

BATTLEFIELD FIRE PROTECTION DISTRICT

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2016

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis.....	6
Statement of Activities – Modified Cash Basis	7
Statement of Assets and Fund Balance – Governmental Fund – Modified Cash Basis	8
Reconciliation of the Governmental Fund Statement of Assets and Fund Balance – Modified Cash Basis to the Statement of Net Position – Modified Cash Basis	9
Statement of Receipts, Disbursements and Changes in Fund Balance – Governmental Fund – Modified Cash Basis	10
Reconciliation of the Statement of Receipts, Disbursements, and Changes in Fund Balance of the Governmental Fund – Modified Cash Basis to the Statement of Activities – Modified Cash Basis	11
Notes to Basic Financial Statements	12
SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability and Related Ratios	29
Schedule of Contributions.....	30
Notes to Schedule of Contributions	31
Budgetary Comparison Schedule – General Fund – Modified Cash Basis	32
Note to Budgetary Comparison Schedule	33
OTHER REPORTING REQUIREMENTS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35



INDEPENDENT AUDITORS' REPORT

Board of Directors
Battlefield Fire Protection District
Battlefield, Missouri

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the Battlefield Fire Protection District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and major fund of the Battlefield Fire Protection District as of December 31, 2016, and the respective changes in the modified cash basis financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note A.

Basis of Accounting

As described in Note A, the Battlefield Fire Protection District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this manner.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The pension information and budgetary comparison information on pages 29-33, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Board of Directors
Battlefield Fire Protection District
Battlefield, Missouri

Other Reporting Required by *Government Auditing Standards*

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
March 22, 2017

BATTLEFIELD FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents - unrestricted	\$ 1,879,030
Capital Assets:	
Non-depreciable	213,359
Depreciable, net	<u>5,533,753</u>
TOTAL ASSETS	<u>7,626,142</u>
LIABILITIES	
Current	
Current maturities of lease payable	70,000
Noncurrent	
Lease payable	<u>1,045,000</u>
TOTAL LIABILITIES	<u>1,115,000</u>
NET POSITION	
Net investment in capital assets	4,632,112
Unrestricted	<u>1,879,030</u>
TOTAL NET POSITION	<u><u>\$ 6,511,142</u></u>

See accompanying notes.

BATTLEFIELD FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2016

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Fire protection	\$ (2,946,216)	\$ 27,160	\$ -	\$ -	\$ (2,919,056)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (2,946,216)</u>	<u>\$ 27,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,919,056)</u>
General Receipts:					
					3,267,386
					35,673
					34,545
					<u>(123,336)</u>
					3,214,268
				Change in Net Position	295,212
				Net Position, Beginning of year	<u>6,215,930</u>
				Net Position, End of year	<u>\$ 6,511,142</u>

See accompanying notes.

BATTLEFIELD FIRE PROTECTION DISTRICT
STATEMENT OF ASSETS AND FUND BALANCE – GOVERNMENTAL FUND – MODIFIED CASH
BASIS
December 31, 2016

		<u>General Fund</u>
ASSETS		
Cash and cash equivalents		<u>\$ 1,879,030</u>
	TOTAL ASSETS	<u><u>\$ 1,879,030</u></u>
FUND BALANCE		
Committed for:		
Equipment		\$ 717,019
Building		500,164
Unassigned		<u>661,847</u>
	TOTAL FUND BALANCE	<u><u>\$ 1,879,030</u></u>

See accompanying notes.

BATTLEFIELD FIRE PROTECTION DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF ASSETS AND FUND
 BALANCE – MODIFIED CASH BASIS TO THE STATEMENT OF NET POSITION – MODIFIED CASH
 BASIS
 December 31, 2016

Fund balance - total governmental fund	\$ 1,879,030
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:	
Governmental capital assets	7,986,751
Less accumulated depreciation	<u>(2,239,639)</u>
	5,747,112
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,115,000)</u>
Net Position of Governmental Activities	<u><u>\$ 6,511,142</u></u>

See accompanying notes.

