

EUREKA FIRE PROTECTION DISTRICT  
FINANCIAL STATEMENTS  
AND MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND SUPPLEMENTARY INFORMATION  
*With report of independent auditors*

Year Ended December 31, 2017

EUREKA FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS  
Year Ended December 31, 2017  
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## INDEPENDENT AUDITORS REPORT

To the Board of Directors  
Eureka Fire Protection District  
St. Louis and Jefferson Counties, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eureka Fire Protection District (the District), as of and for the year ended December 31, 2017, 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 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 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 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.

### **Basis for Qualified Opinion on Ambulance Fund**

Management has recorded ambulance billings on the cash basis of accounting. Accounting procedures generally accepted in the United States of America require that revenue in governmental fund financial statements be recognized under the flow of current financial resources measurement focus, which would increase the assets and fund balance and change the revenues in the Ambulance Fund. In addition, management has not adopted policies or procedures for reviewing the completeness and accuracy of recorded ambulance billing revenue.

## **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Ambulance Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Ambulance Fund of the Eureka Fire Protection District as of December 31, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified 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 other than the Ambulance Fund, and the aggregate remaining fund information of the District, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13 and the information on pages 43-47 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**

The supplementary information on pages 48-50 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2018, 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.

June 27, 2018

*M. Long & Associates, LLC*

## EUREKA FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Eureka Fire Protection District's Financial Report presents management's discussion and analysis of the District's financial activity during the fiscal year ended December 31, 2017. Since this management's discussion and analysis is designed to focus on current activities, resulting changes and currently known facts, please read it in conjunction with the District's basic financial statements and the notes to the 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).

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like fire suppression were financed in the short term as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships - like the Retirement Plan for Employees of the Eureka Fire Protection District - in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.
  - Proprietary fund statements offer financial information about business-type activities and internal service funds. Since the District has no business-type activities, these statements cover only the internal service fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### **Government-wide statements**

The government-wide statement reports information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health, or position.

- Over time, increases or decreases in the District's net position are in an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the size and timing of TIF Districts.
- The government-wide financial statements of the District are comprised solely of governmental activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes:

- Some funds are required by State law and by bond covenants.
- The District Board of Directors establishes other funds to control and manage money for particular purposes (like emergency medical services) or to show that it is properly using certain taxes (like collection and payment of dispatch agency fees)

The District has three kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for the Retirement Plan for Employees of the Eureka Fire Protection District. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Proprietary funds - The District uses an internal service fund (a kind of proprietary fund) to report activities of the District health plan.

**FINANCIAL AND OPERATIONAL HIGHLIGHTS**

- The District operates 5 separate tax supported funds general revenue, ambulance service, pension, dispatch, and bond retirement. The total tax rate on the 5 funds for 2017 was \$1.1614/\$100 assessed value.
- The District saw a steady decrease in assessed value after 2008; however, the last four years have experienced increases.

**Trending of Assessed Values**

		<u>Increase/ (Decrease)</u>
2010	\$379,121,434	(3.84%)
2011	\$380,496,366	0.37%
2012	\$365,394,207	(4.00%)
2013	\$372,194,205	1.86%
2014	\$371,230,068	(0.25%)
2015	\$373,465,032	.60%
2016	\$391,485,807	4.82%
2017	\$428,830,074	9.33%

**Tax Revenue Collections**

In 2017 the District saw a tax collection rate of 98.2%

	<u>Projected Collections at 100%</u>	<u>Actual Collections</u>
General Revenue	\$ 2,703,269	\$ 2,646,126
Ambulance	\$ 1,085,002	\$ 1,061,990
Pension	\$ 363,407	\$ 355,740
Communications	\$ 108,018	\$ 105,635
Bond	\$ 602,332	\$ 603,667

- The District is working towards implementing a complete accounting guide for the District.
  - ✓ The District is striving to work to provide more internal controls and provide transparency in all levels of its administration. The District routinely posts to its website for public review its board meeting minutes and financial statements.
  - ✓ The District works to provide a system of checks and balances in its financial transactions by segregating duties and providing oversight of transactions by at least 2 individuals.



EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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- The District has contracted with Pro Claims of St. Louis for ambulance billing. The District billing and collection history is outlined below:

	<u>Billed</u>	<u>Collected</u>	<u>%</u>
2017	\$1,207,139	\$ 483,827	40.08%
2016	\$ 832,112	\$ 492,363	59.17%
2015	\$ 688,136	\$ 477,827	69.44%
2014	\$ 716,412	\$ 411,415	57.42%
2013	\$ 715,568	\$ 491,935	68.75%
2012	\$ 647,247	\$ 374,508	57.86%
2011	\$ 698,501	\$ 332,931	47.66%
2010	\$ 645,521	\$ 371,605	57.57%

- The District evaluated the ambulance billing rates compared to the area average cost and what the permissible State and Federal rates. The ambulance billing rate at \$800 base fee and \$10 a loaded mile. While yearend collection rate is currently lower than it has been in previous years, we are monitoring to see if the revenues are collected in the first 6 months of 2018.

Bills for District residents are sent to their insurance company and any amount not paid by insurance is considered paid through taxes.

- In addition to the general fund, the District operates 2 special revenue funds, a debt service fund, a medical self-insurance (internal service) fund, and a capital improvements fund. In addition the District administers the funds for Explorer Post 2498. The Explorer Post is funded mainly by fund raisers, done by the group and donations.
- The Fire District provides a Defined Benefit Pension Plan for its employees. In accordance with State Statutes, the pension is overseen by a pension board which is made up by the 3 Board of Directors and 2 Plan participants. The Board members are Dr. Patrick Feder, Director Francis “Butch” Oberkramer, Charles E. Kuhn and the 2 plan participants that are on the Board are Steve McKinney and William Stamberger. This plan has been managed for the District by John Hancock Inc. Cost for employee disability insurance and retiree health have been taken out of the Pension fund in the past. The Board of Directors has placed those expenses into the General revenue budget; estimated cost of these two items is \$100,000 annually. Individuals hired after June 2013 have a 10 year vesting period while those hired prior to that date have a 5 year vesting period. Years of service prior to 2014 accrued 2 ½ % per year. Starting in 2014, the rate is 2 % per year of service for up to 30 years of service. The District Board of Directors are the trustees of the plan. Steve McKinney left employment with the Fire District in 2018. Since he was not yet vested a new plan participant was selected by the Board of Directors from a list of name provided. The new plan participant representative is Kyle Brown. He will fill the remainder of McKinney’s term. The Pension Board does meet and conducts training quarterly.

EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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Currently, the plan's total pension liability is funded at 88.16% (up 3.32 % from last year) and the present value of vested accrued benefits are funded at 110% (up 5% from last year).

- In 2017 the Pension Board worked for a long term solution for the District's liability in providing a Defined Benefit Pension Plan. With that the District has established a Defined Contribution Pension plan for any employees hired after January 1, 2018.
- In April and May of 2017 the Eureka Community was hit by a Historic flood on both the Meramec and Big Rivers. The new record flood was 46.11 feet which is 0.06 feet above the previous record from 2016. The Fire District was cut into 8 different islands. A great deal of equipment and overtime was incurred during this event. More than \$52,000 of extra personnel and equipment request were incurred. This was a National disaster and the District was able to recoup about \$39,462 from the Federal government.
- In 2017 the District worked with our Bond Advisors and refunded approximately 2.76 million dollars in bonds and received \$240,000 in cash flow savings through March 2033.
- In November 2017 the District went to the voters with a proposal for a .25/\$100 general revenue tax increase, which was approved by the voters. The primary purpose for the increase will be to hire additional Fire Fighter/ Paramedics. The District will conduct the hiring process in the 3rd and 4th quarters of 2018, with the anticipation of hiring 9 personnel near the end of the 2018 calendar year.

