December 31, 2016, there were 178 participants (175 active/retired and 3 disabled retirees).

Under the terms of VEBA, the District shall contribute an amount determined by the Board to fund benefits under VEBA. In addition to the defined contribution “indemnity account”, the District has a “Disability Reserve” included in VEBA’s assets. The “Disability Reserve” assets will provide benefits to three individuals currently receiving benefits from VEBA. Disability benefits are provided to all current employees through insurance purchased through a third party. The District received an actuarial valuation performed on the “Disability Reserve”. This valuation was limited to determining the present value of projected benefits for the three disabled individuals receiving benefits under VEBA. As of January 1, 2017, the present value of the projected benefits was \$530,034 and the value of VEBA’s assets designated for these benefits was \$698,847.

In determining the present value of the projected benefits from the “Disability Reserve”, the District uses the aggregate funding method. Under this method, the present value of future normal costs equals the present value of benefits reduced by VEBA’s assets. These future costs are spread as a level percentage over current and future expected pay. The portion attributable to current pay is the current year normal costs. Experience gains and losses are included in the present value of future normal costs and, therefore, are spread over future years as a level percentage of pay. Pre-retirement and post-retirement mortality rates are based on the 2016 PBGC Social Security Disable Life Mortality Table for males. Investment earnings are assumed to be 6.5%. All assets are valued at market value or NAV. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair market value.

During the year ended December 31, 2016, the District contributed \$271,900 to VEBA. This contribution is funded by pension property tax levy.

NOTE K - INTERFUND TRANSACTIONS

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

Receivable Fund	Payable Fund	December 31 2016
General Fund	Fiduciary Fund	\$ 120,439
Ambulance Fund	General Fund	715,660
Dispatch Fund	General Fund	111,156
Pension Revenue Fund	General Fund	43,553
Fiduciary Fund	Pension Revenue Fund	11,125
Total		\$ 1,001,933

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

MONARCH FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE L - CONTRACTUAL AGREEMENTS

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

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

NOTE M - COMMITMENTS AND CONTINGENCIES

As of January 1, 2016, the District entered into employment agreements with three employees. Under each of the agreements, in the event employment is terminated (other than voluntarily by the employee or by the District for cause or upon the death of the employee), the District is committed to pay certain benefits. The benefits are to be paid from the date of termination through December 31, 2017.

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

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

NOTE N - RISK MANAGEMENT

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

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, 2016, the total estimated liability of incurred but unpaid claims for dental and vision were \$3,231.

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

MONARCH FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE O - FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 74 (GASB 74), *Financial Reporting for Post-employment Benefits Other Than Pension Plans*, amends GASB 43 as they relate to governmental employers that provide post-employment benefits other than pension through trusts. GASB 74 will be effective for the District for the year ending December 31, 2017. GASB 74 establishes procedures for measuring and recognizing the obligations associated with post-employment benefits other than pension. Also included in GASB 74 are amendments to the notes to financial statements and required supplemental information requirements.

NOTE P - RESTATEMENT OF FUND BALANCES/NET POSITION

The previously stated fund balances/net position has been restated as follows:

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Dispatch Fund</u>	<u>Pension Revenue Fund</u>	<u>Governmental Activities</u>
Fund balances/net position, December 31, 2015, as previously reported	\$15,201,297	6,622,936	-	1,483,449	32,994,695
Restatement for:					
Deposit	59,975	-	-	-	59,975
Ambulance unavailable revenue	-	(40,986)	-	-	-
Tax receivable and unavailable revenue	(206,281)	(129,372)	(20,225)	(38,957)	(322,065)
Accounts payable	-	-	20,225	-	20,225
Capital assets	-	-	-	-	119,819
Capital lease	-	-	-	-	(94,586)
Compensated absences	-	-	-	-	(119,215)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances/Net Position, December 31, 2015, As Restated	<u>\$15,054,991</u>	<u>6,452,578</u>	<u>-</u>	<u>1,444,492</u>	<u>32,658,848</u>

NOTE Q - SUBSEQUENT EVENTS

The District's Board of Directors passed a resolution in May 2017 regarding assessing a fee for ambulance services to residents. The District will begin assessing the fee and will file a claim for ambulance services provided to its residents. The District will only obligate residents to pay the amount that is covered under their insurance policies since the taxes paid by residents are treated as payment of the co-payments and deductibles due from the residents. Nonresidents have previously been charged and remain responsible for ambulance service charges incurred.

Management has evaluated subsequent events through June 22, 2017, the date which the financial statements were available for issue and no other events require disclosure.