BATTLEFIELD FIRE PROTECTION DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2016

	General Fund
RECEIPTS	
Taxes	\$ 3,267,386
Charges for services	27,160
Interest	35,673
Miscellaneous	14,594
	<hr/>
TOTAL RECEIPTS	3,344,813
DISBURSEMENTS	
Current	
Salaries and related expenses	1,834,589
Professional fees	26,212
Office supplies	8,351
Utilities	66,059
Repairs and maintenance	120,627
Insurance	401,596
Training	44,680
Fuel	22,141
Capital expenditures	134,804
Equipment and supplies	105,138
Miscellaneous	34,492
Debt service	
Lease payments	108,513
	<hr/>
TOTAL DISBURSEMENTS	2,907,202
EXCESS OF RECEIPTS OVER DISBURSEMENTS	437,611
OTHER FINANCING SOURCES	
Insurance proceeds	44,975
Rental income	4,800
Sale of capital assets	12,778
	<hr/>
TOTAL OTHER FINANCING SOURCES	62,553
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	500,164
FUND BALANCE, January 1, 2016	1,378,866
	<hr/>
FUND BALANCE, December 31, 2016	\$ 1,879,030
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See accompanying notes.

BATTLEFIELD FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND – MODIFIED CASH BASIS TO THE STATEMENT
OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2016

Net change in fund balance - total governmental fund	\$ 500,164
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as disbursements. However, in the
Statement of Activities the cost of these assets is allocated over their estimated
useful lives on a straight line basis and reported as depreciation expense. The
following is the detail of this change:

Capital outlay	134,804
Depreciation	(243,818)
Proceeds	(42,602)
Loss on disposal of assets	(123,336)
	<u>(274,952)</u>

The issuance of long-term debt (e.g., bonds, loans, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. The following
is the detail of the net effect of these differences in the treatment of long-term debt:

Repayment of debt	<u>70,000</u>
Change in Net Position of Governmental Activities	<u><u>\$ 295,212</u></u>

See accompanying notes.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Battlefield Fire Protection District (the District) is a political subdivision organized and empowered under the laws of the State of Missouri to supply protection by any available means to persons and property against injuries and damage from fire and from hazards which do or may cause fire.

Principles Used to Determine Scope of Entity

The District's reporting entity includes the District's governing board and all related organizations for which the District exercises oversight responsibility.

The District has developed criteria to determine whether outside agencies with activities which benefit the residents of the District should be included as a component unit in the District's financial statements. The criteria includes, but is not limited to, whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), scope of public service and special financing relationships.

The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements.

Basis of Presentation

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements display information about the government as a whole. They include all funds of the reporting entity. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support. As of December 31, 2016, the District had no business-type activities on which to report.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FUND FINANCIAL STATEMENTS

Separate fund financial statements report information on the District's governmental funds. The emphasis of fund financial statements is on major governmental funds.

Governmental fund financial statements use the current financial resources measurement focus and the modified cash basis of accounting. It is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Reconciliations have been provided following the Governmental Funds – Modified Cash Basis Statement of Assets and Fund Balance and the Statement of Receipts, Disbursements and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The District reports the following major governmental fund:

General Fund: The General Fund is the general operating fund of the District. It is used to account for all financial resources.

Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements are accounted for using the modified cash basis of accounting. This basis recognizes assets, net position/fund balance, receipts, and disbursements when they result from cash transactions. The modification to the cash basis relates to the presentation of capital assets and long-term debt. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures/expenses (such as accounts payable and expenditures/expenses for goods or services received but not paid, and accrued expenditures and liabilities) *are not recorded* in the financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the modified accrual basis of accounting and the government-wide financial statements would use the accrual basis of accounting.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets include land, buildings, improvements and equipment, and are included in the governmental column in the government-wide financial statements. Capital assets, excluding land, are defined by the District as assets with a cost of \$3,000 or greater and an estimated useful life of one year or more. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Buildings and improvements	10 - 50 years
Major moveable equipment	5 - 20 years
Vehicles	10 - 25 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

Cash and Cash Equivalents

For financial statement purposes, the District considers all accounts subject to withdrawal by check or on demand to be cash equivalents.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. Actual results could differ from those estimates.

Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Employees earn vacation time based on the number of years of service. Upon separation, accumulated vacation time is payable at the employee's current hourly wage. Overtime hours worked are paid at the required premium rate and no compensatory time is accumulated.

Net Position

In the government-wide financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net position that does not meet the definition of restricted or net investment in capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District first applies restricted net position.

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. These include 1) charges for services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental receipts are reported as general. All taxes are classified as general receipts, even if restricted for a specific purpose.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Directors – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the District’s deposits be collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2016, all bank balances on deposit are entirely insured or collateralized with securities.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE C – TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The county collects the property tax and remits it to the District.

The assessed valuation of the tangible taxable property for the calendar year 2016 for purposes of local taxation was:

Real estate	\$ 453,428,777
Personal property	<u>90,756,440</u>
	<u><u>\$ 544,185,217</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2016 for purposes of local taxation was:

General Fund	<u><u>\$.5995</u></u>
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NOTE D – RISK MANAGEMENT AND SCHEDULE OF INSURANCE

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. Insurance coverage is summarized as follows:

<u>Type of Coverage</u>	<u>Amounts of Coverage</u>
General and management liability	\$ 3,000,000 aggregate
Excess liability	\$ 8,000,000 aggregate
Buildings and contents	\$ 7,049,447
Portable equipment	Blanket coverage
Crime	\$ 25,000
Auto	\$ 1,000,000 liability
Workers' Compensation	\$ 2,000,000

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE E – COMPENSATED ABSENCES

At December 31, 2016, the outstanding accumulated vacation balance was \$38,201. This amount is not reported in the financial statements under the current modified cash basis of accounting; however, it is a long-term liability to the District and should be a factor for consideration when making budgetary decisions.

NOTE F – LONG-TERM DEBT

In August 2014, the District entered into a lease purchase agreement to finance the construction of fire station #3 at a cost of \$1,250,000. Interest is set at 3.25%.

The following is a schedule of future lease payments under the lease:

Year Ended December 31,	Principal	Interest	Total
2017	\$ 70,000	\$ 36,237	\$ 106,237
2018	75,000	33,963	108,963
2019	75,000	31,525	106,525
2020	75,000	29,087	104,087
2021	80,000	26,650	106,650
2022-2026	440,000	92,788	532,788
2027-2029	300,000	19,824	319,824
	<u>\$ 1,115,000</u>	<u>\$ 270,074</u>	<u>\$ 1,385,074</u>

The following is a summary of long-term debt for the year ended December 31, 2016:

Long-Term Debt, December 31, 2015	\$ 1,185,000
Lease proceeds	-
Lease principal payments	(70,000)
Long-Term Debt, December 31, 2016	<u>\$ 1,115,000</u>

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE F – LONG-TERM DEBT (continued)

The District's lease purchase agreement provides for the cancellation of the lease if the District should fail to appropriate funds at the annual renewal date, however, the District does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with GASB Section L20, "Leases".

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Governmental Activities				
Non-depreciable capital assets				
Land	\$ 213,359	\$ -	\$ -	\$ 213,359
	213,359	-	-	213,359
Depreciable capital assets				
Buildings and improvements	4,572,830	-	158,936	4,413,894
Major moveable equipment	638,757	66,948	21,412	684,293
Vehicles	2,707,176	67,856	99,827	2,675,205
Total Depreciable Capital Assets	7,918,763	\$ 134,804	\$ 280,175	7,773,392
Less accumulated depreciation				
Buildings and improvements	930,343	\$ 90,043	\$ 45,814	974,572
Major moveable equipment	255,815	35,007	13,250	277,572
Vehicles	923,900	118,768	55,173	987,495
Total Accumulated Depreciation	2,110,058	\$ 243,818	\$ 114,237	2,239,639
Depreciable Capital Assets, net	5,808,705			5,533,753
Total Capital Assets	\$ 6,022,064			\$ 5,747,112