**Services Provided**

The District responded to 2457 incidents in 2017 this as compared to 2391 in 2016. This is an increase of 2.8%. A 3 year comparison is follows:

	<u>2015</u>	<u>% of total</u>	<u>2016</u>	<u>% of total</u>	<u>2017</u>	<u>% of total</u>
Emergency Medical	1768	79%	1773	74%	1751	71%
Fire	<u>472</u>	21%	<u>618</u>	26%	546	22%
Other *					<u>180</u>	7%
<b>TOTAL</b>	<u>2240</u>		<u>2391</u>		<u>2457</u>	

\*An additional category was added for 2017 of other to cover calls that do not clearly fit in FIRE or EMS. This could include "Disregarded in route, No Pt Found" or other such calls

In 2017 the Fire District estimated Fire losses as follows:

Value of property lost to fire		\$ 477,700	
Value of property saved in those fires		\$ 580,000	
Residential Fires	4	\$ 121,000 est. loss	25 % of total loss
Commercial Fires	3	\$ 300,000 est. loss	63 % of total loss

EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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Vehicle Fires	13	\$ 56,000 est. loss	12 % of total loss
Misc. fires	18	\$ 700 est. loss	0 % of total loss

In 2017, the District issued the following permits:

Commercial construction permits	14		
Miscellaneous permits	<u>33</u>		
Total Permits	47		16% Decrease
Fire Prevention Inspections conducted	1,412	-	12% Increase
Community Services Events	101	-	77% Increase
CPR Classes Conducted	23	-	35% Increase
Class participants	135	-	4% Decrease
Car Seat Safety Checks	37	-	34% Decrease
Neighborhood Paramedic Visits	34	-	17% Increase

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net Assets  
As of December 31, 2017 and 2016 (as restated)

	<u>2017</u>	<u>2016</u>
Current Assets (net of inter-fund receivables)	\$ 4,845,527	\$ 4,879,523
Capital assets, net of depreciation	<u>5,530,591</u>	<u>5,776,513</u>
Total Assets	<u>\$ 10,376,118</u>	<u>\$ 10,656,036</u>
Deferred Outflows of Resources	<u>\$ 990,445</u>	<u>\$ 1,061,927</u>
Current Liabilities (net of inter-fund payables)	\$ 674,851	\$ 616,194
Non-current Liabilities	<u>7,745,392</u>	<u>8,077,814</u>
Total Liabilities	<u>\$ 8,420,243</u>	<u>\$ 8,694,008</u>
Deferred Inflows of Resources	<u>\$ 308,912</u>	<u>\$ 57,288</u>
Invested in capital assets, net of related debt	\$ (199,417)	\$ 95,312
Unrestricted	472,619	199,473
Restricted	<u>2,364,206</u>	<u>2,671,882</u>
Total Net Position	<u>\$ 2,637,408</u>	<u>\$ 2,966,667</u>

**EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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As of December 31, 2017, the District's net position was \$2.6 million, of which (4%) represented investment in capital assets. The District's current assets totaled \$4.9 million, of which 52% represented cash and cash equivalents and 48% represented property taxes receivable. Total liabilities were \$8.4 million, of which 8% was current and 92% was non-current.

Total operating expenditures for 2017 were \$5.4 million. General operations represented 46% of the total operating expenditures, while Ambulance expenditures were 31%. Dispatching, debt service and capital project expenses made up the remaining 23%.

**Statement of Revenue, Expenditures, and Changes in Fund Balance  
For Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Revenue		
Tax revenue	\$ 4,675,472	\$ 4,160,411
Non-Resident ambulance billings	483,434	491,997
Inspection and permit revenue	6,888	4,467
Income from investments	7,890	12,484
Other	<u>59,214</u>	<u>144,991</u>
Total Revenues	5,232,898	4,814,350
Personal services	2,583,581	2,377,552
Employee benefits	392,382	358,619
Supplies	111,971	98,024
Heat, light and power	108,388	123,499
Capital outlay	430,294	1,167,189
Dispatching services	114,323	112,156
Pension contribution	50,000	50,000
Building and equipment	278,084	503,477
Miscellaneous	84,410	93,575
Administration	161,493	151,437
Payments in lieu of insurance premiums	420,902	568,693
Debt service	<u>647,288</u>	<u>614,467</u>
Total Expenditures	<u>5,383,116</u>	<u>6,218,688</u>
Other Financing Sources	<u>64,173</u>	<u>72,009</u>
Excess Revenue and Other Financing Sources Over (Under) Expenditures	(86,045)	(1,332,329)
Fund Balances, Beginning of the Year	<u>4,230,799</u>	<u>5,563,128</u>
Fund Balances, End of Year	<u>\$ 4,144,754</u>	<u>\$ 4,230,799</u>

**FINANCIAL ANALYSIS OF THE DISTRICTS FUNDS**

**General Fund**

EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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General fund revenues exceeded expenditures by \$ 363,995. The largest expenditure in the general fund related to salaries and benefits, which accounted for 64% (\$1.6 million) of the total general fund expenditures.

**Special Revenue Funds**

Special revenue funds consist of two funds – ambulance and dispatching services. Ambulance expenditures exceeded revenues by \$ (82,676). Over 81% of ambulance expenditures are related to salaries and benefits. The ambulance fund balance increased by \$17,324 and included an operating transfer of \$100,000 from the general fund.

**Budget Analysis**

The overall budget and actual expenditure amounts were reasonably close:

	<u>Budget</u>	<u>Actual</u>
General Revenue	\$ 2,690,462	\$ 2,405,446*
Ambulance	\$ 1,825,000	\$ 1,553,439
Pension	\$ 461,889	\$ 338,047
Communications	\$ 127,818	\$ 114,323
Bond Retirement	\$ 711,732	\$ 647,288

\*Included in General Revenue expenditures is a \$50,000 supplemental/discretionary contribution to the Pension fund.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Details of the District's capital assets are as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 177,440	\$ 177,440
Buildings and improvements	4,447,246	4,447,246
Ambulances and fire apparatus	4,596,194	4,207,307
Equipment and furnishings	<u>3,166,232</u>	<u>3,153,218</u>
Total	\$ 12,387,112	\$ 11,985,211
Less accumulated depreciation	<u>6,856,521</u>	<u>6,208,698</u>
Net capital assets	<u>\$ 5,530,591</u>	<u>\$ 5,776,513</u>

In 2017 the District accepted delivery and made final payment on an aerial apparatus. This was the final project out of the issuance of the 2013 bonds. In 2017 the District purchase one new staff vehicle which replaced the unit assigned to the Operations Division. This vehicle was purchased from Capital Improvement funds. In 2018 the District will have its Facilities, Apparatus and Technology committees formulate the next Capital items for improvements to be made starting in 2019.

EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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The District will be working with its Bond Advisors to determine the time on the issuance of any bonds. Currently there is existing authorization for 5.6 million dollars' worth of bonds still available.

Planning assumptions will be reevaluated annually to provide the closest possible estimates. In addition this reevaluation will be used to evaluate if the assumptions used in making growth projections are still accurate or if the plan needs to be revised.

Apparatus assumptions are as follows

- Staff Vehicles are replaced on a 6 year cycle
- Ambulances are replaced on an 8 year cycle
- Pumpers (Fire Engines) are replaced on a 15 year cycle
- Aerials are replaced on a 15 year cycle

Facilities assumptions are based on projected growth of the District and travel distances/ response times.

Technology assumptions are based on property, plant and equipment upgrades on a 4 year cycle and Computer systems on a 5 year cycle.

### **Personnel Issues**

In 2017, Ed Kriska retired after 29 years of service. Captain David took an early retirement due to medical reason. Further, Tim George left employment for opportunities at other Fire Protection District. Aaron Branscum was promoted to the rank of Lieutenant.

Jeff French, Patrick Edwards and Colten Liebenguth were all hired for the position of Fire Fighter / Paramedic. The Community Service Supervisor was made into a full-time position and Scott Barthelmass will serve in this position.

### **Long-Term Debt**

On November 21, 2017, the District issued \$2,762,829 in general obligation bonds with interest rates ranging between 2% - 3% , plus \$247,193 of original issue premium for a total price of \$ 3,010,022 to advance refund \$2,765,000 of outstanding 2013 general obligation bonds with interest rates ranging between 3.0% and 4.5%. The net proceeds of \$2,945,849 (after payment of underwriter's fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 2013 bonds. As a result, that portion of the 2013 general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The outstanding portion of the defeased bonds is \$2,765,000 as of December 31, 2017.

EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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Maturities of bonds are as follows:

	<u>Bond</u>	<u>Interest</u>	<u>Total</u>	<u>Maturity</u>
	\$ 435,000	\$ 256,519	\$ 691,519	2018
	420,000	261,800	681,800	2019
	245,000	252,025	497,025	2020
	260,000	130,200	390,200	2021
	270,000	121,100	391,100	2022
	<u>3,602,829</u>	<u>948,671</u>	<u>4,551,500</u>	Thereafter
	<u>\$ 5,232,829</u>	<u>\$1,970,315</u>	<u>\$7,203,144</u>	Total

During the year ended December 31, 2017, the following changes occurred in Long-term Debt:

	<u>January 1,</u> <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2017</u>
2009 Series G.O Bonds	\$ 280,000	\$ -	\$ 150,000	\$ 130,000
2013 Series G.O Bonds	3,450,000	-	2,950,000	500,000
2016 Series G.O Bonds	1,880,000	-	40,000	1,840,000
2017 Series G.O Bonds	-	2,762,829	-	2,762,829
OPEB (restated)	736,418	137,220	-	873,638
Net pension liability	<u>1,877,488</u>	<u>-</u>	<u>260,589</u>	<u>1,616,899</u>
	<u>\$ 8,223,906</u>	<u>\$ 2,900,049</u>	<u>\$ 3,400,589</u>	<u>\$ 7,723,366</u>

**ECONOMIC FACTORS AND NEXT YEARS BUDGETS**

The District covers 82 square miles in SW St. Louis and NW Jefferson Counties and services a resident population of approximately 28,000 people. However, with major public attractions and an interstate highway within the District, the population can easily swell to 80,000 people at any time.

