



South Metro Fire Rescue Fire Protection District

June 23, 2025

South Metro Fire Rescue Fire Protection District

Audit Summary

Our Financial Statement Opinions

- We expect to issue unmodified opinions as to whether the financial statements of **South Metro Fire Rescue Fire Protection District** (the District), as of and for the year ended December 31, 2024, are fairly presented, in all material respects.

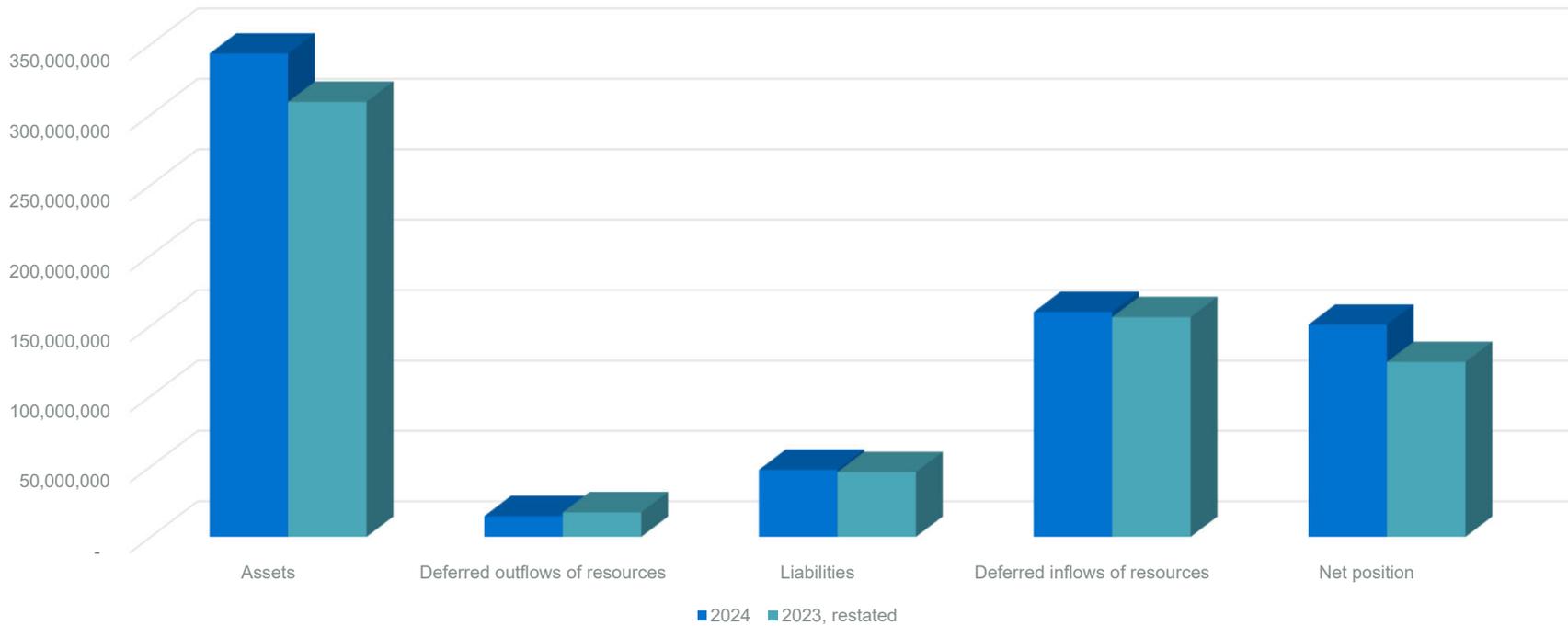
Government Auditing Standards

- We have also issued our report on internal control over financial reporting and on our tests of compliance in accordance with Government Auditing Standards (GAGAS).

Ratios, Trends & Analytics

Statement of Net Position as of December 31

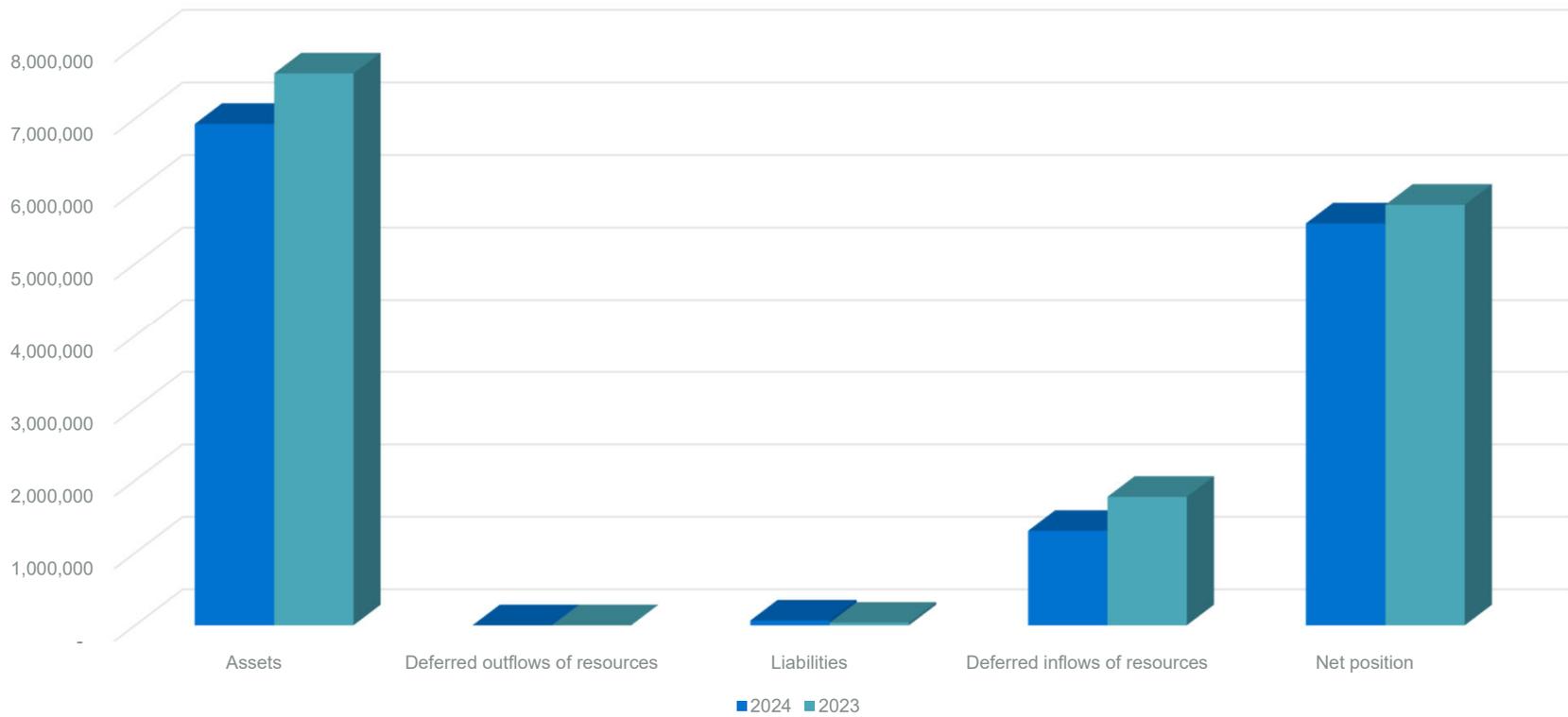
Governmental Activities



Ratios, Trends & Analytics

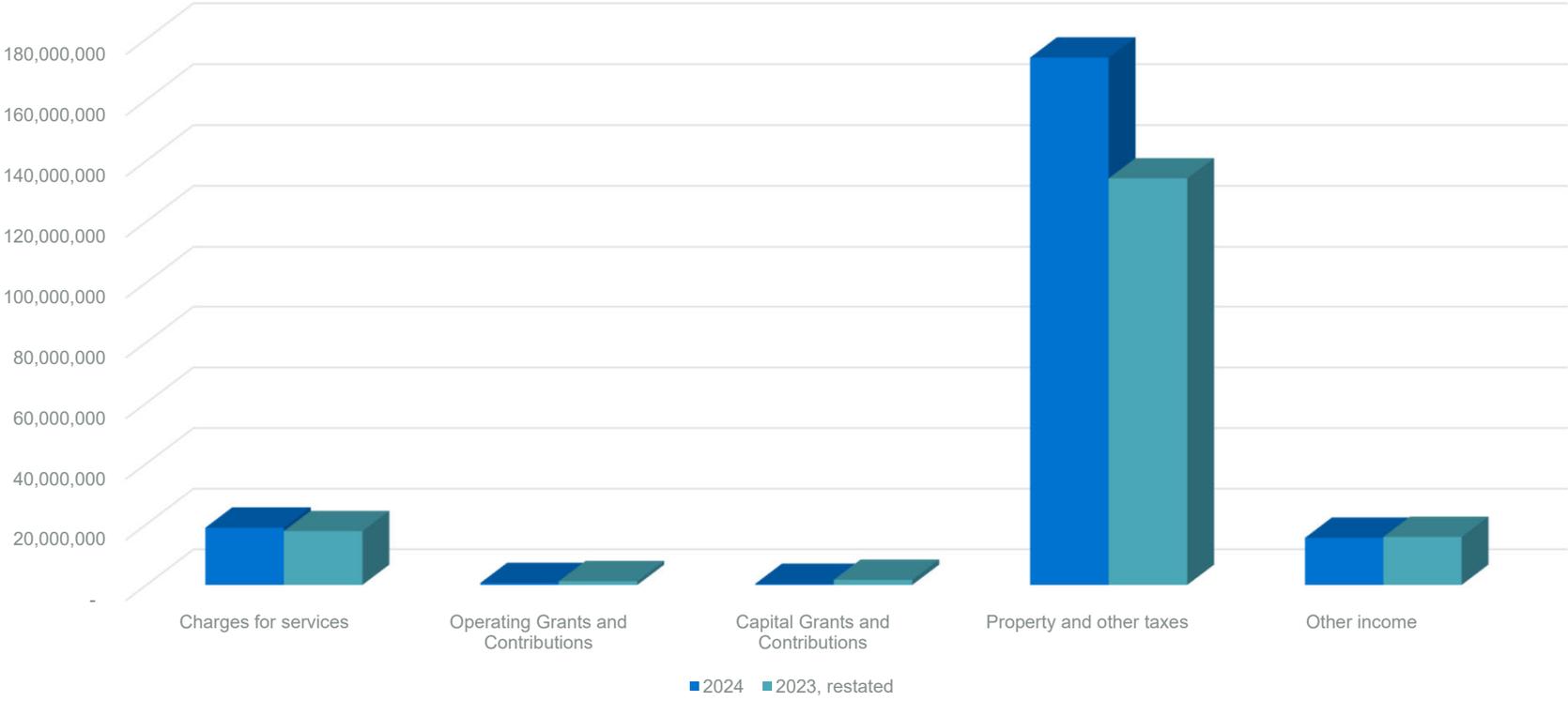
Statement of Net Position as of December 31