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE H – EMPLOYEE PENSION PLAN AND DEFERRED COMPENSATION

Summary of Significant Accounting Policies

The financial statements were prepared using the cash basis of accounting. Therefore, employer contributions are recognized when paid and the District's net pension liability, deferred outflows and inflows of resources related to pensions are not recorded in the financial statements.

General Information about the Pension Plan

Plan Description. The District's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The District participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

	<u>2016 Valuation</u>
Benefit Multiplier	1.00% for life
Final Average Salary	5 Years
Member Contributions	4%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE H – EMPLOYEE PENSION PLAN AND DEFERRED COMPENSATION (continued)

Employees Covered by Benefit Terms. At June 30, 2016 (the measurement date), the following employees were covered by the benefit terms:

	General	Fire	Total
Inactive employees or beneficiaries currently receiving benefits	1	0	1
Inactive employees entitled to but not yet receiving benefits	0	7	7
Active employees	2	33	35
	3	40	43

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Employees contribute 4% to the pension plan. Employer contribution rates are 9.60% of annual covered payroll for the general division and 4.50% for the fire division.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

Actuarial Assumptions. The total pension asset in the February 29, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation for general division 3.25% to 7.15% including wage inflation for fire division
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE H – EMPLOYEE PENSION PLAN AND DEFERRED COMPENSATION (continued)

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 29, 2016, valuation were based on the results of a 5-year experience study for the period March 1, 2010, through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses 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 estimate 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>
Equity	43.00%	5.29%
Fixed Income	26.00%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE H – EMPLOYEE PENSION PLAN AND DEFERRED COMPENSATION (continued)

Change in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<i>General Division</i>			
Balances at June 30, 2015	\$ 88,043	\$ 22,031	\$ 66,012
Changes for the year:			
Service cost	3,365	-	3,365
Interest	6,356	-	6,356
Changes of benefit terms	9,851	-	9,851
Difference between expected and actual experiences	2,518	-	2,518
Changes of assumptions	2,918	-	2,918
Contributions - employer	-	9,777	(9,777)
Contributions - employee	-	2,347	(2,347)
Net investment (loss)	-	(166)	166
Benefits paid, including refunds	(4,140)	(4,140)	-
Pension plan administrative expense	-	(252)	252
Other (net transfer)	-	1,155	(1,155)
Net Changes	20,868	8,721	12,147
Balances at June 30, 2016	108,911	30,752	78,159

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE H – EMPLOYEE PENSION PLAN AND DEFERRED COMPENSATION (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<i>Fire Division</i>			
Balances at June 30, 2015	760,958	410,324	350,634
Changes for the year:			
Service cost	105,648	-	105,648
Interest	58,902	-	58,902
Change of benefit terms	224,620	-	224,620
Difference between expected and actual experiences	(55,876)	-	(55,876)
Changes of assumptions	52,723	-	52,723
Contributions - employer	-	85,341	(85,341)
Contributions - employee	-	56,448	(56,448)
Net investment income	-	20,356	(20,356)
Benefits paid, including refunds	(838)	(838)	-
Pension plan administrative expense	-	(3,452)	3,452
Other (net transfer)	-	(697)	697
Net Changes	385,179	157,158	228,021
Balances at June 30, 2016	1,146,137	567,482	578,655
Total Plan Balances at June 30, 2016	\$ 1,255,048	\$ 598,234	\$ 656,814

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE H – EMPLOYEE PENSION PLAN AND DEFERRED COMPENSATION (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following present the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 122,270	\$ 108,911	\$ 97,721
Plan Fiduciary Net Position	30,752	30,752	30,752
Net Pension Liability	91,518	78,159	66,969
<i>Fire Division</i>			
Total Pension Liability	1,419,385	1,146,137	929,690
Plan Fiduciary Net Position	567,482	567,482	567,482
Net Pension Liability	851,903	578,655	362,208
Total Net Pension Liability	\$ 943,421	\$ 656,814	\$ 429,177

Pension Expense

For the year ended December 31, 2016, the employer recognized pension expense of \$16,855 for the general division and \$283,820 for the fire division.

NOTE I – CLAIMS AND ADJUSTMENTS

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the District may be required to reimburse the grantor government. As of December 31, 2016, disbursements have not been audited by grantor governments, but the District believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE J – OPERATING RESERVES

The Board has established a Board Policy requiring an operating reserve of at least 20% of the next year's budgeted operating disbursements. The reserve is adjusted each year based on new budgeted amounts. The reserve is utilized each year for actual expenditures that are in excess of budgeted amounts. At December 31, 2016, the Board policy established a calculated minimum operating reserve of \$621,121.

NOTE K – SCHEDULE OF OFFICER COMPENSATION

The following individuals were on the Board of Directors of the District in 2016 and received the following compensation and expenditure reimbursement:

Name	Title	Year Ended December 31, 2016
Trevor Crist	Chairman	\$ 2,050
Derek Fraley	Vice Chairman	1,300
Darrell Decker	Secretary/Treasurer	2,567
Walt Newman	Board Member	1,350
Kregg Keltner	Board Member	400
Ron Smith	Board Member	200

NOTE L – SURETY AND FIDELITY BONDS

As of December 31, 2016, all Board members are covered by surety bonds in the amount of \$1,000 each in accordance with Missouri Revised Statutes (RSMo) 321.160. In addition, the Treasurer is covered by a fidelity bond in the amount of \$10,000 in accordance with RSMo 321.180.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE M – CONTINGENCIES AND SUBSEQUENT EVENTS

Management has evaluated contingencies and subsequent events through March 22, 2017, the date the financial statements were available to be issued. There were no contingencies or subsequent events.

NOTE N – COMMITMENTS AND CONTRACTS

Management has evaluated commitments and contracts. As of December 31, 2016, there were no material commitments or contracts.

SUPPLEMENTARY INFORMATION

BATTLEFIELD FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Year Ended December 31, 2016

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2016	June 30, 2015
TOTAL PENSION LIABILITY		
Service cost	\$ 109,013	\$ 112,771
Interest on the total pension liability	65,258	58,047
Changes of benefit terms	234,471	-
Difference between expected and actual experience	(53,358)	(66,190)
Changes of assumptions	55,641	-
Benefit payments including refunds	(4,140)	(1,725)
NET CHANGE IN TOTAL PENSION LIABILITY	406,885	102,903
TOTAL PENSION LIABILITY, BEGINNING	849,001	746,098
TOTAL PENSION LIABILITY, ENDING	1,255,886	849,001
PLAN FIDUCIARY NET POSITION		
Contributions - employer	95,118	77,702
Contributions - employee	58,795	58,712
Net investment income	20,190	8,107
Benefit payments, including refunds	(4,140)	(1,725)
Pension plan administrative expense	(3,704)	(3,635)
Other (net transfer)	458	12,618
NET CHANGE IN PLAN FIDUCIARY NET POSITION	166,717	151,779
PLAN FIDUCIARY NET POSITION, BEGINNING	432,355	280,576
PLAN FIDUCIARY NET POSITION, ENDING	599,072	432,355
EMPLOYER NET PENSION LIABILITY	\$ 656,814	\$ 416,646
Plan fiduciary net position as a percentage of the total pension liability	47.70%	50.93%
Covered employee payroll	\$ 1,508,282	\$ 1,477,987
Employer's net pension liability as a percentage of covered employee payroll	43.55%	28.19%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

