



## McCoy & Associates, LLC

Certified Public Accountants and Consultants

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January 27, 2014

The Board of Directors  
c/o Chief Gregory M. Brown  
Eureka Fire Protection District  
1060 Highway W, P.O. Box 97  
Eureka, MO 63025

Dear Directors,

We are pleased to confirm the understanding of the services we are to provide for Eureka Fire Protection District for the year ending December 31, 2013. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the entity's basic financial statements of Eureka Fire Protection District as of and for the year ending December 31, 2013. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany Eureka Fire Protection District's basic financial statements. As part of our engagement, we will apply certain limited procedures to Eureka Fire Protection District's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis.
2. Budgetary comparison schedules.

Supplementary information other than RSI, such as combining and individual fund financial statements, also accompanies Eureka Fire Protection District's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements:

1. Combining balance sheet and statement of revenue, expenditures and changes in fund balances - governmental funds.
2. Reconciliation of governmental fund statement of revenue, expenditures and changes in fund balances to the statement of activities.
3. Statements of fiduciary fund net assets and changes in net assets.

The following additional information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion:

1. Schedule of insurance in force.
2. Schedule of assessed valuation, tax rate, and tax levy.
3. Schedule of principal office holders.

### **Audit Objectives**

The objective our audit is the expression of an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America, and to report on the fairness of the additional information when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America, and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and will include tests of the accounting records of Eureka Fire Protection District and other procedures we consider necessary to enable us to express such an opinion. If, for any reason, we are unable to complete the audit or are unable to express an opinion, we may decline to express an opinion or may not issue a report as a result of this engagement.

We will also provide reports that do not include opinions on internal control related to the financial statements and compliance with laws, regulations, and the provisions of grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. This report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, and the specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

### **Management Responsibilities**

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eureka Fire Protection District and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are responsible for management decisions and functions. As part of the audit, we will prepare a draft of your financial statements and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those

financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

#### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial Statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

#### **Audit Procedures—Internal Controls**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and *Government Auditing Standards*.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Eureka Fire Protection District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Audit Administration, Fees and Other**

We understand that your employees will type cash or other confirmations we request and will locate invoices selected by us for testing.

The audit documentation for this engagement is the property of McCoy & Associates, L.L.C. and constitutes confidential information. However, pursuant to authority given to it by law or regulation, we may be requested to make certain workpapers available to the Missouri State Auditor. We will notify you of any such request. If requested, access to such workpapers will be provided under the supervision of McCoy & Associates, L.L.C. personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to the Missouri State Auditor. The Missouri State Auditor may intend, or decide, to distribute the photocopies or information contained therein to other, including other governmental agencies. We will comply with the applicable rules issued under 15 CSR 40.

Our fees for these services will be based on the actual time spent at our standard hourly rates, plus travel and other out-of-pocket costs such as report production, typing, postage, etc. We estimate that our fees for audit services will not exceed \$8,000. This estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary or if your personnel are unable to provide the assistance previously discussed, we will discuss this with you and arrive at a new fee estimate before we incur the additional costs. This estimate does not include time required to document the District's internal control. Our invoices for these fees will be rendered as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes thirty days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

We will prepare a general ledger trial balance for use during the audit. Our preparation of the trial balance will be limited to formatting information in the Eureka Fire Protection District's general ledger into a working trial balance. Also as part of the audit we will prepare a draft of your financial statements and related notes.

We will be available for such other services as you may request from time-to-time such as general business consultations. Our fees for these services will be at our standard rates and will be payable upon presentation.

We subscribe to a program of peer review for maintenance of quality control in our practice. The team of independent CPAs that we engage for our peer review may select your file for examination under strict rules of confidentiality. Your acceptance below constitutes your agreement for disclosure under this program.

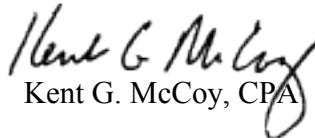
With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

*Government Auditing Standards* requires that we provide you with a copy of our most recent quality control review report. Our most recent peer review report accompanies this letter.

We appreciate the opportunity to continue to be of service to Eureka Fire Protection District and believe this letter accurately summarizes the terms of the engagement. If you have any questions, please let us know. If you agree with the terms of the engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

McCOY & ASSOCIATES, L.L.C.

  
Kent G. McCoy, CPA

cc: Missouri State Auditor

RESPONSE:

This letter correctly sets forth the understanding of Eureka Fire Protection District.

By: ~~X~~ \_\_\_\_\_

Title: ~~X~~ \_\_\_\_\_

Date: ~~X~~ \_\_\_\_\_