

**East Side Fire Protection
District No. 5**

Baton Rouge, Louisiana

*Financial Statements
and Supplementary Information*

and

Agreed-Upon Procedures

Year Ended December 31, 2017

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WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
East Side Fire Protection District No. 5
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activity of East Side Fire Protection District No. 5 as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 the governmental activity of East Side Fire Protection District No. 5 as of December 31, 2017, and the respective 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 management's discussion and analysis, budgetary comparison information, schedule of funding progress for other post-employment benefits, schedule of the District's proportionate share of the net pension liability, and schedule of District's contributions on pages 8-12 and 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 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 Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Side Fire Protection District No. 5's basic financial statements. The schedule of compensation, benefits, and other payments to agency head reported on page 49 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head reported on page 49 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of compensation, benefits, and other payments to agency head on page 49 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 2, 2018, on my consideration of East Side Fire Protection District No. 5's internal control over financial 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 East Side Fire Protection District No. 5's internal control over financial reporting and compliance.

WILLIAM D. MERCER, CPA (AIA)

Baton Rouge, Louisiana
July 2, 2018



WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

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*

To the Board of Commissioners
East Side Fire Protection District No. 5
Baton Rouge, 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 activity of East Side Fire Protection District No. 6, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise East Side Fire Protection District No. 5's basic financial statements, and have issued my report thereon dated July 2, 2018.

Internal Control over Financial Reporting

In planning and performing my audits of the financial statements, I considered East Side Fire Protection District No. 5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Side Fire Protection District No. 5's internal control. Accordingly, I do not express an opinion on the effectiveness of East Side Fire Protection District No. 5's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 that might be material weaknesses or significant deficiencies. Given these limitations, during my audits I did not identify any deficiencies in internal control that I consider to material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Side Fire Protection District No. 5'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 audits, 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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WILLIAM D. MERGER, CPA (APAC)

Baton Rouge, Louisiana
July 2, 2018

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2017

Our discussion and analysis of East Side Fire Protection District No. 5's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of 2017, the District's net position increased by \$ 24,996, and resulted in ending net position of \$ 2,925,862, or an increase of 0.84 percent.

Total spending for the governmental activity was \$ 2,915,091 for the year, which was \$ 17,885 less than the taxes and the contributions received for this activity, \$ 2,932,976.

The interest earned on checking and money market accounts was \$ 6,611 for the year.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities found on pages 13 and 14-15 provide information about the financial activities of the District and illustrate a longer-term view of the District's finances. Fund financial statements start on page 16. For governmental type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's significant funds.

The District's independent auditor attests in his report that the Basic Financial Statements are fairly stated. The auditor is providing varying degrees of assurance regarding the Required Supplementary Information, the levels of which are illustrated in the auditor's report.

REPORTING THE DISTRICT AS A WHOLE, THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

Our analysis of the District as a whole begins on page 13. These statements help to illustrate the status of the District resulting from the year's activities. The statements include all assets and liabilities using the accrual basis of accounting. In this method, all of the current year's revenues and expenses are taken into account regardless of when cash is paid or received.

The District's net position is determined by examining the difference in assets and liabilities. The two statements report the District's net position and any changes in it. Examining the District's net position is an effective way to determine the financial status of the District. Increases and decreases in net position are an indicator of the District's overall increasing or decreasing financial performance.

In the Statement of Net Position and Statement of Activities, the District reports only governmental type activities. The majority of the District's activities are of this type, and taxes and contributions finance most of the activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS, FUND FINANCIAL STATEMENTS

The analysis of the District's major fund begins on page 16. The fund financial statements provide detailed information about the most significant fund rather than the District as a whole.

The District uses a governmental type fund. Most of the District's services are reported in the governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to fund the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation immediately following the fund financial statement.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

THE DISTRICT AS A WHOLE

The District's net position increased \$ 24,496 as a result of this year's operations, resulting in ending net position of \$ 2,952,862, or an increase of 0.84 percent. The balance in net position represents the accumulated results of all past years' operations. Unrestricted net position (the part of net position that can be used to finance daily operations without legal restrictions or obligations) changed from a \$ 981,306 deficit to a \$1,208,439 deficit at year-end.

Table 1
Net Position

Current and other assets	\$ 2,457,059
Capital assets	<u>4,276,715</u>
Total assets	<u>\$ 6,733,774</u>
Deferred Outflows of Resources	<u>\$ 510,268</u>
Current and other liabilities	\$ 243,522
Long-term liabilities	<u>3,790,451</u>
Total liabilities	<u>\$ 4,033,973</u>
Deferred Inflows of Resources	<u>\$ 284,207</u>
Net position:	
Invested in capital assets	4,134,301
Unrestricted	(1,208,439)
Total net position	<u>\$ 2,925,862</u>

The District's total revenues for the year increased \$ 857,998, or 41.22 percent. This included \$ 2,526,787 in taxes and service fees, \$ 289,415 in operating and intergovernmental contributions, \$ 123,385 in interest income and miscellaneous income. The total cost of all programs and services was \$ 2,915,091 with no new programs added this year.

Table 2
Changes in Net Position

Revenues:	
Taxes	\$ 2,251,000
Operating contributions	289,415
Other	<u>399,172</u>
Total revenues	2,939,587
Expenses	<u>2,915,091</u>
Change in net position	<u>\$ 24,496</u>

THE DISTRICT'S FUNDS

As previously mentioned, the District uses funds to help control and manage money for particular purposes. At the completion of the year, the District's governmental fund reported an unassigned fund balance of \$2,240,555. This reflects an increase of \$ 512,616 from last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget was not amended during the last year.

The actual expenditures were \$ 201,975 less than the budgeted amounts.

Resources available for expenditure were \$ 426,323 more than the budgeted amounts.

The District's General Fund balance of \$ 2,240,555 reported on page 16 differs from the General Fund's budgeted fund balance of \$ 1,076,404 reported in the budgetary comparison schedule on page 42.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the year, the District has \$ 4,134,301 invested in capital assets, including buildings, furniture, firefighting equipment, and vehicles. There were no capital asset additions and no disposals during the year. More detailed information about the District's capital assets is presented in Note G of the financial statements.

Table 3
Capital Assets at Year End
(Net of Accumulated Depreciation)

Buildings	\$	2,624,281
Equipment		1,067,817
Intangible assets		-
Vehicles		114,832
Land		<u>469,785</u>
	\$	<u>4,276,715</u>

Long-Term Liabilities

During 2017, the District borrowed funds under the Community Disaster Loan program. Proceeds from this loan totaled \$ 535,853. At year end, the District's long-term liabilities totaled \$ 3,810,330, which included capital leases of \$ 142,414, compensated absences totaling \$ 713,407, net pension liability of \$1,628,252, an OPEB liability of \$790,404, and obligations under the aforementioned loan of \$ 535,853. More detailed information about the District's long-term debt obligations is presented in Note I of the financial statements.

Table 4
Long-Term Liabilities

	<u>Balance</u>	<u>Change</u>	<u>% Change</u>
Capital leases	\$ 142,414	(461,754)	(23.6%)
Compensated absences	713,407	153,038	27.3%
OPEB liability	790,404	122,693	18.4%
Community Disaster Loan	<u>535,853</u>	<u>535,853</u>	-
 Total long-term liabilities	 \$ <u>2,182,078</u>	 \$ <u>349,830</u>	 <u>19.1%</u>

See Notes I and L of the financial statements for additional information regarding long-term liabilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to S. Dale Hancock, Fire Chief, 15094 Old Hammond Highway, Baton Rouge, Louisiana 70816.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

STATEMENT OF NET POSITION

December 31, 2017

ASSETS

Cash and equivalents	\$	330,148
Ad valorem taxes receivable		366,066
Fire protection service charges receivable		37,525
Due from other governmental units		1,722,152
Other receivables		1,168
Capital assets, net of depreciation		<u>4,276,715</u>

TOTAL ASSETS \$ 6,733,774

DEFERRED OUTFLOWS OF RESOURCES

Related to net pension liability \$ 510,268

LIABILITIES

Accounts payable	\$	193,554
Payroll withholdings and accruals		22,950
Accrued interest expense		7,139
Current portion of long-term liabilities		<u>19,879</u>
Total Current Liabilities		<u>243,522</u>

Obligations under capital leases		122,535
Obligations under Community Disaster Loan		535,853
Compensated absences payable		713,407
OPEB liability		790,404
Net pension liability		<u>1,628,252</u>
Total Long-Term Liabilities		<u>3,790,451</u>

TOTAL LIABILITIES \$ 4,033,973

DEFERRED INFLOWS OF RESOURCES

Related to net pension liability \$ 284,207

NET POSITION:

Investment in capital assets	\$	4,134,301
Unrestricted		<u>(1,208,439)</u>

TOTAL NET POSITION \$ 2,925,862

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Public safety –fire protection	\$ 2,681,839	\$ 275,787	\$ 78,783	\$ -	\$ 2,327,269
Depreciation	210,123	-	-	-	210,123
Interest	23,129	-	-	-	23,129
Total governmental activities	2,915,091	275,787	78,783	-	2,560,521
General revenues:					
Ad valorem taxes					2,251,000
Intergovernmental revenues:					
Fire insurance tax					140,632
Other					70,000
Interest income					6,611
Miscellaneous					116,774
Total General Revenues					2,585,017

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES (continued)

Year Ended December 31, 2017

Change in net position	24,496
Net position, beginning of year	<u>2,901,366</u>
Net position, end of year	<u>\$ 2,925,862</u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

BALANCE SHEET – GOVERNMENTAL FUND

December 31, 2017

ASSETS

Cash	\$	330,148
Ad valorem taxes receivable		366,066
Fire protection service charges receivable		37,525
Due from other governmental units		1,722,152
Other receivables		<u>1,168</u>

TOTAL ASSETS 2,457,059

LIABILITIES

Accounts payable		193,554
Payroll withholdings and accruals		<u>22,950</u>

TOTAL LIABILITIES 216,504

FUND EQUITY

Nonspendable		-
Unassigned		<u>2,240,555</u>

TOTAL FUND EQUITY \$ 2,240,555

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO
THE STATEMENT OF NET POSITION

December 31, 2017

Fund balances – Governmental Fund	\$ 2,240,555
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 fund. These assets consist of:	
Costs of capital assets	7,683,925
Accumulated depreciation	(3,407,210)
Certain long-term assets are not reported in the fund financial statements because they are not available to pay certain period expenditures, but they are reported as a component of net position:	
Deferred outflows of resources – pension related	510,268
Long-term liabilities, including bonds payable, capital leases, and other long-term liabilities, are not due in the current period and therefore are not reported in the governmental activity in the fund:	
Obligations under capital leases	(142,414)
Obligations under Community Disaster Loan	(535,853)
Compensated absences	(713,407)
OPEB liability	(790,404)
Net pension liability	(1,628,252)
Deferred inflows of resources – pension related	(284,207)
Interest payable on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when due	(<u>7,139</u>)
NET POSITION OF GOVERNMENTAL ACTIVITY	\$ <u><u>2,925,862</u></u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended December 31, 2017

REVENUES:

Taxes:

Ad valorem taxes	\$ 2,251,000
Fire protection service fees	<u>275,787</u>
Total taxes	<u>2,526,787</u>

Intergovernmental revenues:

State fire insurance rebate	140,632
City-Parish General Fund	70,000
State of Louisiana	<u>78,783</u>
Total intergovernmental revenues	<u>289,415</u>

Miscellaneous revenue:

Interest earned	6,611
Miscellaneous revenue	<u>44,874</u>
Total miscellaneous revenue	<u>51,485</u>

Total Revenues 2,867,687

EXPENDITURES:

Current operations:

General government:

Legal and professional fees	<u>88,654</u>
Total general government	<u>88,654</u>

Public safety:

Dues	4,389
Employee benefits	609,253
Food	1,720
Insurance	99,147
Lien removals	1,005
Maintenance and repairs	291,557
Miscellaneous	12,483
Rent	8,789
Retirement costs – other	131,702
Salaries	989,595

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (continued)

Year Ended December 31, 2017

Supplies	98,225
Telephone	21,915
Training and travel	16,289
Utilities	<u>26,453</u>
Total public safety	<u>2,312,522</u>
Capital outlay:	
Firefighting equipment	<u>-</u>
Total capital outlay	<u>-</u>
Debt service:	
Principal retirement	461,754
Interest expense	<u>27,994</u>
Total debt service	<u>489,748</u>
Total Expenditures	<u>2,890,924</u>
Excess (deficiency) of revenues over expenditures	(<u>23,237</u>)
OTHER FINANCING SOURCES (USES):	
Proceeds from Community Disaster Loan	<u>535,853</u>
Total other financing sources (uses)	<u>535,853</u>
Net change in fund balance	512,616
FUND BALANCE, beginning of year	<u>1,727,939</u>
FUND BALANCE, end of year	\$ <u><u>2,240,555</u></u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