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION SECTION

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
REVENUES				
Taxes	\$ 10,574,910	10,379,692	10,186,214	(193,478)
Inspection fees	457,000	550,173	550,173	-
Investment income	7,500	13,527	21,974	8,447
Other	25,000	39,704	39,704	-
Total Revenues	<u>11,064,410</u>	<u>10,983,096</u>	<u>10,798,065</u>	<u>(185,031)</u>
EXPENDITURES				
Public safety:				
Salaries and personnel costs	6,863,489	6,948,940	6,980,699	31,759
Insurance	2,451,902	2,195,746	2,181,191	(14,555)
Administration	306,850	339,642	339,642	-
Operations	167,953	201,624	201,624	-
Maintenance	308,900	383,328	383,328	-
Training	87,650	93,052	93,052	-
Fire prevention	49,700	40,917	40,917	-
Professional fees	146,500	218,568	230,046	11,478
Capital outlay	1,046,000	1,413,885	1,862,332	448,447
Debt service:				
Principal	-	72,144	72,144	-
Interest	-	47,838	47,838	-
Total Expenditures	<u>11,428,944</u>	<u>11,955,684</u>	<u>12,432,813</u>	<u>477,129</u>
REVENUES UNDER EXPEN- DITURES	<u>(364,534)</u>	<u>(972,588)</u>	<u>(1,634,748)</u>	<u>(662,160)</u>
OTHER FINANCING SOURCES				
Insurance proceeds	-	35,484	35,484	-
Sale of capital assets	20,000	19,656	19,656	-
Total Other Financing Sources	<u>20,000</u>	<u>55,140</u>	<u>55,140</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(344,534)	(917,448)	(1,579,608)	<u>(662,160)</u>
FUND BALANCE, JANUARY 1	<u>15,054,991</u>	<u>15,054,991</u>	<u>15,054,991</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 14,710,457</u>	<u>14,137,543</u>	<u>13,475,383</u>	

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - AMBULANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
REVENUES				
Taxes	\$ 6,469,546	6,202,968	6,172,767	(30,201)
EMS fees	285,000	362,573	391,035	28,462
Investment income	9,000	3,930	5,066	1,136
Other	4,000	8,168	8,168	-
Total Revenues	<u>6,767,546</u>	<u>6,577,639</u>	<u>6,577,036</u>	<u>(603)</u>
EXPENDITURES				
Public safety:				
Salaries and personnel costs	4,974,885	4,915,806	4,935,500	19,694
Insurance	1,294,486	1,359,953	1,345,399	(14,554)
Operations	305,152	276,914	276,914	-
Professional fees	73,000	147,566	147,566	-
Capital outlay	120,000	22,466	283,910	261,444
Debt service:				
Principal	-	79,274	79,274	-
Interest	-	9,779	9,779	-
Total Expenditures	<u>6,767,523</u>	<u>6,811,758</u>	<u>7,078,342</u>	<u>266,584</u>
NET CHANGE IN FUND BALANCE	23	(234,119)	(501,306)	<u>(267,187)</u>
FUND BALANCE, JANUARY 1	<u>6,452,578</u>	<u>6,452,578</u>	<u>6,452,578</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 6,452,601</u>	<u>6,218,459</u>	<u>5,951,272</u>	

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE (DEFICIT) -
BUDGET AND ACTUAL - DISPATCH FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 992,510	946,365	936,945	(9,420)
Investment income	-	96	96	-
Total Revenues	<u>992,510</u>	<u>946,461</u>	<u>937,041</u>	<u>(9,420)</u>
EXPENDITURES				
Dispatch:				
Dispatching fees	992,510	946,721	936,541	(10,180)
Professional fees	-	500	500	-
Total Expenditures	<u>992,510</u>	<u>947,221</u>	<u>937,041</u>	<u>(10,180)</u>
NET CHANGE IN FUND BALANCE	-	(760)	-	<u>760</u>
FUND BALANCE, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	
FUND BALANCE (DEFICIT), DECEMBER 31	<u>\$ -</u>	<u>(760)</u>	<u>-</u>	

MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - PENSION REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,924,396	1,881,820	1,870,879	(10,941)
Investment income	-	291	291	-
Total Revenues	<u>1,924,396</u>	<u>1,882,111</u>	<u>1,871,170</u>	<u>(10,941)</u>
EXPENDITURES				
Public safety:				
Professional fees	12,000	7,010	7,010	-
VEBA contribution	271,900	271,900	271,900	-
Pension contribution	1,640,496	1,540,768	1,540,768	-
Total Expenditures	<u>1,924,396</u>	<u>1,819,678</u>	<u>1,819,678</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	62,433	51,492	<u>(10,941)</u>
FUND BALANCE, JANUARY 1	<u>1,444,492</u>	<u>1,444,492</u>	<u>1,444,492</u>	
FUND BALANCE, DECEMBER 31	<u><u>\$ 1,444,492</u></u>	<u><u>1,506,925</u></u>	<u><u>1,495,984</u></u>	

**MONARCH FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016**

Budgets

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

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

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

Expenditures

For the year ended December 31, 2016, expenditures exceeded appropriations as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General Fund:			
Public safety	\$10,421,817	10,450,499	28,682
Capital outlay	1,413,885	1,862,332	448,447
Ambulance Fund	6,811,758	7,078,342	266,584

These expenditures were approved by the Board and were funded by amounts under budget in other departments and/or fund balance.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

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

June 22, 2017

Board of Directors
MONARCH FIRE PROTECTION DISTRICT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **MONARCH FIRE PROTECTION DISTRICT** (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 22, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS