

NORTH SABINE FIRE PROTECTION DISTRICT

ZWOLLE, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2017

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

NORTH SABINE FIRE PROTECTION DISTRICT

December 31, 2017

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NORTH SABINE FIRE PROTECTION DISTRICT

December 31, 2017

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

To the Board of Commissioners
North Sabine Fire Protection District
Zwolle, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of North Sabine Parish Fire Protection District, (the District) a component unit of the Sabine Parish Police Jury as of and for the year ended December 31, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Sabine Fire Protection District, as of December 31, 2017 and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is required by Governmental Accounting Standards Board who it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 26 and 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management was derived from and relates directly to the underlying accounting and other records to to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my reported dated June 29, 2018 on my consideration of North Sabine Fire Protection District's internal control over functional reporting and on my 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 my testing of internal

control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Sabine Parish Fire Protection District's internal control over financial reporting and compliance.

Marsha D. Millican

Certified Public Accountant
June 29, 2018

**NORTH SABINE FIRE PROTECTION DISTRICT
P O BOX 81
ZWOLLE, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of North Sabine Fire Protection District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on December 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District had net position of \$4,111,381 at year end which represents an increase from the prior year of \$521,511.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and Notes to Financial Statements. These components are described below:

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the District's net position and changes in them. You can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE ENTITY

Net Position

Net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$4,111,181 as of December 31, 2017.

The District's major assets are its fixed assets of \$3,127,956 representing its investment in capital assets such as land, buildings and improvements, equipment and furniture, less the related debt used to acquire those assets that is still outstanding. The District owed \$923,158 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending. Revenues needed to repay the related debt will be provided through tax assessments on property located within the District.

NORTH SABINE FIRE PROTECTION DISTRICT December 31,

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Current and other assets | 1,967,055 | \$ 2,734,638 |
| Capital assets | <u>3,127,956</u> | <u>1,935,348</u> |
| Total Assets | <u>5,095,011</u> | <u>4,669,986</u> |
| Deferred outflow of resources | - | - |
| Current liabilities | 139,998 | 157,157 |
| Noncurrent liabilities | <u>843,832</u> | <u>923,159</u> |
| Total liabilities | <u>983,830</u> | <u>1,080,316</u> |
| Deferred inflow of resources | - | - |
| Invested in capital assets, net of related debt | 2,204,798 | 750,793 |
| Unreserved | <u>1,906,383</u> | <u>2,838,877</u> |
| Total net position | <u>\$ 4,111,181</u> | <u>\$ 3,589,670</u> |

Changes in Net Position

The District's net position increased by \$521,511 or 15% during the year ended December 31, 2017. Approximately 93% (\$1,110,019) of the District's total revenue was derived through property taxes.

Expenses incurred by the District are primarily for the provision of fire protection and emergency medical treatment to the citizens of the District.

In 2017, revenues exceeded expenses, resulting in an increase in net position of \$521,511.

NORTH SABINE FIRE PROTECTION DISTRICT
Changes in Net Position
For the Year Ended December 31,

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|-------------------|-------------------|
| Revenues: | | |
| Program revenues: | | |
| Intergovernmental | \$ 75,699 | \$ 74,371 |
| General revenues: | | |
| Property taxes | 1,110,019 | 1,079,042 |
| Other | 2,706 | 10,991 |
| | <u>1,188,424</u> | <u>1,164,404</u> |
| Total revenues | | |
| | <u>1,188,424</u> | <u>1,164,404</u> |
| Expenses: | | |
| Public safety - fire protection | 661,123 | 770,943 |
| Interest on long-term debt | 5,790 | 48,149 |
| | <u>666,913</u> | <u>819,092</u> |
| Total expenses | | |
| | <u>666,913</u> | <u>819,092</u> |
| Increase (Decrease) in net position | <u>\$ 521,511</u> | <u>\$ 345,312</u> |

FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

As of the end of the current year, the District's governmental funds reported combined ending fund balances of \$1,836,936.

Of the total fund balance at year end, \$1,811,619 is unassigned and available for spending in the coming year.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The fund balance of the general fund decreased by \$749,627 during 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the District complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA - R.S. 39:1301 et seq.).

The District's budget was amended during 2017.

The actual expenditures were \$67,771 less than budgeted; and the actual revenues exceeded budgeted revenue by \$64,240.

FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS

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GENERAL FUND BUDGETARY HIGHLIGHTS

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2017 totaled \$6,863,032 net of accumulated depreciation of \$3,735,076 leaving a book value of \$3,127,956. This investment in capital assets includes fire stations (land, buildings and improvements), fire trucks, emergency response vehicles, fire fighting and rescue equipment, office equipment and furniture (equipment and furniture).

Actual costs to purchase capital assets was \$1,546,266 for the year. Depreciation charges for the year totaled \$353,658.

Debt Administration

The District reduced its long term debt by \$104,240 during the year ended December 31, 2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended December 31, 2018 was prepared.

Revenues are expected to stay consistent for 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the North Sabine Fire Protection District for all of the District's citizens, taxpayers, investors, and creditors. This financial report seeks to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Jerry McDonald, President, P O Box 81, Zwolle, Louisiana 71486.

NORTH SABINE FIRE PROTECTION DISTRICT

Statement of Net Position

December 31, 2017

| ASSETS | |
|---|---------------------|
| Current Assets | |
| Cash | \$ 797,679 |
| Ad valorem taxes receivable | 1,133,876 |
| State revenue sharing receivable | 10,183 |
| Prepaid Insurance | 25,317 |
| Total Current Assets | <u>1,967,055</u> |
| Noncurrent Assets | |
| Capital Assets, net | <u>3,127,956</u> |
| Total Noncurrent Assets | <u>3,127,956</u> |
| Total Assets | <u>5,095,011</u> |
| Deferred Outflow of Resources | <u>-</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable and accruals | 60,672 |
| Current portion of long term debt | 79,326 |
| Total Current Liabilities | <u>139,998</u> |
| Long Term Liabilities | |
| Long term debt | <u>843,832</u> |
| Total Liabilities | <u>983,830</u> |
| Deferred Inflow of Resources | <u>-</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | 2,204,798 |
| Unrestricted | <u>1,906,383</u> |
| Total Net Position | <u>\$ 4,111,181</u> |

The notes to the financial statements are an integral part of this statement.

NORTH SABINE FIRE PROTECTION DISTRICT

Statement of Activities

For the Year Ended December 31, 2017

| | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|--|-------------------------|-----------------------------|---|--|
| | <u>Expenses</u> | <u>Operating Grants</u> | <u>Capital Grants and Contributions</u> | <u>Total</u> |
| Governmental Activities: | | | | |
| Public safety-fire protection | \$ 661,123 | \$ - | \$ - | \$ (661,123) |
| Interest on long term debt | <u>5,790</u> | <u>-</u> | <u>-</u> | <u>(5,790)</u> |
| Total Governmental Activities | 666,913 | - | - | (666,913) |
| General Revenues: | | | | |
| Taxes | | | | |
| Ad valorem taxes | | | | 1,110,019 |
| State fire insurance rebate | | | | 44,612 |
| State revenue sharing | | | | 31,087 |
| Interest Earned | | | | 2,706 |
| Miscellaneous | | | | - |
| Total General Revenues | | | | <u>1,188,424</u> |
| Change in Net Position | | | | 521,511 |
| Net Position, beginning of year | | | | <u>3,589,670</u> |
| Net Position, end of year | | | | <u><u>\$ 4,111,181</u></u> |

The notes to the financial statements are an integral part of this statement.

NORTH SABINE FIRE PROTECTION DISTRICT

Balance Sheet
Governmental Fund
December 31, 2017

| ASSETS | |
|---|--------------------------------|
| Cash | \$ 797,679 |
| Ad valorem taxes receivable | 1,133,876 |
| State revenue sharing receivable | 10,183 |
| Prepaid insurance | <u>25,317</u> |
| Total Assets | <u><u>\$ 1,967,055</u></u> |
| | |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Accounts payable and accruals | \$ 60,672 |
| Deferred revenue | <u>69,447</u> |
| Total Liabilities | <u>130,119</u> |
| Fund balance | |
| Nonspendable | |
| Prepaid insurance | 25,317 |
| Unassigned | <u>1,811,619</u> |
| Total Fund Balance | <u>1,836,936</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 1,967,055</u></u> |

The notes to the financial statements are an integral part of this statement.

NORTH SABINE FIRE PROTECTION DISTRICT

Reconciliation of Fund Balances on the Balance Sheets
for Governmental Funds to Net Position of
Governmental Activities on the Statement of Net Position
Year Ended December 31, 2017

| | |
|--|-----------|
| Fund Balances - Total Governmental Funds | 1,836,936 |
|--|-----------|

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

| | |
|-------------------------|-----------|
| Add: Net Capital Assets | 3,127,956 |
|-------------------------|-----------|

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | |
|-----------------------|-----------|
| Deduct: Capital Lease | (923,158) |
|-----------------------|-----------|

Other long term assets are not available to pay for current period expenditures and are deferred in the funds.

| | |
|--|---------------|
| | <u>69,447</u> |
|--|---------------|

Net Position of Governmental Activities

| | |
|--|----------------------------|
| | <u><u>\$ 4,111,181</u></u> |
|--|----------------------------|

The notes to financial statements are an integral part of this statement.

NORTH SABINE FIRE PROTECTION DISTRICT

Statement of Revenues, Expenditures, and Changes in General Fund -
Governmental Fund
Year Ended December 31, 2017

| | |
|--|--------------|
| Revenues: | |
| Ad valorem taxes | \$ 1,135,729 |
| Intergovernmental revenues: | |
| State fire insurance rebate | 44,612 |
| State revenue sharing | 31,087 |
| Grant funds | - |
| Miscellaneous | - |
| Interest earned | 2,706 |
| | <hr/> |
| Total Revenues | 1,214,134 |
| | <hr/> |
| Expenditures: | |
| Current: | |
| Fire protection | 1,853,731 |
| Debt service: | |
| Principal | 5,790 |
| Interest | 104,240 |
| | <hr/> |
| Total Expenditures | 1,963,761 |
| | <hr/> |
| Net changes in fund balance before other financing sources | (749,627) |
| | <hr/> |
| Other Financing Sources: | |
| Proceeds from borrowing | - |
| | <hr/> |
| Net changes in fund balance | (749,627) |
| | <hr/> |
| Fund Balance, Beginning of Year | 2,586,563 |
| | <hr/> |
| Fund Balances, End of Year | \$ 1,836,936 |
| | <hr/> <hr/> |

The notes to the financial statements are an integral part of this report.

NORTH SABINE FIRE PROTECTION DISTRICT

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|--------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (749,627) |
| Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,546,266) exceeds depreciation (\$353,658) | 1,192,608 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net effect of prior year and current year deferred revenue. | (25,710) |
| Proceeds from debt are reported as financing sources in the governmental funds and thus contribute to the increase in fund balance. In the statement of net position, however, incurring debt increases long-term liabilities and does not affect the statement of activities | - |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position and does not result in an expense in the statement of activities | <u>104,240</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 521,511</u></u> |

The accompanying notes are an integral part of this statement.

NORTH SABINE FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2017

INTRODUCTION

North Sabine Fire Protection District was created by the Sabine Parish Police Jury as authorized by Louisiana Revised Statutes 40:1492-501, for the purpose of providing fire protection within the District. The District is governed by a board of six commissioners appointed by the DeSoto Parish Police Jury.

1. Summary of Significant Accounting Policies:

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June, 1999 the GASB issued Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These Statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The District has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Government Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity is financial accountability. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

The District is a component unit of the Sabine Parish Police Jury, the financial reporting entity. The Police Jury is financially accountable for the District because it appoints a voting majority of the board and has the ability to impose its will on the District.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

NORTH SABINE FIRE PROTECTION DISTRICT

Notes to Financial Statements
December 31, 2017

1. *Summary of Significant Accounting Policies (continued):*

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all nonfiduciary activities of the District. The statement of activities demonstrates the degree to which the direct expenses of a given function segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function, segment or component unit. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District consists of one program - fire protection.

Governmental fund financial statements are provided for the District. The District consists of one governmental fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Accounting - In accordance with Government Accounting Standards Board Statement no. 34, the District has presented a Statement of Net Position and a Statement of Activities for the District as a whole. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity - Interfund receivables and payables are eliminated in the Statement of Net Position.

Application of FASB Statements and Interpretations - Reporting on governmental-type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Capitalizing Assets - Tangible or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, and buildings are recorded at their historical costs and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Position.

Program Revenues - The Statement of Activities presents two categories of program revenues- (1) charges for services; and (2) operating grants and contributions.

Charges for services are those revenues arising from exchange or exchange-like transactions with external parties that purchase, use or directly benefit from the program goods, services or privileges. Service charges (structure fees) are reported as charges for services.

Operating grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for operating purposes of a program. Supplemental salaries paid to the firefighters by the State of Louisiana, state revenue sharing, and fire insurance rebates are reported as operating grants and contributions.

NORTH SABINE FIRE PROTECTION DISTRICT

Notes to Financial Statements
December 31, 2017

1. *Summary of Significant Accounting Policies (continued):*

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Restricted Net Position - Restricted net position are those for which a constraint has been imposed either externally or by law. Resources restricted for a specific purpose are exhausted before unrestricted net position is used.

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government Fund Financial Statements - The governmental financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Principal revenue sources considered to be susceptible to accrual include property taxes, service fees, and interest on investments. Other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

Interest on general long-term obligations is recognized when paid.

Fund Accounting

The financial activities of the District are recorded in individual funds, each of which is deemed to be a separate accounting entity. The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including collection and disbursement of specific or legally restricted monies, the acquisition, construction or improvement of capital assets, and the servicing of long-term debt. Governmental funds of the District include:

General Fund - the general operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds.

NORTH SABINE FIRE PROTECTION DISTRICT

Notes to Financial Statements
December 31, 2017

1. *Summary of Significant Accounting Policies (continued):*

Budget and Budgetary Control

A budget for the ensuing year is prepared by the fire chief and approved by the board of commissioners prior to December 31st of each year. The proposed budget is prepared on a cash basis of accounting that is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The budget is legally adopted and amended, as necessary, by the board of commissioners. The board reserves all authority to make changes to the budgets. Unexpended appropriations lapse at year end and must be re-appropriated in the next year's budget to be expended. The budget was amended in 2017.

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less when purchased. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Use of Estimates

The preparation of financial statements generally requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during a reporting period. Actual results could differ from those estimates.

Capital Assets

The District's assets are recorded at historical cost. Capital assets are recorded as expenditures in the governmental financial statements. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are charged to expense as incurred. Depreciation expense is recorded in the government-wide financial statements using the straight-line method over the useful lives of the assets. All assets of the District are reported in the accompanying financial statements.

NORTH SABINE FIRE PROTECTION DISTRICT

Notes to Financial Statements
December 31, 2017

1. *Summary of Significant Accounting Policies (continued):*

Long-term obligations

In the government-wide statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability reported on the Statement of Net Position. In the fund financial statements, debt principal payments of the governmental funds are recognized as expenditures when paid.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business.

Governmental fund type receivables consist primarily of amounts due for property taxes and charges for service (structure fees and ambulance fees).

Net Position/Fund Balances

In the Statement of Net Position, the differences between a government's assets and liabilities are recorded as net assets. The three components of net position are as follows:

Invested in Capital Assets, Net of Related Debt - This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction, or improvement of capital assets.

Restricted Net Position - This category records net position that is restricted by external sources such as banks or by law are reported separately as restricted net assets.

Unrestricted Net Position - This category represents net position not appropriate for expenditures or legally separated for a specific future use.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Nonspendable - This classification includes amounts that cannot be spent that are not in spendable form or legally required to be maintained intact.

Unassigned - This classification is the residual fund balance for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

NORTH SABINE FIRE PROTECTION DISTRICT

Notes to Financial Statements
December 31, 2017

2. Cash and Cash Equivalents:

At December 31, 2017, the District has cash and cash equivalents as follows:

| | Bank Balances | Book Balances |
|----------------------------------|------------------|------------------|
| Interest-bearing demand deposits | \$ 841,345 | \$ 797,679 |

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposits insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank that is mutually acceptable to both parties. At December 31, 2017, funds on deposit of \$302,979 were collateralized by FDIC insurance and funds of \$538,366 were collateralized by securities pledged to the District. (Category 3)

3. Ad Valorem Taxes

The District levies taxes on real and business personal property within its boundaries on November 1st of each year. Property taxes are due before December 31st and attach as an enforceable lien on property as of January 1st of the following year.

The District collects a (11.49) mill avalorem tax. The purpose of the tax is for maintaining and operating fire protection facilities, purchasing fire trucks and other fire fighting equipment, and paying the cost of obtaining water for fire protection purposes, including charges for fire hydrant rentals and services.

For the year ended December 31, 2017 total ad valorem taxes of 12.39 mills were levied on property with assessed valuations totaling \$91,515,924 after the application of homestead exemptions and adjudicated property. Total taxes levied at December 31, 2017 were \$1,133,876.

NORTH SABINE FIRE PROTECTION DISTRICT

Notes to Financial Statements
December 31, 2017

4. Receivables:

A summary of receivables at December 31, 2016, follows:

| | Receivable | Allowance Account | Net Receivable |
|-----------------------|---------------------|----------------------|---------------------|
| Advalorem | \$ 1,133,876 | \$ - | \$ 1,133,876 |
| State revenue sharing | 10,183 | - | 10,183 |
| | <u>\$ 1,133,876</u> | <u>\$ -</u> | <u>\$ 1,133,876</u> |

5. Capital Assets:

Capital asset activity for the year ended December 31, 2017 was as follows:

| | Beginning Balance | Net Additions | Ending Balance |
|---------------------------------------|----------------------|---------------------|---------------------|
| Government activities: | | | |
| Construction in Progress | \$ - | \$ 1,545,100 | \$ 1,545,100 |
| Capital assets, being depreciated: | | | |
| Buildings & improvements | 746,981 | - | 746,981 |
| Vehicles | 4,020,084 | - | 4,020,084 |
| Equipment & furniture | 398,508 | 1,166 | 399,674 |
| Total | <u>5,165,573</u> | <u>1,546,266</u> | <u>6,711,839</u> |
| Less accumulated depreciation | | | |
| Buildings & improvements | (579,302) | (18,741) | (598,043) |
| Vehicles | (2,522,967) | (292,955) | (2,815,922) |
| Equipment & furniture | (279,149) | (41,962) | (321,111) |
| Total | <u>(3,381,418)</u> | <u>(353,658)</u> | <u>(3,735,076)</u> |
| Land | 151,193 | - | 151,193 |
| Net capital assets | <u>\$ 1,935,348</u> | <u>\$ 1,192,608</u> | <u>\$ 3,127,956</u> |

Total additions for the year ended December 31, 2017 were \$1,546,265.

Depreciation expense for the year ended December 31, 2017 was \$353,658.

NORTH SABINE FIRE PROTECTION DISTRICT

Notes to Financial Statements
December 31, 2017

6. Per Diem Paid to Commissioners:

Per diem paid to Commissioners for the year ended December 31, 2017 totaled \$2,700.

7. Long-Term Obligations:

Changes in long-term debt are as follows:

| | Balance 1/1/2017 | Borrowings | Principal Payments | Balance 12/31/2017 |
|---------------|---------------------|------------|-----------------------|-----------------------|
| Capital lease | \$ 1,027,398 | - | (104,240) | \$ 923,158 |
| Totals | \$ 1,064,700 | - | (104,240) | \$ 923,158 |

Long-Term Debt at December 31, 2016 is comprised of the following:

Original lease dated March 19, 2012, for the acquisition of five pumper trucks. The debt was refinanced on December 31, 2017. The agreement provides for 11 annual lease payments of \$110,030. Upon payment of the 11 payments, the District may purchase the fire trucks for \$1. The lease bears interest at 3,326%.

The annual requirements to amortize obligation bonds outstanding as of December 31, 2017 including interest of \$182,936 are as follows:

| Year Ending | Total | Principal | Interest |
|----------------|-------------|------------|------------|
| 2018 | 110,030 | 79,326 | 30,704 |
| 2019 | 110,030 | 81,965 | 28,065 |
| 2020 | 110,030 | 84,691 | 25,339 |
| 2021 | 110,030 | 87,508 | 22,522 |
| 2022 | 110,030 | 90,418 | 19,612 |
| 2023 and after | 550,151 | 499,250 | 50,901 |
| | \$1,100,301 | \$ 923,158 | \$ 177,143 |

9. Risk Management:

The District is exposed to various risks of loss related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including workers' compensation. There were no significant reductions in insurance coverage from the prior year.

NORTH SABINE FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2017

10. *Reconciliation of Differences between the Budgetary-Based Fund Financial Statements and the GAAP-Based Fund Financial Statements:*

As discussed in Note 1, the budget is prepared on a cash basis of accounting. However, the modified accrual basis of accounting is used for fund financial reporting purposes in accordance with GAAP. Page 24 is a reconciliation of revenues and expenditures recognized in accordance to the budgetary basis (cash basis) for the year ended December 31, 2017.

11. *Subsequent Events:*

Management has evaluated subsequent events through June 29, 2018, the date the financial statements were available to be issued and determined that no additional disclosures are warranted.

NORTH SABINE FIRE PROTECTION DISTRICT
Budgetary/GAAP Reporting Reconciliation
December 31, 2017

| <u>Budgetary/GAAP Reporting Reconciliation</u> | | | |
|---|---------------------------------|--|--|
| <u>General Fund</u> | | | |
| | <u>Actual on GAAP Basis</u> | <u>Adjustment to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> |
| Revenues: | | | |
| Ad valorem taxes | \$ 1,135,729 | \$ (25,710) | \$ 1,110,019 |
| Intergovernmental | | - | |
| State fire insurance rebate | 44,612 | 1 | 44,613 |
| State revenue sharing | 31,087 | (10,183) | 20,904 |
| Grant funds | - | - | - |
| Interest earned | 2,706 | (2) | 2,704 |
| Miscellaneous | - | - | - |
| Total revenues | <u>1,214,134</u> | <u>(35,894)</u> | <u>1,178,240</u> |
| Expenditures: | | | |
| Fire protection | 1,853,731 | (119,352) | 1,734,379 |
| Debt service | 110,030 | 3,970 | 114,000 |
| Total expenditures | <u>1,963,761</u> | <u>(115,382)</u> | <u>1,848,379</u> |
| Changes in Fund Balance before Other Financing Resources | (749,627) | 1,419,766 | (670,139) |
| Other Financing Sources: | | | |
| Proceeds from Borrowing | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues Expenditures | (749,627) | <u>1,419,766</u> | <u>(670,139)</u> |
| Fund Balance, Beginning | <u>2,586,563</u> | | |
| Fund Balance, Ending | <u>\$ 1,836,936</u> | | |

NORTH SABINE FIRE PROTECTION DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
General Fund

For the Year Ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Ad Valorem Taxes | \$ 1,000,000 | \$ 1,050,000 | \$ 1,110,019 | \$ 60,019 |
| Intergovernmental: | | | | - |
| State fire insurance rebate | 42,000 | 42,400 | 44,613 | 2,213 |
| State revenue sharing | 12,000 | 20,500 | 20,904 | 404 |
| Grant funds | - | - | - | - |
| Interest Income | 12,000 | 1,100 | 2,704 | 1,604 |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>1,066,000</u> | <u>1,114,000</u> | <u>1,178,240</u> | <u>64,240</u> |
| Expenditures: | | | | |
| General government | 803,550 | 1,802,150 | 1,734,379 | 67,771 |
| Debt service | 114,000 | 114,000 | 114,000 | - |
| Total Expenditures | <u>917,550</u> | <u>1,916,150</u> | <u>1,848,379</u> | <u>67,771</u> |
| Changes in Fund Balance before Other Financing Sources | 148,450 | (802,150) | (670,139) | 132,011 |
| Other Financing Sources: | | | | |
| Proceeds from certificates of Indebtedness | - | - | - | - |
| Excess Revenues Over Expenditures | 148,450 | (802,150) | (670,139) | 132,011 |
| Fund Balances, Beginning | <u>2,586,563</u> | <u>2,586,563</u> | <u>2,586,563</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 2,735,013</u> | <u>\$ 1,784,413</u> | <u>\$ 1,916,424</u> | <u>\$ 132,011</u> |

NORTH SABINE FIRE PROTECTION DISTRICT
Schedule of Compensation Paid to Commissioners
Year Ended December 31, 2017

| | | |
|---------------------------|----|--------------|
| Jerry McDonald, President | \$ | 720 |
| Jerry Campbell | | 180 |
| Kenneth Ebarb | | 300 |
| Rich Remedies | | 330 |
| Ricky Sepulvado | | 390 |
| Steve Ezernack | | 780 |
| | | <hr/> |
| Total | \$ | <u>2,700</u> |

NORTH SABINE FIRE PROTECTION DISTRICT
Schedule of Compensation, Reimbursements, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2017

Agency Head: James N. Spann, Fire Chief

| | |
|---------------|------------------|
| Salary | <u>\$ 24,000</u> |
| Payroll Taxes | <u>\$ 1,836</u> |
| Travel | <u>\$ 2,126</u> |



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
North Sabine Fire Protection District
Zwolle, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of North Sabine Fire Protection District (the District) as of and for the year ended December 31, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 29, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered North Sabine Fire Protection District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation 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 District's financial statements will not be prevented, or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

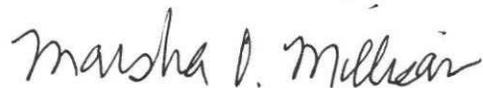
Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Sabine Fire Protection District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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SHREVEPORT, LA 71104-3036
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FAX: (318) 221-4641

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statutes, it is issued by the Legislative Auditor as a public document.



Certified Public Accountant
June 29, 2018

NORTH SABINE FIRE PROTECTION DISTRICT

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2017

There were no findings for the year ended December 31, 2016.

NORTH SABINE FIRE PROTECTION DISTRICT

Schedule of Findings

Year Ended December 31, 2017

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies in internal accounting control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.

There were no findings for the year ended December 31, 2017.