While there was significant vacancy of commercial property in 2016, there has been some improvement along the Central Avenue and West Fifth Street Business districts.

There has been some encouraging economic development within the District. McBride Homes is building homes on a 530 home subdivision on Brewster Road. This project, which is titled "The Arbors of Rockwood" has over 100 homes either occupied or under construction. Adjacent to this development is a new elementary school being built by the Rockwood School District. In addition, a new St. Louis County Library branch and a new early childhood/day-care are also being built.

Payne Family Homes has taken over 100 lots in the Pevely Farm subdivision and construction is strong for the homes in the \$750,000 range. McBride Homes has proposed a 550 lot subdivision on 170 acres at the intersection of Hwy 109 and Hwy FF in Jefferson County called Windswept Farms. McBride is slated to close on the property mid July 2018. Steeple Chase Subdivision includes 25 lots on Augustine Road by Flower and Fendler

EUREKA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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Homes and currently has homes under construction. Rowles Development has work starting at Cerny Estates - a 10 lot development.

**CONTACT INFORMATION**

This financial report has been prepared in the spirit of full disclosure to provide the reader with an overview of the District's financial operations. If the reader has questions or would like additional information about the District, please contact the Chief of the District.



Eureka Fire Protection District  
Statement of Net Position  
December 31, 2017

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,499,846
Taxes receivable, net of allowance	2,345,681
Due from other funds	-
Capital assets:	
Land	177,440
Buildings	4,447,246
Equipment and other	7,762,426
Less accumulated depreciation	(6,856,521)
Total capital assets, net of depreciation	5,530,591
Total assets	\$ 10,376,118
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on advance debt refunding	430,891
Deferred amounts related to pensions	559,554
Total deferred outflows of resources	990,445
<b>LIABILITIES</b>	
Accounts payable	59,526
Accrued wages and payroll taxes	139,330
Due to other funds	842
Long-term liabilities:	
Portion due or payable within one year:	
Bonds	435,000
Accrued interest	40,153
Portion due or payable after one year:	
Bonds	5,254,855
Retiree medical benefits liability	873,638
Net pension liability	1,616,899
Total liabilities	8,420,243
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	308,912
Total deferred outflows of resources	308,912
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	(199,417)
Restricted for:	
Debt service	773,907
Capital projects	289,107
Ambulance and dispatching operations	1,301,192
Unrestricted	472,619
Total net position	\$ 2,637,408

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

EUREKA FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
December 31, 2017

	Total	Fire Service and Administration	Ambulance	Dispatch	Debt Service
Program expenses:					
Salaries, wages and benefits	\$ 3,621,707	1,930,744	1,690,963	-	-
Material and supplies	390,055	319,703	70,352	-	-
Depreciation	676,215	465,140	211,075	-	-
Interest on debt	177,060	-	-	-	177,060
Other	518,615	370,849	33,443	114,323	-
Total program expenses	5,383,652	3,086,436	2,005,833	114,323	177,060
Program revenue:					
Charges for permit fees	6,888	6,888	-	-	-
Charges for ambulance calls	483,434	-	483,434	-	-
Operating grants and other	42,431	41,893	538	-	-
Net program expense	4,850,899	3,037,655	1,521,861	114,323	177,060
General revenue:					
Taxes levied and contract protection	4,506,930				
Gain on disposal of assets	6,820				
Income from investments	7,890				
Total general revenue	4,521,640				
Change in net position	(329,259)				
Net position-beginning of year, as restated	2,966,667				
Net position-end of year	\$ 2,637,408				

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

Eureka Fire Protection District  
Balance Sheet  
Governmental Funds  
December 31, 2017

	General Fund	Ambulance Fund	Debt Service Fund	Capital Projects Fund	Non-Major Dispatch Fund	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Assets:						
Cash and cash equivalents	\$ 1,222,918	\$ 469,821	\$ 462,202	\$ 283,411	\$ 60,674	\$ 2,499,026
Property taxes receivable	1,400,514	562,038	327,274	-	55,855	2,345,681
Due from other Funds	8,746	243,289	-	5,696	285	258,016
Total assets	<u>2,632,178</u>	<u>1,275,148</u>	<u>789,476</u>	<u>289,107</u>	<u>116,814</u>	<u>5,102,723</u>
Deferred outflows of resources:						
Prepaid insurance	-	-	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,632,178</u>	<u>\$ 1,275,148</u>	<u>\$ 789,476</u>	<u>\$ 289,107</u>	<u>\$ 116,814</u>	<u>\$ 5,102,723</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 17,691	\$ 9,137	\$ -	\$ -	\$ -	\$ 26,828
Accrued wages and payroll taxes	73,636	65,694	-	-	-	139,330
Due to other funds	259,228	15,939	15,569	-	-	290,736
Total liabilities	<u>350,555</u>	<u>90,770</u>	<u>15,569</u>	<u>-</u>	<u>-</u>	<u>456,894</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	299,172	120,060	69,912	-	11,931	501,075
Total deferred inflows of resources	<u>299,172</u>	<u>120,060</u>	<u>69,912</u>	<u>-</u>	<u>11,931</u>	<u>501,075</u>
Fund balances:						
Nonspendable-prepaid insurance	128,020	-	-	-	-	128,020
Restricted	-	1,064,318	703,995	289,107	104,883	2,162,303
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	1,854,431	-	-	-	-	1,854,431
Total Fund Balances	<u>1,982,451</u>	<u>1,064,318</u>	<u>703,995</u>	<u>289,107</u>	<u>104,883</u>	<u>4,144,754</u>
Total Liabilities, Deferred Inflows of Resources, And Fund Balances	<u>\$ 2,632,178</u>	<u>\$ 1,275,148</u>	<u>\$ 789,476</u>	<u>\$ 289,107</u>	<u>\$ 116,814</u>	<u>\$ 5,102,723</u>

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

Eureka Fire Protection District  
 Reconciliation of the Governmental Funds Balance Sheet to the  
 Government-Wide Statement of Net Assets  
 December 31, 2017

Total fund balances - governmental funds		\$ 4,144,754
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 funds. The cost of the assets is \$ 12,387,112 and the accumulated depreciation is \$ 6,856,521.		5,530,591
Other long-term assets (property taxes receivable not collected within 60 days of year-end) are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		501,075
To recognize deferred outflows of resources on pension plan		559,554
To recognize deferred outflows of resources from bond refunding		430,891
To recognize interest accrual to year-end on general obligation bonds		(40,153)
To recognize deferred inflows related to pensions		(308,912)
To recognize unamortized bond premium		(457,026)
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:		
General obligation bonds	(5,232,829)	
Retiree medical benefits actuarial accrued liability	(873,638)	
Net pension liability	<u>(1,616,899)</u>	(7,723,366)
Net position-governmental activities		<u>\$ 2,637,408</u>

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

Eureka Fire Protection District  
Statement of Revenue, Expenditures, and Changes in Fund Balances  
December 31, 2017

	General Fund	Ambulance Fund	Debt Service Fund	Capital Projects Fund	Non-Major Dispatch Fund	Total
<b>REVENUE</b>						
Property taxes	\$ 2,798,381	\$ 1,118,731	\$ 647,154	\$ -	\$ 111,206	\$ 4,675,472
Contract protection	5,949	2,387	1,390	-	237	9,963
Ambulance billings	-	483,434	-	-	-	483,434
Proceeds from sale of fixed assets	6,820	-	-	-	-	6,820
Inspection and permit fees	6,888	-	-	-	-	6,888
Income from investments	4,420	1,316	962	1,167	25	7,890
Miscellaneous	41,893	538	-	-	-	42,431
Total Revenue	<u>2,864,351</u>	<u>1,606,406</u>	<u>649,506</u>	<u>1,167</u>	<u>111,468</u>	<u>5,232,898</u>
<b>EXPENDITURES</b>						
Personal services	1,374,654	1,208,927	-	-	-	2,583,581
Employee benefits	226,473	165,909	-	-	-	392,382
Supplies	63,914	48,057	-	-	-	111,971
Heat, light and power	108,388	-	-	-	-	108,388
Capital outlay	-	-	-	430,294	-	430,294
Dispatching service	-	-	-	-	114,323	114,323
Pension contribution	50,000	-	-	-	-	50,000
Building and mobile equipment	254,016	22,295	-	1,773	-	278,084
Miscellaneous	50,967	33,443	-	-	-	84,410
Administration	161,493	-	-	-	-	161,493
Payments in lieu of insurance premiums	210,451	210,451	-	-	-	420,902
Debt service:						
Principal retirement	-	-	375,000	-	-	375,000
Interest and other charges	-	-	272,288	-	-	272,288
Total expenditures	<u>2,500,356</u>	<u>1,689,082</u>	<u>647,288</u>	<u>432,067</u>	<u>114,323</u>	<u>5,383,116</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	363,995	(82,676)	2,218	(430,900)	(2,855)	(150,218)
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunding bonds issued	-	-	3,010,022	-	-	3,010,022
Payment to bond refunding escrow agent	-	-	(2,945,849)	-	-	(2,945,849)
Operating transfers in	-	100,000	-	-	17,000	117,000
Operating transfers out	(117,000)	-	-	-	-	(117,000)
Total Other Financing Sources (Uses)	<u>(117,000)</u>	<u>100,000</u>	<u>64,173</u>	<u>-</u>	<u>17,000</u>	<u>64,173</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	246,995	17,324	66,391	(430,900)	14,145	(86,045)
<b>FUND BALANCES AT BEGINNING OF YEAR, as restated</b>	1,735,456	1,046,994	637,604	720,007	90,738	4,230,799
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 1,982,451</u>	<u>\$ 1,064,318</u>	<u>\$ 703,995</u>	<u>\$ 289,107</u>	<u>\$ 104,883</u>	<u>\$ 4,144,754</u>

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

Eureka Fire Protection District  
 Reconciliation of the Governmental Funds Statement of Revenue, Expenditures and Changes  
 in Fund Balances to the Government-Wide Statement of Activities  
 December 31, 2017

Total net change in fund balances - governmental funds	\$	(86,045)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$676,216) exceeded capital outlay (\$430,294).		(245,922)
Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenue and are deferred in the governmental funds. Deferred tax revenue increased (decreased) by this amount this year.		(178,505)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		375,000
Bond issue costs and bond refunding losses are reported in the governmental funds as expenditures but in the statement of activities, the cost of is allocated over the life of the bonds. This is the amount by which the issue costs and refunding losses exceeded the amortization.		228,125
Bond issue premiums are reported in governmental funds as another financing source but in the statement of activities the premiums are amortized over the life of the bonds. This is the amount by which the premium collected exceeded the amortization.		(228,118)
Interest in long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest (increased) decreased by this amount this year.		31,048
Retiree medical benefits are measured by the amounts earned during the year in the statement of activities but are measured by the amount of financial resources used in the governmental funds. This is the amount by which the amount earned exceeded the amount of financial resources used.		(137,220)
Pension benefits are measured by the change in the net pension liability in the statement of activities, adjusted for the recognition of deferred inflows and outflows related to other pension plan. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		(87,622)
Change in net position of governmental activities	<u>\$</u>	<u>(329,259)</u>

Eureka Fire Protection District  
Statement of Net Assets  
December 31, 2017

	Internal Service Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 820
Due from other funds	31,878
Total Assets	32,698
 <b>LIABILITIES</b>	
Claims and accounts payable	32,698
Due to other funds	-
Total Liabilities	32,698
 <b>NET ASSETS</b>	
Unrestricted - Designated for future catastrophe losses	\$ -

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

Eureka Fire Protection District  
Statement of Revenue, Expenditures, and Changes in Fund Net Position  
For the Year Ended December 31, 2017

	Internal Service Fund
<b>OPERATING REVENUE</b>	
Charges for services	\$ 452,061
Total operating revenue	452,061
<b>OPERATING EXPENDITURES</b>	
Insurance claims	303,692
Insurance premiums	145,288
Administrative fees and miscellaneous	3,113
Total operating expenditures	452,093
<b>NONOPERATING REVENUE</b>	
Investment earnings	32
Total nonoperating revenue	32
<b>NET INCOME</b>	-
<b>NET ASSETS AT BEGINNING OF YEAR</b>	-
<b>NET ASSETS AT END OF YEAR</b>	\$ -

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



Eureka Fire Protection District  
Statement of Cash Flows  
For the Year Ended December 31, 2017

	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Charges for services	\$ 461,160
Benefit and insurance payments	(457,260)
Administrative fees and miscellaneous	(3,113)
	787
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Subsidies	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	33
Net increase in cash and cash equivalents	820
Cash and equivalents at beginning of year	-
Cash and equivalents at end of year	\$ 820

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

Eureka Fire Protection District  
Statement of Fiduciary Net Assets  
December 31, 2017

	Pension Trust Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 168,454
Due from other funds	841
Property taxes receivable	188,292
Investments, at fair value	12,043,752
Total Assets	12,401,339
<b>LIABILITIES</b>	
Accounts Payable	730
Due to other funds	-
Deferred revenue	40,222
Total Liabilities	40,952
<b>NET ASSETS</b>	
Held in trust for benefits and employee welfare	\$ 12,360,387

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

Eureka Fire Protection District  
Statement of Changes in Fiduciary Net Assets  
December 31, 2017

	Pension Trust Fund
<b>ADDITIONS</b>	
Employer contribution - property taxes	\$ 374,781
Employer contribution - supplemental	50,000
Contract fee income	800
Investment earnings (loss)	1,466,131
Total Additions	1,891,712
<b>DEDUCTIONS</b>	
Benefit payments	337,542
Actuarial and consulting fees	-
Plan administrative fees and miscellaneous	505
Total Deductions	338,047
Change in net assets	1,553,665
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
<b>BEGINNING OF YEAR</b>	10,806,722
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
<b>BEGINNING OF YEAR</b>	<b>\$ 12,360,387</b>

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

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eureka 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 that are controlled by the Board of Directors. The accounting principles of the District conform to generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant accounting policies:

Reporting Entity

The District's financial statements include all funds controlled by the District. A component unit is an organization that is included in the District's financial statements for which the District is considered to be financially accountable, or for which the District is not accountable, but for which the nature and significance or their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

Basis of Presentation

*Government-wide Statements:* The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenue for the different functions of the District's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenue include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

*Fund Financial Statements:* The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented.

The District reports the following governmental funds:

General Fund

The general 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.

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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Special Revenue-Ambulance Fund

This fund is a special revenue fund that is used to account for the proceeds of a special tax levy which is restricted for the provision of emergency medical services.

Debt Service Fund

This fund accounts for the accumulation of resources for the payment of general long-term debt principal and interest.

Capital Projects Fund

This fund is used to account for financial resources to be used for the acquisition or construction of major capital items.

Special Revenue-Dispatching Fund

This fund is a special revenue fund that is used to account for the proceeds of a special tax levy which is restricted for the procurement of dispatching services for fire and ambulance calls.

The District reports the following fund types:

Internal Service Fund

These funds account for health, dental and vision insurance coverage provided to District departments on a cost-reimbursement basis.

Pension Trust Fund

This fund is used to account for assets held by the District in a trustee capacity. The fund accumulates contributions from the District generated from a pension tax levy as well as earnings from the fund's investments. Disbursements are made from the fund for retirement and administrative expenses.

Measurement Focus, Basis of Accounting

*Government-wide and Fiduciary Fund Financial Statements:* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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receiving (or giving) equal value in exchange. The corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Nonexchange transactions include property taxes. On an accrual basis, property taxes are recognized in the fiscal year for which the taxes are levied.

*Government Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after year-end. Property taxes are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and Cash Equivalents

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

Investments

Investments are generally stated at market value.

Statutes authorize the District to invest in time deposits, U.S. Treasury and federal agency securities, commercial paper, bankers' acceptances and repurchase agreements. Statutes authorize the pension trust fund to invest in corporate stocks and bonds.

Budgets and Budgetary Accounting

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

1. Formal budgetary integration is employed as a management control device during the year for all governmental funds. The budgets are adopted on a cash basis of accounting.
2. The Board of Directors approves the tax rate by ordinance. Once this rate has been established, the Board approves the total budget appropriation and amendments.

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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3. Unused appropriations lapse at the end of the year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Eureka Fire Protection District Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by December 31. Property taxes not collected by January 1 of the subsequent year are delinquent. The county collectors collect the property tax and remit it to the District. The counties' fee for this service is 1.5% of the taxes collected.

Property taxes levied for 2017 are recorded as receivable, net of estimated uncollectibles, as are prior year levies which are reevaluated annually. Taxes receivable represent estimated amounts to be collected by the County Collector of Revenue for 2017 and prior tax years, to be remitted to the District subsequent to December 31. The portion of taxes not collected and remitted to the District within 60 days of year-end is recorded as deferred tax revenue in the fund financial statements.

Capital Assets

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. The District defines capital assets as assets with an initial, individual cost exceeding capitalization limit amounts as delineated below, and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over the estimated useful life of the assets.