Net change in fund balance – governmental fund	\$ 512,616
Amounts reported for governmental activity in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
Capital outlay	-
Depreciation expense	(210,123)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position	
Community Disaster Loan debt incurred	(535,853)
Principal payments	461,754
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Decrease in accrued payroll expense	54,371
Increase in compensated absences payable	(153,038)
Change in accrued interest not recognized in fund financial statements	4,865
Increase in OPEB liability	(122,693)
Pension expense	<u>12,597</u>
Change in net position of governmental activity	\$ <u><u>24,496</u></u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying basic financial statements of the East Side Fire Protection District No. 5 (“District”) have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, issued in June 1999.

Reporting Entity

East Side Fire Protection District No. 5 was created in the Parish of East Baton Rouge by resolution of the Metropolitan Council of Baton Rouge and East Baton Rouge Parish, which created and established the Board of Commissioners (“Board”) for East Side Fire Protection District No. 5. The Board is composed of five members appointed by the Metropolitan Council. The District provides fire protection services to all of the territory situated within its confines.

For financial reporting purposes, in conformity with GASB Codification of Governmental Accounting and Financial Reporting Standards, the District includes all funds and account groups that are controlled by the District.

Basic Financial Statements – Government-Wide Statements

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District’s general administrative services are classified as governmental type activities.

In the government-wide Statement of Net Position, the business-type column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net position is reported in three parts—invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. The net costs by function are normally covered by general revenues.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements – Government-Wide Statements (continued)

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund presented in the financial statements is described as follows:

Governmental Funds

General Fund

This fund accounts for all or most of the operations of the District. The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of current financial resources) rather than upon net income. Expendable assets are assigned to funds according to the purpose for which they may be used. Current liabilities are assigned to funds from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as a fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period operations of the District's office.

The general fund is the principal fund of the District and accounts for all financial resources, except those required to be accounted for in other funds. The general fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the District's policies.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Accrual:

Business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Budget Practices

A proposed operating budget for the General Fund, prepared on the modified accrual basis of accounting, is approved by the Board of Commissioners and adopted in accordance with the Local Government Budget Law. The proposed operating budget is legally adopted and amended, as necessary, by the District. All appropriations lapse at year-end.

Formal budget integration is employed as a management control device. Budget amounts included in the accompanying financial statements include the original budget amounts and all subsequent amendments, if any.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. The District has defined cash and cash equivalents to include cash on hand, demand deposits, and time deposits with original maturities of 90 days or less. Under Louisiana Revised Statutes 39:1271 and 33:2955, the District may deposit funds in demand deposits, interest-bearing demand deposits, or certificates of deposit with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Capital Assets

Capital assets purchased or acquired with an original cost of \$ 500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. 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 expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 – 50 years
Firefighting equipment	5 – 10 years
Intangible assets	5 years
Office equipment and furniture	10 years

Compensated Absences

All employees accrue vacation and sick leave based on years of service. A cash payment may be made for accumulated sick leave upon termination or separation of employment, not to exceed 168 days. Full-time employees earn vacation at a rate of eighteen to thirty days per year, based on years of service, and there is no limit to the number of days that can be accrued or paid. Compensated absences payable represents the accrued vacation pay and the vested accrued sick pay.

At December 31, 2017, employees of the District had accumulated and vested \$ 713,407 annual leave benefits that was computed in accordance with GASB Statement No. 16.

Encumbrances

Encumbrance accounting, under which contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of that appropriation, is not employed by the District.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually obligated required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can only be used for specific purposes determined by a formal action of the District. These amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned – Amounts that are designated as committed by the District but are not spendable until a budget ordinance is passed.

Unassigned – All amounts not included in other spendable classifications. The District has not adopted a policy to maintain the general fund's unassigned fund balance above a certain minimum level.

The details of the fund balances are included in the Balance Sheet – Governmental Fund (page 14). As noted above, restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the District or the assignment has been changed by the District. Decreases in fund balance reduce first unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE B – CASH

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

Cash in bank – checking	\$ <u>330,148</u>
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These deposits are stated at cost, which approximates market. Under state law, deposits or the resulting bank balances 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 deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, none of the District’s deposits were exposed to custodial credit risk because all deposits were insured by FDIC insurance or collateralized by securities held by the Federal Reserve Bank in a three way custodial account.