Business-Type Activities

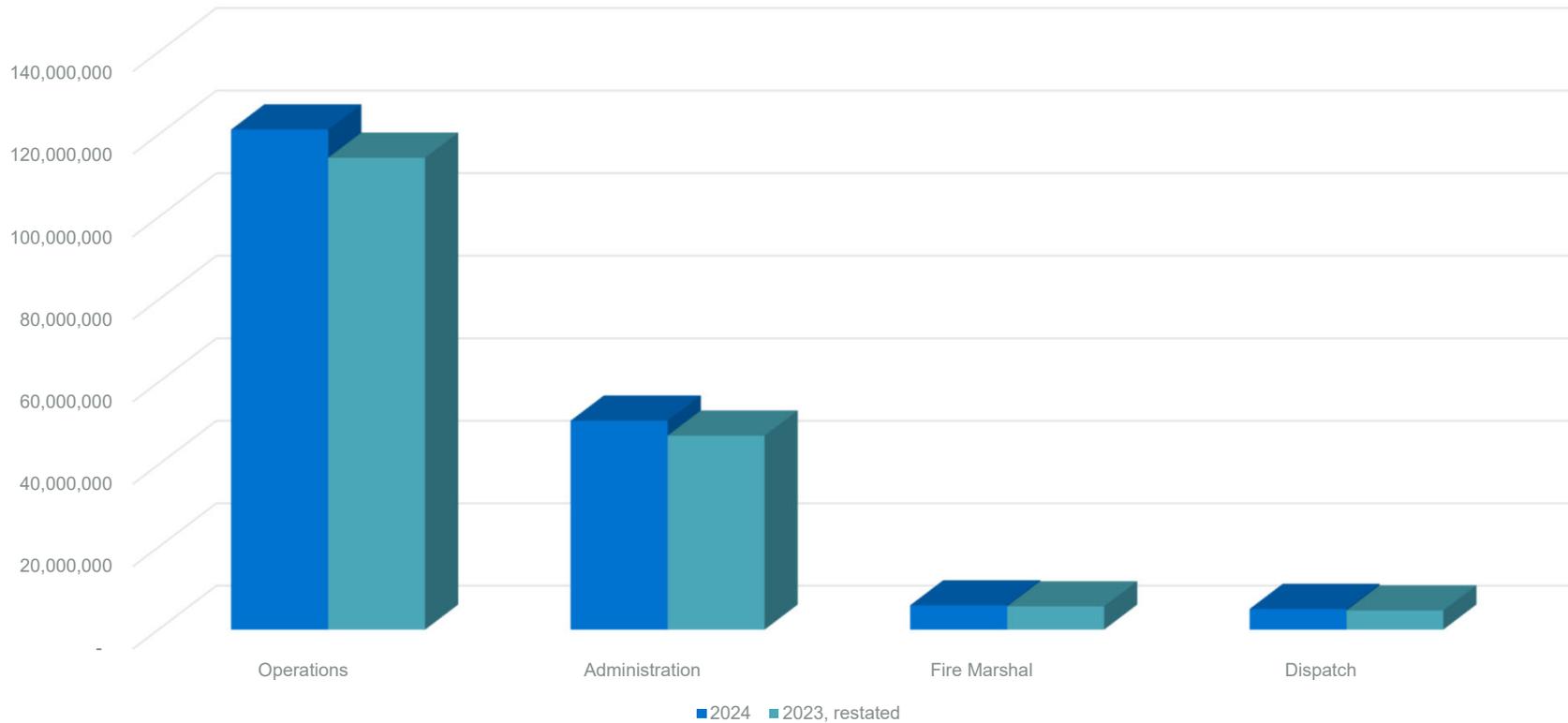


Ratios, Trends & Analytics

Governmental Activities Revenue

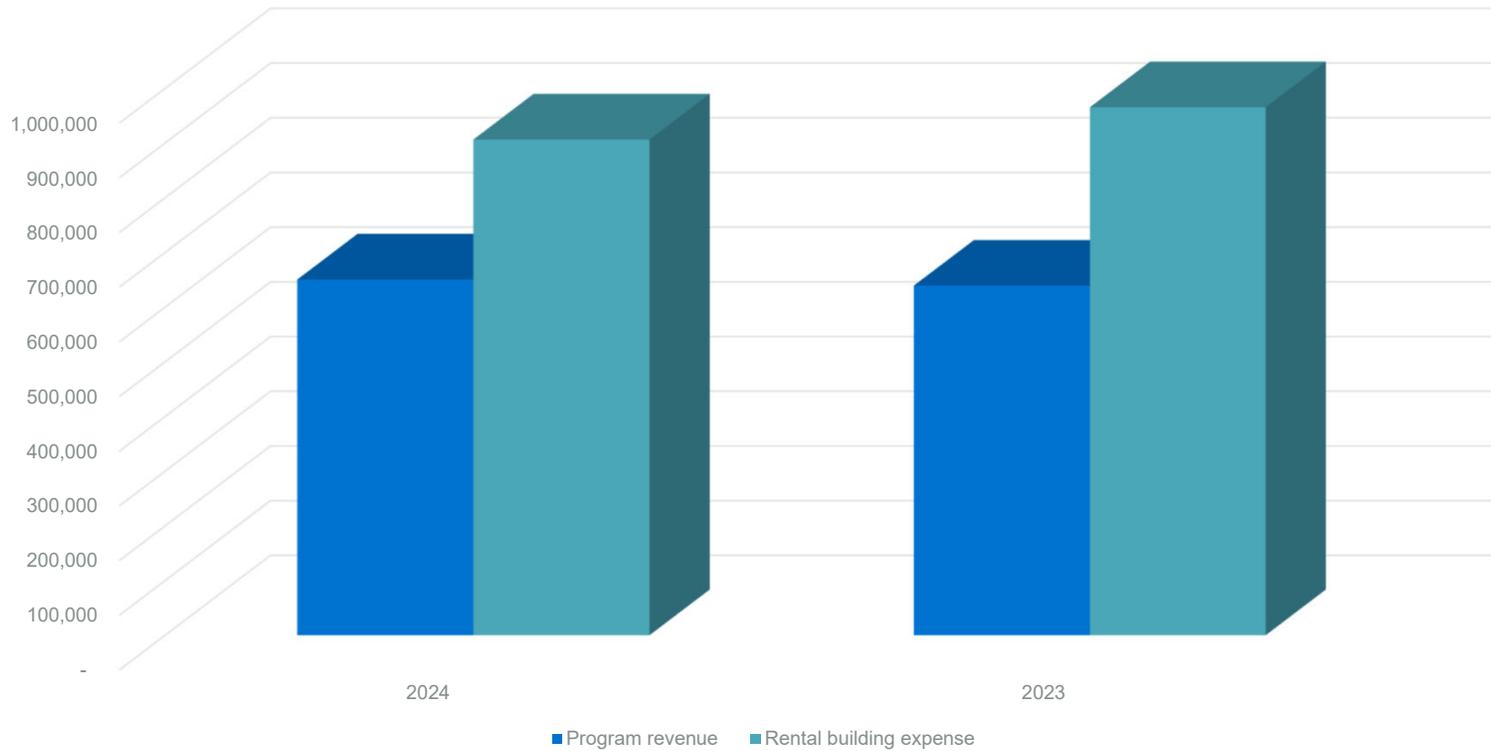


Ratios, Trends & Analytics Governmental Activity Expenses



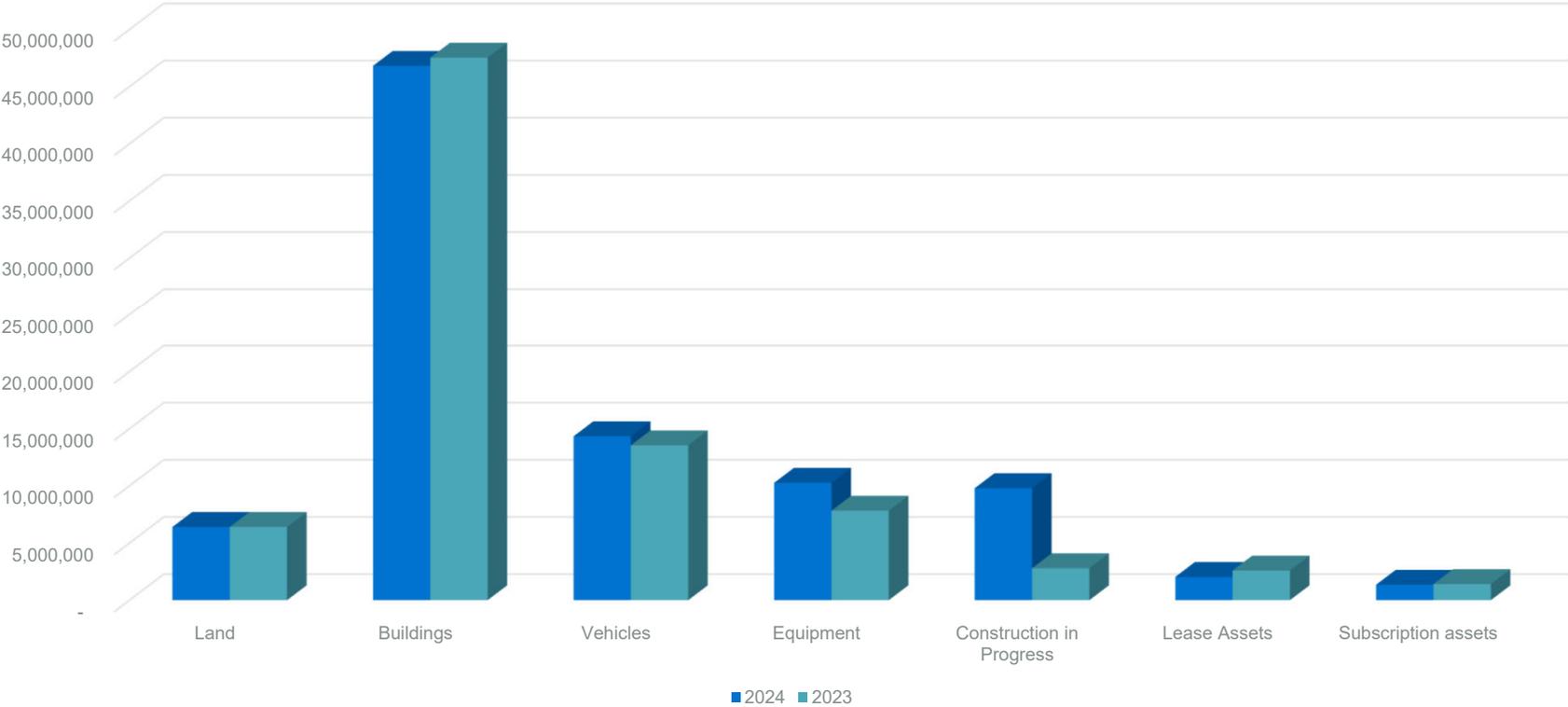
Ratios, Trends & Analytics

Business-Type Activities Revenue and Expenses

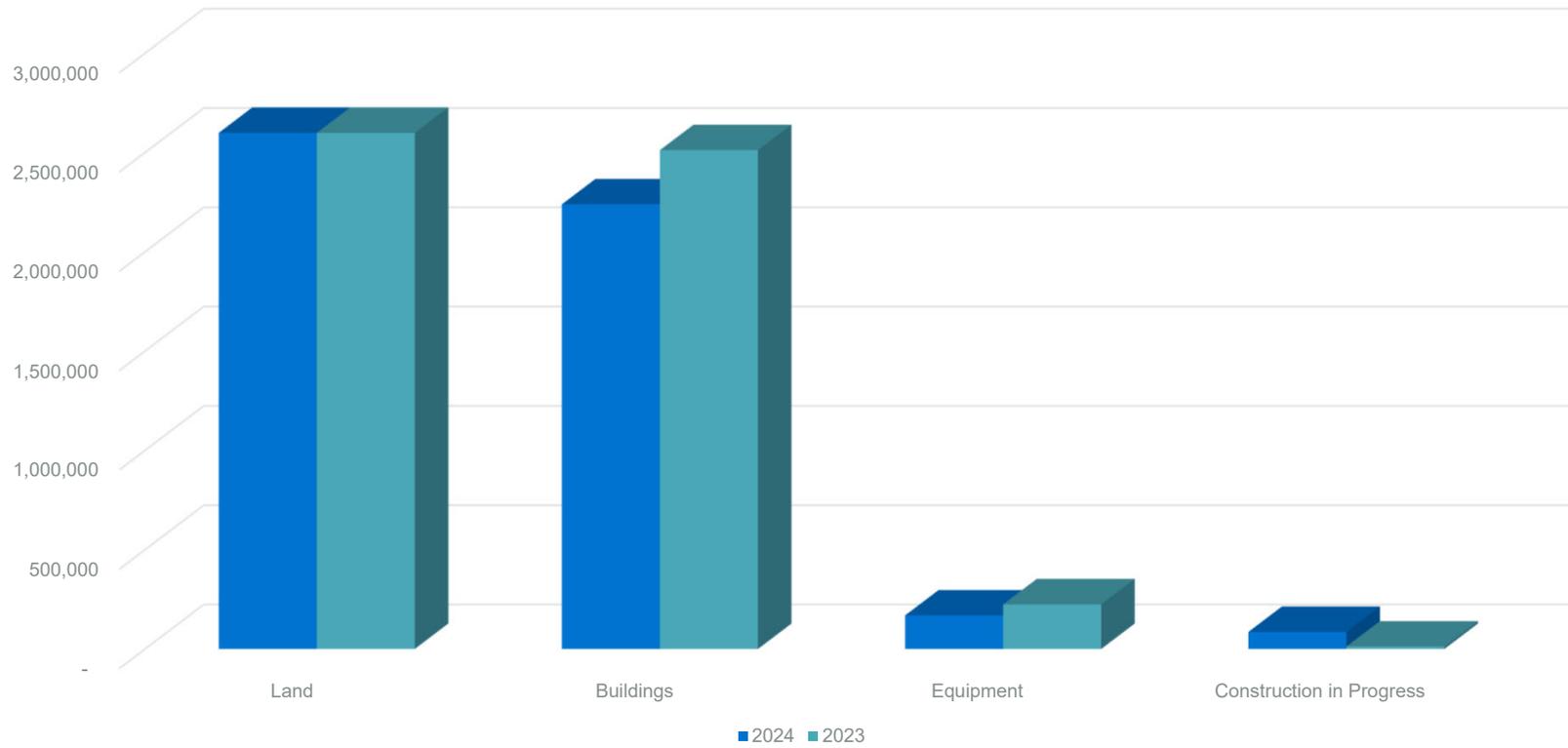


Ratios, Trends & Analytics

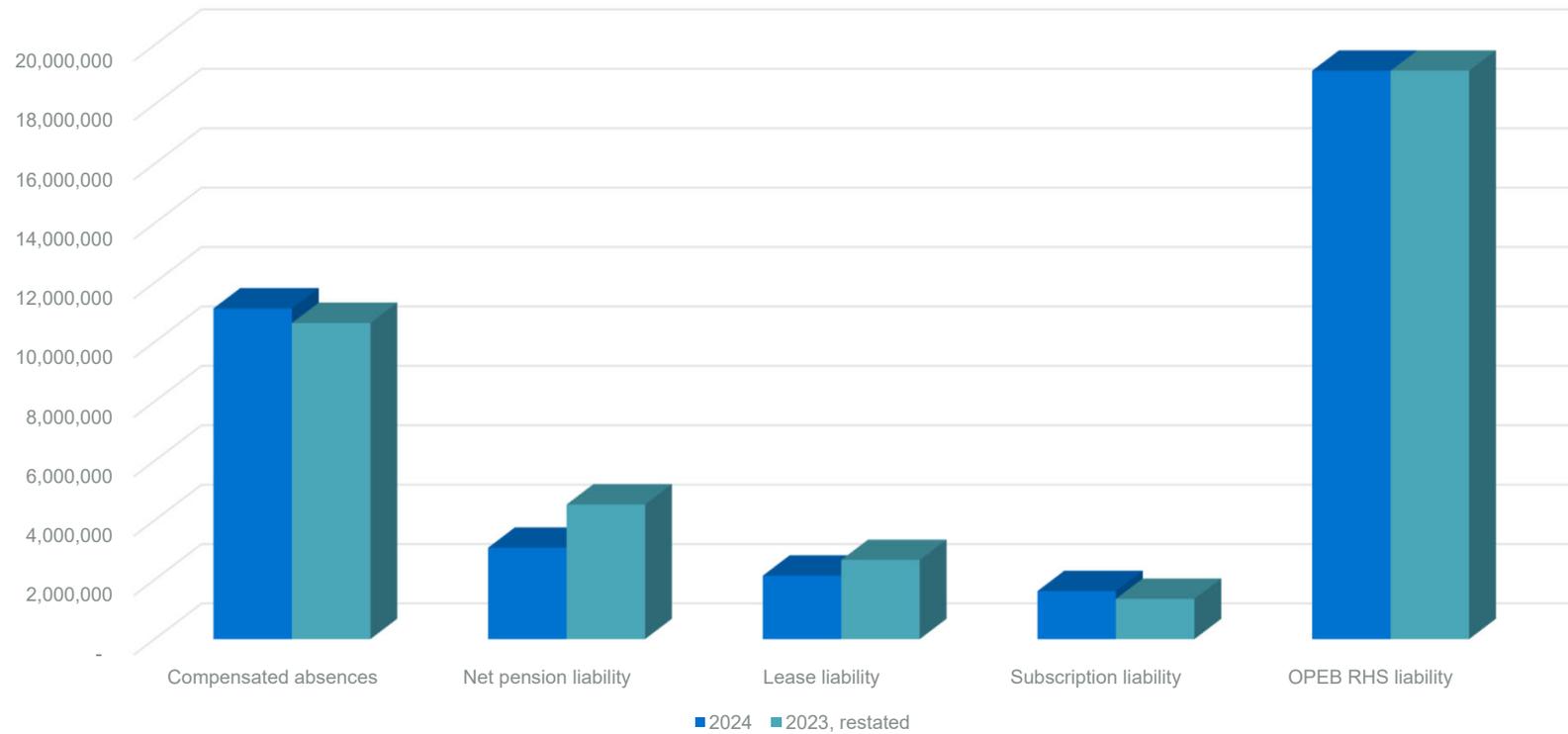
Governmental Activity Capital Assets



Ratios, Trends & Analytics Business-Type Activities Capital Assets



Ratios, Trends & Analytics Governmental Activity Long Term Obligations