The estimated useful lives and capitalization limits are as follows:

	<u>Estimated Lives</u>	<u>Capitalization Limit</u>
Buildings & improvements	40 years	\$5,000
Ambulances	5 years	\$5,000
Fire apparatus	10 years	\$5,000
Furniture & fixtures	10 years	\$5,000
Communications & computers	7 years	\$5,000
Firefighting & medical equipment	7 years	\$5,000
Staff vehicles	5 years	\$5,000
Boats	7 years	\$5,000

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Deferred Property Tax Revenue

The District reports deferred property tax revenue on its combined balance sheets. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheets and revenue is recognized.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

The vacation period is January 1, through December 31, with no carry over into subsequent years. Duty staff (those full-time employees who regularly work a twenty-four hour rotating shift schedule) accrue sick pay at one working day per month, up to a maximum of thirty workdays. Administrative personnel working eight-hour days shall accrue two workdays per month, up to a maximum of sixty-five workdays. On December 1 of each year, the unused sick leave that is over the maximum number of days as set forth above shall be paid on a one hour for every four-hour basis.

Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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



EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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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 costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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.

Internal Balances and Internal Service Funds

Internal balances are eliminated in the statement of net position to minimize the grossing up of internal balances, leaving a net amount due between the governmental and business-type activities that are eliminated in the total primary government column. Eliminations are made in the statement of activities to remove the duplication of internal service fund activity, leaving the expenses reported in the function to which they were allocated.

NOTE B – DEPOSIT AND INVESTMENT BALANCES

Deposits

Following is a reconciliation of the District's deposit and investment balances as of December 31, 2017:

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

	Government- wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Cash	\$ 2,499,846	\$ 168,454	\$ 2,668,300
Investments	-	12,043,752	12,043,752
<b>Total</b>	<b>\$2,499,846</b>	<b>\$ 12,212,206</b>	<b>\$14,712,052</b>

At year-end, the carrying amount of the District’s cash deposits was \$ 2,668,300 and the bank balance was \$ 2,720,672. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$500,000 was covered by federal depository insurance and the balance was collateralized by the pledging financial institutions. Such collateral was held by the pledging financial institutions agents in the District’s name.

State statutes require that cash deposits must be insured or collateral must be pledged by the custodian bank in an amount sufficient to cover the amounts on deposit. The collateral is required to be held in safekeeping by the trust department of a financial institution other than the pledging bank.

Investments

At December 31, 2017, the Pension Trust Fund had \$12,043,752 invested in the following types of investments as categorized by credit risk (ratings by Moody’s):

	<u>Market Value</u>	<u>Credit Quality</u>
<b>Fiduciary funds:</b>		
Oppenheimer Funds – mutual funds invested in equities	\$ 1,037,096	not rated
KBS REIT III, Inc. – real estate	629,920	not rated
John Hancock - mutual funds invested in equities	<u>10,376,736</u>	not rated
	<u>\$12,043,752</u>	

NOTE C - CAPITAL ASSETS

A summary of changes in the general fixed assets account group follows:

	January 1, 2017	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$ 177,440	\$ -	\$ -	\$ 177,440
<i>Capital assets being depreciated:</i>				
Buildings & improvements	4,447,246	-	-	4,447,246
Equipment & other	7,360,525	430,294	(28,393)	7,762,426
Total capital assets being depreciated:	11,807,771	430,294	(28,393)	12,209,672

Less accumulated depreciation

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

for:				
Buildings & improvements	(1,979,577)	(111,181)	-	(2,090,758)
Equipment & other	<u>(4,229,121)</u>	<u>(565,035)</u>	<u>28,393</u>	<u>(4,765,763)</u>
Total accumulated depreciation	<u>(6,208,698)</u>	<u>(676,216)</u>	<u>28,393</u>	<u>(6,856,521)</u>
Total capital assets being depreciated, net:	5,599,073	(245,922)	-	5,353,151
Totals	<u>\$ 5,776,513</u>	<u>\$ (245,922)</u>	<u>\$ -</u>	<u>\$5,530,591</u>

NOTE D – INTERFUND TRANSACTIONS

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the concurrent portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

The composition of interfund balances as of December 31, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Ambulance Fund	General Fund	<u>\$ 243,289</u>
Capital Projects Fund	General Fund	<u>\$ 5,696</u>
Medical Insurance Fund	General Fund	<u>\$ 15,939</u>
Medical Insurance Fund	Ambulance Fund	<u>\$ 15,939</u>
Dispatch Fund	General Fund	<u>\$ 285</u>
General Fund	Debt Service Fund	<u>\$ 15,569</u>
Pension Fund	General Fund	<u>\$ 842</u>

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE E – DEFINED BENEFIT RETIREMENT PLAN

*General Information about the Pension Plan*

Plan Description

The Eureka Fire Protection District of St. Louis County Pension Plan (the Plan) is a single-employer defined benefit pension plan administered by District management. All eligible full-time District employees are covered by the Plan. The Plan provides retirement and death benefits to plan members and beneficiaries. The authority for the provision of pension benefits and the levy of taxes to fund the pension plan is established by the Revised Statutes of Missouri, Section 321.600 RSMo. The Plan does not issue a stand-alone financial report.

Plan Membership

The Plan’s membership consisted of the following as of January 1, 2018:

Active employees	33
Retirees and beneficiaries currently receiving benefits	15
Terminated employees entitled to benefits not yet received	<u>16</u>
Total	<u>64</u>

Benefit Provisions

The Plan covers each participant whose employment commencement date is before June 11, 2013 and will have completed five years of credited service by age 55. For participants whose employment commencement date is on or after June 11, 2013, 10 years of credited service are required. Eligibility to participate commences on date of employment. Normal retirement begins at age 55 with a monthly benefit equal to the product of 2.5% of average compensation multiplied by years of service earned prior to January 1, 2015; and the product of 2.0% of average compensation multiplied by years of service earned on and after January 1, 2015. Years of service in excess of 30 years will not be included in the calculations. Early retirement provisions require 10 years of service at 50 years of age.

Contributions

Contributions to the Plan are funded with the proceeds of a special pension tax levy, and additional discretionary amounts from time to time. Plan members do not contribute to the plan. For the year ended December 31, 2017, the District contributed \$412,300 to the Plan, which represents 17.78% of covered payroll.

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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***Net Pension Liability***

The District's net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% per annum
Salary increases	4.50% per annum
Investment rate of return	7.0% per annum

Mortality rates were based on the RP 2014 Healthy Annuitant Table for males and females, with projected mortality improvement based on Scale MP 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	54%	6.7%
International equity	4	7.3
Fixed income	37	2.2
Real estate	5	5.3
Cash	0	0.0
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed a level employee population and that employer contributions increase 2.75 percent per year from the 2017 estimated level. The municipal bond rate used of 2.85 percent is based on approximate 20 year average yield to maturity of AA rated bonds as of December 2017. The long-term

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions

The mortality tables were updated to reflect the most recent Society of Actuaries studies, including the incorporation of mortality improvement projection scales. This change increased actuarial liabilities by approximately \$338,675.

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)– (b)
<b>Balances at 12/31/2016</b>	\$ 12,381,045	\$ 10,503,557	\$ 1,877,488
<b>Changes for the year:</b>			
Service cost	273,629	-	273,629
Interest	854,859	-	854,859
Actuarial losses/(gains)	299,217	-	299,217
Benefit payments	(337,542)	(337,542)	-
Employer contributions	-	412,300	(412,300)
Net investment income	-	1,465,942	(1,465,942)
Administrative expenses	-	(505)	505
Assumption changes	189,443	-	189,443
<b>Net changes</b>	<u>1,279,606</u>	<u>1,540,195</u>	<u>(260,589)</u>
<b>Balances at 12/31/2017</b>	<u>\$ 13,660,651</u>	<u>\$ 12,043,752</u>	<u>\$ 1,616,899</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.0 percent, as well as what the District's net pension liability would be if it were calculated using discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
	<b>Balances at 12/31/2017</b>	<u>\$ 3,656,555</u>	<u>\$ 1,616,899</u>

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended December 31, 2017, the District recognized pension expense of \$500,446. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 399,391	\$ (46,540)
Changes of assumptions	160,163	-
Net difference between projected and actual earnings on pension plan investments	-	(262,372)
Total	\$ 559,554	\$ (308,912)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2018	\$ 114,766
2019	114,766
2020	(43,315)
2021	(43,172)
2022	72,061
Thereafter	35,537

***Payable to the Pension Plan***

At December 31, 2017, the District reported a payable of \$ 842 for property taxes due to the pension plan for the year ended December 31, 2017.

**NOTE F – DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government 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.

The District has established a trust to hold all amounts in the plan to ensure that the assets in the plan were protected from District creditors and that they are used exclusively to pay benefits to plan participants and/or beneficiaries.