NOTE C – PROPERTY TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission. The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

The Sheriff of East Baton Rouge Parish, as provided by LRS 33:1435, is the official tax collector of general property taxes levied by the Parish and Parish Special Districts. By agreement, the Sheriff is also the tax collector for City property taxes for which he receives a commission of 4.5% of total taxes collected for the City. December tax collections remitted to the District by the Sheriff in January are reported as “Due from other governmental units.”

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – PROPERTY TAXES (continued)

The 2017 property tax calendar is as follows:

Millage rates adopted	May 19, 2017
Levy date	December 1, 2017
Tax bills mailed	December 1, 2017
Due date	December 31, 2017
Lien date	January 1, 2018

State law requires the Sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed. Therefore, there are no delinquent taxes at year-end.

All property taxes are recorded in governmental funds, and as explained in Note A, revenues in governmental funds are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as revenue in the current calendar year. Uncollectible taxes are those taxes which, based on past experiences, will not be collected in the subsequent year and are primarily due to subsequent adjustments of the tax rolls. All of the net taxes receivable at the end of the year are considered available. Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Property taxes are considered available because they are substantially collected within 60 days subsequent to year-end or they are completely available for short-term debt and short-term advances from the tax collector due to time lags between collections and the remittance to the District.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE D – FIRE PROTECTION SERVICE CHARGES

The District is empowered to assess a service fee of \$ 32 for each residential and commercial structure in the District.

The service fees are recorded in the governmental fund, and as explained in Note A, revenues in governmental funds are recognized in the accounting period in which they become available and measurable. Service fees are considered measurable in the calendar year of the assessment. Accordingly, the entire assessment less an estimate for uncollectible service fee is recorded as revenue in the current calendar year. All of the net service fees receivable at the end of the year are considered available. Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period.

NOTE E – RECEIVABLES

Property taxes and fire protection service charges receivable and estimated uncollectible for the District as of December 31, 2017, are as follows:

Ad valorem taxes:		
Amounts receivable	\$	421,684
Estimated uncollectible		<u>55,618</u>
	\$	<u><u>366,066</u></u>
Fire protection service charges:		
Amounts receivable	\$	41,695
Estimated uncollectible		<u>4,170</u>
	\$	<u><u>37,525</u></u>

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE F – DUE FROM OTHER GOVERNMENTAL UNITS

The amounts due from other governmental units as of December 31, 2017, are as follows:

East Baton Rouge Parish Sheriff	\$ <u>1,722,152</u>
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NOTE G – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2017, follows:

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance, December 31, <u>2017</u>
Land	\$ 469,785	\$ -	\$ -	\$ 469,785
Buildings	3,796,673	-	-	3,796,673
Equipment	1,284,820	-	-	1,284,820
Equipment under capital lease	1,749,712	-	-	1,749,712
Intangible assets	12,750	-	-	12,750
Vehicles	<u>370,185</u>	<u>-</u>	<u>-</u>	<u>370,185</u>
	7,683,925	-	-	7,683,925
Less accumulated depreciation	<u>3,197,087</u>	210,123	-	<u>3,407,210</u>
Capital assets, net	\$ <u>4,486,838</u>			\$ <u>4,276,715</u>

EASTSIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE H – PENSION PLANS

Plan Description. The District contributes to the Firefighters' Retirement System (FRS). The plan is a cost-sharing, multiple-employer defined-benefit pension plan. The plan is administered by a board of trustees. The plan provides retirement benefits and annual cost-of-living adjustments to plan members and beneficiaries.

Benefits provided – All full time employees of the District become a member of the Retirement System. The pension plan provides retirement benefits, as well as death and disability benefits. The benefits of the Firefighters Retirement System are available to members with 12 years of creditable service who may retire at age 55, members with 20 or more years of service who have attained age 50, or members with 25 years of service may retire regardless of age, provided they have been a member of the system for at least one year. Benefits equal to 3-1/3% of the employees' average compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Under the provisions of R.S. 11:246 and 11:2260A(7), retired members and widows/widowers of members receive an annual cost of living increase of up to 3% of their current benefit and all retired members and widows/widowers who are 65 years of age and older a 2% increase.