BATTLEFIELD FIRE PROTECTION DISTRICT
SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2016

Missouri Local Government Employees Retirement System (LAGERS)
Schedule of Contributions
Last 4 Fiscal Years*

	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Actuarially determined contribution	\$ 117,530	\$ 75,628	\$ 79,580	\$ 79,657
Contributions in relation to the actuarially determined contribution	117,530	75,628	79,580	79,657
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,508,282	\$ 1,477,987	\$ 1,452,657	\$ 1,359,424
Contributions as a percentage of covered-employee payroll	7.79%	5.12%	5.48%	5.86%

*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to the required schedules.

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2016

Valuation Date: February 29, 2016

Notes: The roll-forward of total pension liability from February 29, 2016, to June 30, 2016, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 14 to 26 years

Asset Valuation Method – 5-Year smoothed market; 20% corridor

Inflation – 3.25% wage inflation; 2.50% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation for general division and 3.25% to 7.15% for fire division.

Investment Rate of Return – 7.25%, net of investment and administrative expenses

Retirement Age – Experience-based table of rates that are specific to the type of eligibility condition

Mortality – The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other Information – New assumptions adopted based on the 5-year experience study for the period March 1, 2010, through February 28, 2015.

BATTLEFIELD FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Taxes				
Property taxes	\$ 3,282,795	\$ 3,282,795	\$ 3,267,386	\$ (15,409)
Charges for Services	-	-	27,160	27,160
Miscellaneous				
Interest	20,000	20,000	35,673	15,673
Other	-	-	14,594	14,594
	<u>20,000</u>	<u>20,000</u>	<u>50,267</u>	<u>30,267</u>
TOTAL RECEIPTS	3,302,795	3,302,795	3,344,813	42,018
DISBURSEMENTS				
Current				
Fire protection	2,881,766	2,932,070	2,798,690	133,380
Debt Service				
Lease payments	108,000	108,000	108,512	(512)
TOTAL DISBURSEMENTS	<u>2,989,766</u>	<u>3,040,070</u>	<u>2,907,202</u>	<u>132,868</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	313,029	262,725	437,611	174,886
OTHER FINANCING SOURCES				
Insurance proceeds	-	-	44,975	44,975
Rental income	4,800	4,800	4,800	-
Sale of capital assets	-	-	12,778	12,778
TOTAL OTHER FINANCING SOURCES	<u>4,800</u>	<u>4,800</u>	<u>62,553</u>	<u>57,753</u>
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	317,829	267,525	500,164	232,639
FUND BALANCE, January 1, 2016	<u>798,961</u>	<u>1,378,866</u>	<u>1,378,866</u>	<u>-</u>
FUND BALANCE, December 31, 2016	<u>\$ 1,116,790</u>	<u>\$ 1,646,391</u>	<u>\$ 1,879,030</u>	<u>\$ 232,639</u>

BATTLEFIELD FIRE PROTECTION DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULE
December 31, 2016

Budgets and Budgetary Practices

Formal budgetary accounting is employed as a management control for all funds of the District. Annual operating budgets are adopted each fiscal year through the passage of an annual budget ordinance and amended as required for all funds. Accounting principles generally accepted in the United States of America are used to reflect revenues and expenditures/expenses. The funds of the District utilize the same basis of accounting for both budgetary purposes and actual results. All unencumbered budget appropriations lapse at the end of each fiscal year.

OTHER REPORTING REQUIREMENTS



**INDEPENDENT AUDITORS' 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**

Board of Directors
Battlefield Fire Protection District
Battlefield, Missouri

We have audited 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, the basic financial statements of the governmental activities and the major fund of the Battlefield Fire Protection District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Battlefield Fire Protection District's basic financial statements and have issued our report thereon dated March 22, 2017.

Internal Control over Financial Reporting

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

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

Board of Directors
Battlefield Fire Protection District
Battlefield, Missouri

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 over compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
March 22, 2017