**NOTE G – POSTRETIREMENT HEALTHCARE PLAN**

*Plan Description.* Eureka Fire Protection District Retiree Health Benefits (ERHB) is a single-employer defined benefit healthcare plan administered by the Eureka Fire Protection District. ERHB provides medical, dental and vision benefits to eligible retirees and their families.

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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*Funding Policy.* The plan operates on a pay-as-you-go basis.

*Annual OPEB Cost and Net OPEB Obligation.* The District’s annual other postemployment benefit (OPEB) cost (expense) based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover annual cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 was as follows:

<u>Year Ended</u> <u>December 31:</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2017	\$ 147,042	6.7%	\$ 873,638

As of January 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,251,186, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,251,186. The covered payroll (annual payroll of active employees covered by the plan) was \$2,326,691, and the ratio of the UAAL to the covered payroll was 53.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017, actuarial valuation, age-weighted medical costs were used, based on 2013 Society of Actuaries Paper “Health Care Costs – From Birth to Death” published in June 2013. The actuarial assumptions included a 5.0% investment rate of return (net



EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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of administrative expenses) and an annual initial healthcare cost trend rate of 7.0%, graded down 1.0% each year until an ultimate rate of 5.0% is reached for the year 2016 and beyond. The actuarial assumptions assume a retirement age of 57, 20 years of service, 75% married when retired. Life expectancies were based on mortality tables from the PP 2014 Healthy Annuitant Table for males, set back 4 years for females.

Schedule of Funding Progress

<u>Valuation date</u>	(1) <u>Actuarial Value of Assets</u>	(2) <u>Actuarial Accrued Liability (AAL)</u>	(3) <u>Unfunded AAL (UAAL) (2)-(1)</u>	(4) <u>Funded Ratio (1)/(2)</u>	(5) <u>Annual covered payroll</u>	(6) <u>UAAL as a % of Payroll [(2)-(1)]/(5)</u>
<u>January 1:</u>						
2010	0	815,954	815,954	0.0%	2,339,103	34.9%
2013	0	758,626	758,626	0.0%	2,050,028	37.0%
2016	0	1,251,186	1,251,186	0.0%	2,326,691	53.8%

NOTE H - LEGAL DEBT MARGIN

Assessed valuation - January 1, 2017	<u>\$428,830,074</u>
Debt limit - 5% of assessed value	\$ 21,441,504
Amount of debt applicable to debt limit:	
Total bonded debt outstanding	5,689,855
Less amount available in debt service fund	<u>(789,476)</u>
	<u>4,900,379</u>
Legal Debt Margin	<u>\$ 16,541,125</u>

NOTE I - CONTRACTUAL AGREEMENTS

During 2013, the District entered into an agreement with Central County Emergency 911 (Central County) for dispatching services. The agreement requires the District to pay Central County three and one-half cents (\$0.035) per one hundred thousand dollars of the total assessed valuation of the District for the preceding year. The agreement runs through December 31, 2018 and automatically renews annually unless terminated by either party.

NOTE J - 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 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 workers' compensation claims. The District pays

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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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 \$2,000,000 for each insured event. The District continues to carry commercial insurance for other risks of loss. The pooling agreement allows for the pool to use 5% of assessments to make the pool self-sustaining for supplemental aggregate reinsurance coverage. This coverage will be funded until the cumulative balance reaches \$2,000,000. MOFAD has published its own financial report for the year ended December 31, 2017 that can be obtained from MOFAD.

The District self-insures for employee medical claims up to predetermined maximums. In addition, the internal service fund provides coverage for up to an annual maximum of \$40,000 per covered person. The District purchases commercial insurance for claims in excess of coverage provided by the internal service fund. The claims liability, reflected in the internal service fund as accrued expenses in the amount of \$32,698 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

#### NOTE K – ADVANCE DEBT REFUNDING

On November 21, 2017, the District issued \$2,762,829 in general obligation bonds with interest rates ranging between 2% - 3% , plus \$247,193 of original issue premium for a total price of \$ 3,010,022 to advance refund \$2,765,000 of outstanding 2013 general obligation bonds with interest rates ranging between 3.0% and 4.5%. The net proceeds of \$2,945,849 (after payment of underwriter's fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 2013 bonds. As a result, that portion of the 2013 general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The outstanding portion of the defeased bonds is \$2,765,000 as of December 31, 2017.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 180,849. This difference, reported in the accompanying financial statements as a deferred outflow of resources on refunding, is being charged to operations through the year 2033 using the straight-line method. The District completed the advance refunding to reduce its total debt service payments over the next 16 years by \$ 240,719, and to realize an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$ 194,512.

#### NOTE L – LONG-TERM DEBT

In March 2009, proceeds of \$3,616,528 were received from the sale of general obligation capital improvement bonds. The interest rate on these bonds ranges from 2.5% to 5%.

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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In September 2013, proceeds of \$3,845,330 were received from the sale of general obligation capital improvement bonds. The interest rate on these bonds ranges from 2.5% to 4.5%.

In March 2016, proceeds of \$2,127,983 were received from the sale of general obligation capital improvement bonds. The interest rate on these bonds ranges from 2% to 4%.

Maturities of the District's bonds, after the 2017 advance refunding (See NOTE K), are as follows:

<u>Bond</u>	<u>Interest</u>	<u>Total</u>	<u>Maturity</u>
\$ 435,000	\$ 256,519	\$ 691,519	2018
420,000	261,800	681,800	2019
245,000	252,025	497,025	2020
260,000	130,200	390,200	2021
270,000	121,100	391,100	2022
234,939	152,411	387,350	2023
188,197	197,303	385,500	2024
194,693	194,707	389,400	2025
300,000	90,875	390,875	2026
310,000	80,025	390,025	2027
315,000	69,000	384,000	2028
330,000	57,700	387,700	2029
405,000	45,825	450,825	2030
420,000	33,450	453,450	2031
445,000	20,475	465,475	2032
<u>460,000</u>	<u>6,900</u>	<u>466,900</u>	2033
<u>\$ 5,232,829</u>	<u>\$ 1,970,315</u>	<u>\$ 7,203,144</u>	Total

During the year ended December 31, 2017, the following changes occurred in liabilities reported as Long-term Debt:

	<u>January 1,</u> <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2017</u>	<u>Due Within</u> <u>One Year</u>
2009 Series G.O Bonds	\$ 280,000	\$ -	\$ 150,000	\$ 130,000	\$ 130,000
2013 Series G.O Bonds	3,450,000	-	2,950,000	500,000	220,000
2016 Series G.O Bonds	1,880,000	-	40,000	1,840,000	45,000
Plus issuance premium	228,908	-	19,075	209,833	-
2017 Series G.O Bonds	-	2,762,829	-	2,762,829	40,000
Plus issuance premium	-	<u>247,193</u>	-	<u>247,193</u>	-
	<u>5,838,908</u>	<u>3,010,022</u>	<u>3,159,075</u>	<u>5,689,855</u>	<u>435,000</u>
OPEB Obligation	736,418	137,220	-	873,638	-
Net pension liability	<u>1,877,488</u>	-	<u>260,589</u>	<u>1,616,899</u>	-
	<u>\$ 8,452,814</u>	<u>\$ 3,147,242</u>	<u>\$ 3,419,664</u>	<u>\$ 8,180,392</u>	<u>\$ 435,000</u>

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE M – NET ASSETS/FUND BALANCES

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets*-This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by laws through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the District, not restricted for any project or other purpose.

In the fund financial statements, the District reports fund balances for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Provisions of laws, contracts, and grants specify how fund resources can be used in the *restricted* classification. The nature of this classification precludes a need for a policy from the Board. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

From time to time, the Board may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board.

The Board may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When The District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to unrestricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged to committed, then assigned, and lastly unassigned balances.

EUREKA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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As of December 31, 2017, restricted fund balance includes the following:

- *Debt Service* – to reflect the funds held for future payment of bond principal and interest. These funds are not available for general operations.
- *Dispatching Special Revenue* – to reflect the funds held for dispatching services. These funds are not available for general operations.
- *Ambulance Special Revenue* – to reflect the funds held for emergency medical services. These funds are not available for general operations.

NOTE N – INTERFUND TRANSFERS

Operating transfers in and out that occurred during 2017 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 117,000
Ambulance	100,000	-
Dispatch	17,000	-

NOTE O – PRIOR-PERIOD ADJUSTMENT

The District recorded a prior-period adjustment as of December 31, 2016 to correct property taxes receivable and deferred. The cumulative effect of the adjustment as of December 31, 2016 is as follows:

	<u>Government- wide Net Position</u>	<u>Debt Service Fund Balance</u>
Balances at 12/31/16, as originally reported	\$2,941,664	\$698,157
Prior-period adjustment – taxes receivable/deferred	<u>25,003</u>	<u>(60,553)</u>
Balances at 12/31/2016, as restated	<u>\$2,966,667</u>	<u>\$637,604</u>

NOTE Q - SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 26, 2018, the date the financial statements were available to be issued.

