ENTERPRISE FINANCIAL SERVICES CORP
Form 11-K
June 15, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended
December 31, 2017

or

¨ TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1933

For the transition period from to

Commission File
No. 001-15373

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

EFSC INCENTIVE SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Enterprise Financial Services Corp

150 N. Meramec
St. Louis, Missouri 63105

EFSC Incentive Savings Plan

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Report of Independent Registered Public Accounting Firm

To the Audit Committee and Plan Administrator of the
EFSC Incentive Savings Plan

St. Louis, Missouri

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the EFSC Incentive Savings Plan (the "Plan") as of December 31, 2017 and 2016, and the related statements of changes in net assets available for benefits for the years ended December 31, 2017 and 2016, and the related notes and schedule (collectively referred to as the financial statements). In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the years ended December 31, 2017 and 2016, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The supplemental information contained in the schedule of assets (Held at Year End) as of December 31, 2017, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

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In our opinion, the supplemental information in the accompanying schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Brown Smith Wallace, LLP

We have served as the Plan's auditor since 2013.

St. Louis, Missouri
June 15, 2018

EFSC INCENTIVE SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2017	2016
Assets:		
Cash	$20	$—
Investments, at fair value:		
Mutual funds	31,701,569	22,818,280
Collective trust funds	26,088,521	18,693,697
Common stock fund	5,627,054	4,151,770
Total Investments, at fair value	63,417,144	45,663,747
Receivables:		
Notes receivable from participants	758,986	591,941
Employee contributions receivable	117,277	92,485
Employer matching contributions	903,468	720,280
Total Receivables	1,779,731	1,404,706
Net Assets Available For Benefits	$65,196,895	$47,068,453

See the accompanying notes to financial statements.

EFSC INCENTIVE SAVINGS PLAN
STATEMENTS OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS

	Years ended December 31,	
	2017	2016
Additions:		
Salary deferral and Participant Roth contributions	$3,442,223	$3,129,541
Employer matching contributions, net of forfeitures	2,022,661	1,735,357
Rollover contributions	1,240,114	413,239
Total Contributions	6,704,998	5,278,137
Other Income	24,982	—
Total Additions	6,729,980	5,278,137
Deductions:		
Benefits paid to participants	4,777,972	2,552,511
Administrative expenses	12,676	10,668
Total Deductions	4,790,648	2,563,179
Investment Income:		
Net change in fair value of investments	6,304,834	4,076,411
Dividend income	1,651,613	882,578
Total Investment Income	7,956,447	4,958,989
Interest income on notes receivable from participants	31,455	20,161
Net Increase	9,927,234	7,694,108
Transfers:		
Transfer In - Eagle Acquisition	8,201,208	—
Net Assets Available For Benefits - Beginning Of Year	47,068,453	39,374,345
Net Assets Available For Benefits - End Of Year	$65,196,895	$47,068,453

See the accompanying notes to financial statements.

EFSC INCENTIVE SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - DESCRIPTION OF PLAN

The following description of the EFSC Incentive Savings Plan ("the Plan") provides only general information. Participants should refer to the Plan Agreement for a complete description of the Plan's provisions.

General
The Plan is a defined contribution plan, with a 401(k) provision, covering all employees of Enterprise Financial Services Corp ("EFSC") and its wholly owned subsidiary Enterprise Bank & Trust ("Enterprise"), who are not seasonal or leased employees, and have attained the age of 21. It is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

The Plan Administrator and Plan Sponsor is Enterprise Financial Services Corp. The Plan Trustee is Charles Schwab Bank. The committee responsible for governance over the Plan is the Enterprise Bank Incentive Savings Plan Trustee Committee, which is comprised of six employees of Enterprise.

Contributions
Participants may make elective deferrals from 1% to 75% of eligible compensation to the Plan on a pre-tax basis. The Plan also allows participants to contribute to an account that accepts Roth after-tax contributions. In 2017 and 2016, a participant could contribute between $0 and $18,000 in total, to all accounts (pre-tax contributions and Roth after-tax contributions). If a participant is age 50 or older and makes the maximum allowable deferral, they are eligible to make catch-up contributions. The maximum catch-up contribution was $6,000 in 2017 and 2016.

Enterprise may also make an annual employer matching contribution which is discretionary and determined by the Compensation Committee of the Board of Directors of EFSC. Enterprise will match 50% of the first 6% deferred of eligible earnings on a pay period basis with an additional discretionary match contribution made after the close of the plan year. The amount of the Company’s discretionary contribution will be determined at the end of each plan year based upon the Company’s performance. Participants are eligible for the discretionary Company Match if they work 1,000 hours during the year and are employed on December 31st of the respective plan year. Participants may also contribute qualified rollover contributions representing distributions from other qualified defined benefit or defined contribution plans. All contributions are subject to applicable limits of the Internal Revenue Code.

The Plan allows for an automatic salary deferral feature for new participants. New employees are automatically enrolled at 3%, unless an alternative amount or an election to not defer under the Plan occurs by the participant. Annually on March 1, deferrals for participants who were automatically enrolled at 3% are increased 1% per year, up to a maximum of 10%, unless an alternative deferral amount or election to not defer is made by the participant.

Transfers
EFSC acquired Jefferson County Bancshares and its wholly owned subsidiary, Eagle Bank and Trust Company of Missouri ("Eagle") on February 10, 2017. On August 17, 2017, the Eagle Bank and Trust Company 401(k) Plan ("the Eagle Plan") was legally merged with the Plan. The Eagle employees became eligible to participate in the Plan on August 15, 2017. The assets of the Eagle Plan were completely merged with the assets of the Plan on November 14, 2017. The amount transferred of $8.2 million is shown in the Transfers In line on the 2017 Statement of Changes in Net Assets Available for Benefits.

Vesting

Participants are immediately vested in their contributions, including rollover contributions plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of service, as defined in the Plan Agreement. Participants vest in employer matching contributions according to a five-year graded schedule and are 20% vested after one year of service and 100% vested after five years of service, upon reaching early or normal retirement, or upon total and permanent disability or death.

Participant Accounts
Each participant's account is credited with the participant's contributions, the employer's matching contributions and an allocation of the Plan's earnings. The allocation of earnings is determined by the earnings of the participant's investment selection based on each participant's balance, as defined in the Plan Agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

The Plan's investments are held in a qualified tax-exempt trust, managed by Charles Schwab Trust Company ("the Custodian").

Payment of Benefits
While actively employed, participants may receive hardship withdrawals of their vested account balance, subject to applicable regulations and approvals covering hardship withdrawals. Also, participants age 65 and over may receive regular in-service distributions of their vested accounts while actively employed.

On termination of service, a participant may elect to defer their distribution or, subject to appropriate spousal consent, receive a lump-sum distribution equal to the participant's vested interest in their account. Account balances less than $5,000 are generally distributed to an Individual Retirement Account (IRA) if the participant does not make a distribution election.

Forfeitures
Participants forfeit the nonvested portion of their accounts in the Plan upon termination of employment with Enterprise. As described in the Plan, forfeitures are used to reduce future employer matching contributions or administrative expenses of the Plan. Forfeitures used to offset employer matching contributions amounted to $84,986 and $54,793 for the years ended December 31, 2017 and 2016, respectively.

Notes Receivable From Participants
Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum of $50,000 or 50% of their vested account balance, whichever is less. Note receivable terms range from one month to five years (longer for the purchase of a primary residence), at a mutually agreed term between the participant and the Plan Administrator. The notes are secured by the vested balance in the participant's account and bear interest at a rate equal to 1% above the prime rate. The interest rate is fixed for the duration of the loan. Principal and interest are paid through payroll deductions.

Administrative Expenses
Substantially all administrative expenses of the Plan are paid by Enterprise.

NOTE 2 - SUBSEQUENT EVENTS

Effective January 1, 2018 the Company began matching 100% of the first 6% of employee contributions on a per-pay-period basis. Additionally, the matching dollars will vest over a three-year period versus the previous five-year period. Participants vest in employer matching contributions according to a three-year graded schedule and are 33.3% vested after one year of service and 100% vested after three years of service.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying financial statements are presented on the accrual basis of accounting.

Investment Valuation and Income Recognition
The Plan's investments are stated at fair value. See Note 4 and Note 5 for further discussion on fair value measurements.

The EFSC Common Stock Fund ("the Fund") is tracked on a unitized basis. The Fund consists primarily of EFSC common stock, and also includes cash investments in the Charles Schwab Institutional Money Market Fund sufficient to meet the Fund's daily liquidity needs. EFSC common stock is traded on a national securities exchange (NASDAQ: EFSC). The value of a unit reflects the combined market value of EFSC common stock and the cash investments held by the Fund. At December 31, 2017 and 2016, 272,384 and 212,615 units were outstanding with a value of approximately $20.66 and $19.53 per unit, respectively.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

Estimates and Assumptions
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets during the reporting period. Actual results could differ from those estimates.

Risk and Uncertainties
The Plan invests in various investment securities, including common stock of the Plan Sponsor. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statement of net assets available for benefits.

Payment of Benefits
Benefits are recorded when paid.

NOTE 4 - FAIR VALUE MEASUREMENTS

The Plan utilizes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

- Level 1 Inputs - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access at the measurement date.

- Level 2 Inputs - Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 Inputs - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.