South Metro Fire Rescue Fire Protection District Categorizing Deficiencies by Severity

Financial Statement Results

Categorizing Deficiencies by Severity

Deficiency

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.



Significant Deficiency

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.



Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented or detected and corrected on a timely basis.



South Metro Fire Rescue Fire Protection District

Financial Statement Results

- **Significant Accounting Policies** - With respect to new accounting standards adopted during the year, we call to your attention the following topics:
 - GASB 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*
 - GASB 101, *Compensated Absences*
- **Alternative Accounting Treatments** - We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:
 - Recording new ERP initial implementation costs under software equipment rather than subscription assets
- **Management Judgments & Accounting Estimates** - Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:
 - Liability for claims incurred but not reported (IBNR)

South Metro Fire Rescue Fire Protection District

Financial Statement Results

- **Financial Statement Disclosures** - The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:
 - Implementation of new accounting standard (Note 1)
 - Related parties (Note 11)
 - Restatements of beginning balances (Note 14)

South Metro Fire Rescue Fire Protection District

Financial Statement Results

Adjustments Identified by Audit

- **Proposed & Recorded Adjustments**

Auditor-proposed and management-recorded entries include the following:

- Entry to correct compensated absences liability (\$1.6 million)

- **Uncorrected Misstatements**

Current-Period Uncorrected Misstatements

- Entry to adjust compensated absences balance for the employer portion of 401(a) contributions

Prior-Period Uncorrected Misstatements

- Entry to adjust compensated absences balances for the related taxes and employer portion of 401(a) contributions applicable to the 2023 compensated absence liability

South Metro Fire Rescue Fire Protection District

Financial Statement Results

	Debit (Credit)			
	As Reported	Misstatements	Subsequent to Misstatements	% Change
Total Assets and Deferred Outflows	358,099,930	-	358,099,930	- %
Total Liabilities and Deferred Inflows	(207,392,870)	(275,811)	(207,668,681)	0.13 %
Net Position	(150,707,060)	275,811	(150,431,249)	(0.18)%
General Revenues & Transfers	(209,301,115)	-	(209,301,115)	- %
Net Program Revenues / Expenses	182,890,303	(408,208)	182,482,095	(0.22)%
Change in Net Position	(26,410,812)	(408,208)	(26,819,020)	1.55 %

South Metro Fire Rescue Fire Protection District

Financial Statement Results

- **Significant Issues Discussed with Management**

- ***During the Audit Process***

- During the audit process, the following issues were discussed or were the subject of correspondence with management:

- GASB 101, *Compensated Absences*
 - New ERP implementation
 - Correction of an error in previously issued financial statements

- **Identified Asset Misappropriation**

- During the audit process, we identified the following asset misappropriation or obtained information that indicates that the following asset misappropriation may exist:

- Management self-identified and reported two instances of immaterial asset misappropriation which occurred during 2024 and which totaled an estimated value of \$22,000

South Metro Fire Rescue Fire Protection District

Financial Statement Results

Financial Information Preparation

Material Weakness

Condition:

- During our audit, we determined that the District did not accurately calculate the compensated absence liability for the portion of leave that was more likely than not to be used for time off. Additionally, the liability calculation did not include the related taxes and employer defined contributions associated with the leave. As a result, an audit adjustment of \$1.6 million was proposed, which management elected to record, and \$276,000 which management elected to pass on recording.
- During management's internal review, an error was self-identified in the previously issued financial statements related to the Self-Insured Internal Service Fund (ISF). In the prior fiscal year, expenditures were overstated by \$1.1 million due to an error in the accrual of incurred but not reported (IBNR) medical and dental claims expenses.

South Metro Fire Rescue Fire Protection District

Financial Statement Results

Financial Information Preparation

Recommendation:

- We recommend that the District conduct a detailed review of future GASB standards to assess their potential impact on financial reporting and operations. Proactively evaluating these requirements will help ensure compliance and facilitate a smooth implementation process.
- As part of the initial ERP implementation, management conducted a detailed review of all accounts. We recommend that future changes within existing accounts be carefully evaluated to determine whether creating a new account would be more beneficial for the District, rather than grouping multiple activities within a single account.

South Metro Fire Rescue Fire Protection District

Financial Statement Results

Management Letter Comments – Deficiency

System Access

- During our testing, we obtained a listing of Active Directory users with Domain Admin permissions and noted that the two accounts created for D365 administration were inappropriately assigned this highly privileged access in Active Directory. In addition, we noted these two users were granted system administrator access in Dynamics 365 to support business function needs and issues related to the recent system implementation. This access is assigned through separate admin accounts. We noted both have regular accounts used for transactions within the system.
- We recommend that highly privileged system administrator access be limited to IT personnel, including the third-party support vendor, for proper segregation of duties. While this access is assigned to business functional users, we would recommend that additional controls be put in place to monitor activity by these administrative accounts to ensure activity is appropriate.

South Metro Fire Rescue Fire Protection District

Upcoming Standards (FY 2025)

Fiscal Years Beginning After June 15, 2024	
Statement	Description
<p>Statement 102</p> <p>Certain Risk Disclosures</p> <p>Issued: December 2023</p> <p>Resource: Details on GASB's New Required Risk Disclosures</p>	<p>Statement 102 requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The statement includes four nonauthoritative examples of concentrations and constraints, including a financial resource provider, collective bargaining, mandated spending, and an employer concentration.</p>

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Upcoming Standards (FY 2026)

Fiscal Years Beginning After June 15, 2025	
Statement	Description
<p>Statement 103 Financial Reporting Model Improvements Issued: May 2024 Resource: GASB Updates the Financial Reporting Model</p>	<p>Statement 103 updates requirements for management’s discussion and analysis, unusual and infrequent items, proprietary fund statement, component unit, and budget presentation.</p>
<p>Statement 104 Disclosure of Certain Capital Assets Issued: September 2024 Resource: GASB Statement 104 – New Capital Asset Disclosures</p>	<p>Statement 104 requires capital assets held for sale, intangible assets, lease assets, and subscription assets to be broken out separately in note disclosure.</p>

Contact

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