**Eureka Fire Protection District  
Required Supplementary Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUE</b>				
Property taxes	\$ 2,726,548	\$ 2,726,548	\$ 2,650,900	\$ (75,648)
Contract protection	4,300	4,300	5,949	1,649
Inspection and Permit Fees	12,000	12,000	6,888	(5,112)
Income from Investments	8,000	8,000	4,420	(3,580)
Miscellaneous	20,000	20,000	41,893	21,893
Proceeds from sale of assets	75,000	75,000	6,820	(68,180)
Total Revenue	<u>2,845,848</u>	<u>2,845,848</u>	<u>2,716,870</u>	<u>(128,978)</u>
<b>EXPENDITURES</b>				
Personal services	1,440,000	1,440,000	1,387,786	(52,214)
Employee benefits	195,000	195,000	98,454	(96,546)
Supplies	75,950	75,950	63,914	(12,036)
Pension supplement	100,000	100,000	50,000	(50,000)
Heat, light and power	167,510	167,510	125,388	(42,122)
Capital outlay	47,419	47,419	42,046	(5,373)
Building and mobile equipment	200,500	200,500	214,947	14,447
Miscellaneous	75,883	75,883	50,967	(24,916)
Administration	148,200	148,200	161,493	13,293
Payment in lieu of insurance premiums	240,000	240,000	210,451	(29,549)
Total expenditures	<u>2,690,462</u>	<u>2,690,462</u>	<u>2,405,446</u>	<u>(285,016)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	155,386	155,386	311,424	156,038
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	(155,386)	(155,386)	(100,000)	55,386
Total Other Financing Sources (Uses)	<u>(155,386)</u>	<u>(155,386)</u>	<u>(100,000)</u>	<u>55,386</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
	<u>-</u>	<u>-</u>	<u>211,424</u>	<u>211,424</u>

**Eureka Fire Protection District  
Required Supplementary Information  
Budgetary Comparison Schedule - Ambulance Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUE</b>				
Property taxes	\$ 1,079,764	\$ 1,079,764	\$ 1,059,603	\$ (20,161)
Contract protection	1,750	1,750	2,387	637
Ambulance charges	590,000	590,000	483,434	(106,566)
Income from Investments	2,500	2,500	1,316	(1,184)
Miscellaneous	600	600	538	(62)
Proceeds from sale of assets	-	-	-	-
Total Revenue	<u>1,674,614</u>	<u>1,674,614</u>	<u>1,547,278</u>	<u>(127,336)</u>
<b>EXPENDITURES</b>				
Personal services	1,303,000	1,303,000	1,150,746	(152,254)
Employee benefits	186,000	186,000	90,909	(95,091)
Supplies	40,000	40,000	48,057	8,057
Capital outlay	3,000	3,000	33	(2,967)
Building and mobile equipment	29,000	29,000	19,800	(9,200)
Miscellaneous	34,000	34,000	33,443	(557)
Administration	-	-	-	-
Payment in lieu of insurance premiums	230,000	230,000	210,451	(19,549)
Total expenditures	<u>1,825,000</u>	<u>1,825,000</u>	<u>1,553,439</u>	<u>(271,561)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(150,386)	(150,386)	(6,161)	144,225
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	150,386	150,386	100,000	(50,386)
Total Other Financing Sources (Uses)	<u>150,386</u>	<u>150,386</u>	<u>100,000</u>	<u>(50,386)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
	<u>-</u>	<u>-</u>	<u>93,839</u>	<u>93,839</u>

Required Supplementary Information  
 Budgetary Comparison Schedule  
 Note to RSI

Explanation of differences between budgetary inflows and outflows  
 and GAAP revenue and expenditures

	General Fund	Ambulance Fund
<b>Sources/Inflows of resources</b>		
Total revenue (budgetary basis) from the budgetary comparison schedule	\$ 2,716,870	1,547,278
Tax Revenue-levy on the budgetary basis recognizes revenue based on when the taxes are collected. For financial reporting purposes, the revenue is recognized on a modified accrual basis.	147,481	59,128
	\$ 2,864,351	\$ 1,606,406
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 2,405,446	\$ 1,553,439
Differences-budget to GAAP		
Amounts accrued for accounts payable and accrued wages and payroll taxes for financial reporting purposes are not outflows of budgetary resources in the current year.	94,910	135,643
	\$ 2,500,356	\$ 1,689,082



**Eureka Fire Protection District**  
**Required Supplementary Information**  
**Schedule of Changes in the District's Net Pension Liability and Related Ratios**

	2017	2016	2015	2014	2013	2012
<b>Total Pension Liability</b>						
Discount rate	7.00%	7.00%	7.00%	7.00%	N/A	N/A
Total pension liability - beginning	\$12,381,045	\$ 11,644,349	\$ 10,601,877	\$ 10,224,352	N/A	N/A
Service cost	273,629	288,584	250,269	275,746	N/A	N/A
Interest cost	854,859	805,011	735,186	711,036	N/A	N/A
Plan amendments	-	-	-	-	N/A	N/A
Assumption changes	189,443	-	-	-	N/A	N/A
Actuarial losses/(gains)	299,217	(68,522)	255,463	(475,862)	N/A	N/A
Benefit payments	(337,542)	(288,377)	(198,446)	(133,395)	N/A	N/A
<b>Total pension liability - ending (a)</b>	<u>\$13,660,651</u>	<u>\$12,381,045</u>	<u>\$11,644,349</u>	<u>\$10,601,877</u>	N/A	N/A
<b>Plan Fiduciary Financial Position</b>						
Employer contributions	412,300	405,000	331,000	342,500	N/A	N/A
Employee contributions				-	N/A	N/A
Net investment income	1,465,942	692,116	(108,747)	416,042	N/A	N/A
Benefit payments	(337,542)	(288,377)	(198,446)	(133,395)	N/A	N/A
Administrative expenses	(505)	(470)	(405)	(303)	N/A	N/A
<b>Net change in plan fiduciary net position</b>	1,540,195	808,269	23,402	624,844	N/A	N/A
<b>Fiduciary net position - beginning</b>	<u>10,503,557</u>	<u>9,695,288</u>	<u>9,671,886</u>	<u>9,047,042</u>	N/A	N/A
<b>Fiduciary net position - ending (b)</b>	<u>\$12,043,752</u>	<u>\$ 10,503,557</u>	<u>\$ 9,695,288</u>	<u>\$ 9,671,886</u>	N/A	N/A
<b>District's net pension liability - ending (a) - (b)</b>	<u>\$ 1,616,899</u>	<u>\$ 1,877,488</u>	<u>\$ 1,949,061</u>	<u>\$ 929,991</u>	N/A	N/A
<b>Fiduciary net position as % of total pension liability</b>	88.16%	84.84%	83.26%	91.23%	N/A	N/A
<b>Covered payroll</b>	\$ 2,318,610	\$ 2,204,253	\$ 2,326,692	\$ 2,384,764	N/A	N/A
<b>Net pension liability as % of covered payroll</b>	69.74%	85.18%	83.77%	39.00%	N/A	N/A

**Eureka Fire Protection District**  
**Required Supplementary Information**  
**Schedule of District Contributions and Investment Returns**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 430,985	\$ 433,239	\$ 367,014	\$ 433,316	\$ 531,226	\$ 563,518
Contributions in relation to the actuarially determined contribution	412,300	405,000	331,000	342,500	315,000	285,000
Contribution deficiency (excess)	<u>\$ 18,685</u>	<u>\$ 28,239</u>	<u>\$ 36,014</u>	<u>\$ 90,816</u>	<u>\$ 216,226</u>	<u>\$ 278,518</u>
Covered - employee payroll	\$ 2,318,610	\$ 2,204,253	\$ 2,326,692	\$ 2,384,764	\$ 2,351,391	\$ 2,116,979
Contributions as a percentage of covered-employee payroll	17.78%	18.37%	14.23%	14.36%	13.40%	13.46%
Annual dollar-weighted rate of return net of expenses	13.81%	7.01%	-1.10%	4.51%	10.60%	11.00%

EUREKA FIRE PROTECTION DISTRICT  
SCHEDULE OF INSURANCE IN FORCE  
December 31, 2017

<u>INSURANCE IN FORCE</u>	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>
Commercial Automobile Policy Liability Uninsured Motorists Comprehensive Coverage Collision	American Alternative Insurance Corp.	\$1,000,000 Liability/Accident \$1,000,000/Accident Actual Cash Value/Cost of Repair Actual Cash Value/Cost of Repair
Excess Liability	American Alternative Insurance Corp.	\$2,000,000/Occurrence \$2,000,000/Products Completed Operation \$4,000,000 General Aggregate
General/Healthcare Liability	American Alternative Insurance Corp.	\$ 1,000,000/Occurrence \$ 3,000,000/Products Completed Operation \$ 3,000,000 General Aggregate \$ 1,000,000 Personal Injury \$ 1,000,000 Fire Damage Legal Liability
Management Liability	American Alternative Insurance Corp.	\$1,000,000 Cyber Liability Each Event \$3,000,000 Aggregate Limit \$50,000 Privacy Crisis Management Each Event/Case
Commercial Property Buildings Business Personal Property Money and Securities Software Loss of Income Extra Expense	American Alternative Insurance Corp.	\$7,826,793/Guaranteed Replacement Value \$894,824/Replacement Cost Value \$30,000 \$250,000 24 Months Actual Loss Sustained 24 Months Actual Loss Sustained
Fidelity Bond	American Alternative Insurance Corp.	\$20,000/Employee \$100,000/Director
Portable Equipment	American Alternative Insurance Corp.	Scheduled Values
Workers' Compensation	MoFAD	Statutory Limits
Crime	American Alternative Insurance Corp.	\$10,000/Computer Fraud \$10,000/Identity Fraud \$100,000 Public Employee Dishonesty Each Office Holder \$100,000 Public Employee Dishonesty Per Employee

EUREKA FIRE PROTECTION DISTRICT  
 SCHEDULE OF ASSESSED VALUATION, TAX RATE AND TAX LEVY  
 Tax Year 2017

<u>ASSESSED VALUATION</u>	<u>2017</u>
Real estate	\$ 364,264,571
Personal property	<u>64,565,503</u>
Total Assessed Valuation	<u><u>\$ 428,830,074</u></u>

<u>TAX RATE (PER \$100 OF ASSESSED VALUATION)</u>	<u>2017</u> <u>Residential</u>	<u>2017</u> <u>Agricultural</u>	<u>2017</u> <u>Commercial</u>	<u>2017</u> <u>Personal Property</u>
General fund	.6419	.6419	.6419	.6419
Ambulance fund	.2576	.2576	.2576	.2576
Debt service fund	.1500	.1500	.1500	.1500
Pension fund	.0863	.0863	.0863	.0863
Dispatching fund	.0256	.0256	.0256	.0256
Total Tax Rate	<u>1.1614</u>	<u>1.1614</u>	<u>1.1614</u>	<u>1.1614</u>

<u>TAX LEVY</u>	<u>2017</u>
From assessed valuation	<u>\$ 4,873,978</u>
From surtax levy	<u>33,773</u>
TOTAL LEVY	<u><u>\$ 4,907,751</u></u>

Assessed valuations were made on real and personal properties owned by taxpayers on January 1.

EUREKA FIRE PROTECTION DISTRICT  
SCHEDULE OF PRINCIPAL OFFICE HOLDERS  
December 31, 2017

<u>OFFICE HOLDER</u>		<u>ANNUAL COMPENSATION</u>
Patrick D. Feder	President	\$ 5,500
Francis B. Oberkramer	Treasurer	\$ 4,200
Charles E. Kuhn	Secretary	\$ 4,000

The Board of Directors is elected and the Board annually determines which of its members will serve as president, treasurer, and secretary. The Board appoints the chief.

Each member of the Board may receive a fee not to exceed \$100 for attending each regularly called board meeting, or special meeting, but shall not be paid for attending more than four in any calendar month. The Chairman may receive an additional \$50 for up to two meetings per month. Each member is to be reimbursed for actual expenditures in the performance of his or her duties on behalf of the District. The Secretary and Treasurer may each receive additional compensation for the performance of their duties, not to exceed \$1,000 per year.



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### 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*

To the Board of Directors  
Eureka Fire Protection District  
St. Louis and Jefferson Counties, Missouri

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 Eureka Fire Protection District (the District), as of and for the year ended December 31, 2017, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 27, 2018. Our report on the Ambulance Fund was qualified.

#### **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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies with respect to pension trust fund accounting and ambulance billings described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs with respect to bond issuance and redemption accounting and audit findings to be significant deficiencies.

### **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*.

### **The District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



June 27, 2018

EUREKA FIRE PROTECTION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
December 31, 2017

AMBULANCE BILLINGS

Proper internal controls for billed revenue, e.g. ambulance fees, dictate that controls address the completeness, accuracy and cut-off of billed revenues. When such controls are to be addressed by a service provider, e.g., ambulance billing company, assurance should be obtained that the controls are functioning as planned. We noted that the District's policies and procedures do not adequately address the completeness, accuracy and cut-off of ambulance billings.

We also noted that for 2017, ambulance collections as a percentage of billings were approximately 40%. The historical collection percentage has been approximately 57%. The District was unable to explain the decline in collections.

With respect to ambulance billings, we recommend that the District implement accounting procedures and internal controls to address the completeness, accuracy and cut-off of billed revenues and the related receivables.

This has been a finding in several of the District's prior year audits.

District Response: The District has had several meetings with the Ambulance Billing Company and the Auditor to address the issues that had been previously noted. While not all items have been resolved we continue to work on those issues. As far as the decrease in percentage of collections, the District has contacted the Billing Company asking for a review and to set up a meeting to further investigate the issue. Tentatively some of the difference may be attributed to charges not allowed by Medicare and AHCA.

PENSION TRUST FUND

We noted that the District does not correctly account for certain activity in its pension trust fund. Specifically, contributions to investment accounts are expensed, and neither benefit payments, investment earnings, nor administrative expenses, are recorded in the District's accounting records. It is our understanding that the investment activity is monitored internally and by outside advisors; however, the investment activity is not properly recorded in the District's accounting records.

We recommend that policies and procedures be adopted to address the recording of pension trust fund investment activity on a periodic basis. If outside assistance is needed in recording such activity, it should be arranged ahead of the year-end audit.

This has been a finding in several of the District's prior year audits.

District Response: The District has made many changes in the Pension program over the last several years. The Pension Board is quarterly reviewing investments etc. and is



overall taking a more active roll in management of the fund. The Districts Pension administrator will work with the Auditor, bookkeeper and pension advisor to properly document issues with in the fund.

### BOND ISSUANCE AND REDEMPTION

During 2017, the District issued bonds with total proceeds of \$ 3,010,022 for purposes of refunding \$ 2,765,000 in 2013 general obligation bonds. The net proceeds of \$ 2,945,849 were deposited with an escrow agent to effect the refunding. Proper accounting for the refunding would require that the proceeds and deposit be recognized in the governmental statement of revenue, expenditures and changes in fund balances. In addition, the issuance of the new debt and defeasance should be recorded as increases and decreases in bonds payable, respectively.

We recommend that policies and procedures be adopted to address the recording of bond issuances, the related payments as well as bond refundings. If outside assistance is needed in recording such activity, it should be arranged ahead of the year-end audit.

This was a finding in the District's previous audit.

District Response: The District will work with the Auditor, Bond Advisors and Council to develop policies and procedures to track any future refunding or issuances.

### YEAR-END ACCRUAL ENTRIES

The District maintains its accounting records on the cash basis during the year. That is, revenue and expenditures are recognized when the related cash is received or paid, respectively. However, generally accepted accounting principles require that financial statements be prepared on the accrual basis for the government-wide financial statements (modified accrual basis for the fund financial statements). In order to report on the accrual basis, certain items have historically been recorded during the audit process via audit adjustments, e.g. accounts payable, accrued payroll, etc. In connection with the performing the 2017 audit, several requests were necessary before receiving the information necessary to make the accrual adjustments.

This was a finding in the District's previous audit.

We recommend that the District accumulate the information necessary to make the accrual adjustments as soon as practical after the end of the year. The required information and format remains relatively constant from year to year. Ideally, the District would record these entries internally. However, if the entries are to continue to be made during the audit, the underlying supporting information would be readily available prior to the commencement of the audit and the entries could be made well in advance of the audit.

District Response: The District will work with the Auditor and Administrative staff to identify in policy how to prepare and make these entries internally.

## AUDIT FINDINGS

Monitoring is one of the five elements of entity-level internal control. One aspect of monitoring is the consideration of reports from external sources (e.g., external auditors, regulators) for their internal control implications, and for identifying and taking timely corrective action. However, certain findings and recommendations resulting from the consideration of the District's internal control over financial reporting have not been addressed.

We recommend that the District adopt policies and procedures to consider reports from external sources for their internal control implications and that timely corrective actions are identified and taken.

District Response: The District will work with the Auditor and the Administrative staff to policies and procedures to consider these reports. In addition, the District intends to improve its accounting and auditing procedures.