Survivor spouse benefits- Under the Firefighters Retirement System, survivor spouses are entitled to an annual benefit equal to two-thirds of the deceased member's compensation if the member's death is in the line of duty. If a member dies from a cause not in the line of duty, the surviving spouse is entitled to an annual benefit of 3% of the deceased member's average compensation multiplied by their total years of creditable service. In no event is the annual benefit less than 40% or more than 60% of the deceased member's average final compensation. The surviving spouse of a member who is on disability retirement at the time of death receives a benefit of \$200 per month. When the member takes disability retirement, he/she may, in addition, take an actuarially reduced benefit, in which case the member's surviving spouse receives 50% of the disability benefit being paid immediately prior to the death of the disability retiree.

Deferred Retirement Option Plan (DROP) – After completing 20 years of creditable service and age 50, or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

The employer and employee contributions to the System cease for anyone participating in the DROP plan. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. If an employee that is participating in the program is terminated, they shall receive, at their option, a lump sum payable from the account of an annuity based on the deferred retirement option plan account balance in addition to their regular monthly benefit.

EASTSIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE H – PENSION PLANS (continued)

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the DROP account until the participant retires.

Contributions – The Firefighters’ Retirement System contribution rates are under the provision of R.S. 11:62, 11:103, and 22:1476A(3), and is financed by a combination of employee contributions, employer contributions, and insurance premium taxes. The employee contribution rate is set by R.S. 11:62 and cannot be less than 8% or more than 10%. Plan members of the Firefighters’ Retirement System are required by the plan to contribute 10% effective January 1, 2012, and 8% for year 2011. The employer rate as of July 1, 2017 was 28.5%; July 1, 2016 was 25.25%; July 1, 2015 was 27.25%; July 1, 2014, was 28.25%; July 1, 2012, was 24%; July 1, 2011, was 23.25%; and 21.5% as of January 1, 2010, of the annual covered payroll. The contributions paid by the District and plan participants for the years ended December 31, 2017, 2016, and 2015, were \$ 289,448, \$ 252,483, and \$108,177, and equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the District reported a liability of \$ 1,628,252 for its proportionate share of the net pension liability for the Firefighters’ Retirement System. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of the Firefighters’ Retirement System, actuarially determined. At June 30, 2017, the District’s proportion was 0.284071%, which was a decrease of 0.021853% from its proportion measured as of June 30, 2016.

Actuarial assumptions – A summary of the actuarial methods and assumptions used in determining the total pension liability as of the respective years shown below are as follows:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost
Actuarial value of assets	Market value
Discount rate	7.40%
Expected long-term rate of return	7.40%
Municipal bond rate	N/A
Inflation	2.75%
Investment rate of return – net of pension plan investment expense, including inflation	7.40%
Expected remaining service lives	7 years

EASTSIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE H – PENSION PLANS (continued)

The mortality schedules used for the Firefighters’ Retirement System were the RP-2000 Healthy Annuity Mortality Table selected for health annuitants and beneficiaries; the RP-2000 Employee Mortality Table selected for active members; and the RP-2000 Disabled Lives Mortality Table selected for disabled annuitants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	23%	2.04%
Equity	57%	6.72%
Alternatives	10%	6.26%
Other	<u>10%</u>	<u>4.60%</u>
Totals	<u>100%</u>	5.54%
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.29%</u>

Discount rates – The discount rate used to measure the total pension liability was 7.4% for the Firefighters’ Retirement System. The projection of cash flows used to determine the discount rate assumed that contributions for plans members will be made at the current contribution rates and that contributions from participating employers and non-employer entities will be made at the actuarially determined rates approved by the Board of Trustees and PRSAAC, taking into consideration the recommendations of the Firefighters’ Retirement System actuary. Based on those assumptions, Firefighters’ Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

EASTSIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE H – PENSION PLANS (continued)

Sensitivity of the Net Pension Liability to changes in the discount rate – The following presents the net pension liability using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate of 1 percent point lower (6.40%) or 1 percent point higher (8.40%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount rate</u>	<u>1% increase</u>
Rates	6.40%	7.40%	8.40%
District’s share of NPL	\$ 2,339,735	\$ 1,628,252	\$ 1,030,148

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report. The Firefighters’ Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Firefighters’ Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana, or by calling (225) 925-4060. This financial report can also be obtained online.

NOTE I – LONG-TERM OBLIGATIONS

In December 2004, the District entered into a lease purchase for a new fire truck. The cost of the asset and enhancements was \$ 700,000, to be repaid in 10 annual installments of principal and interest totaling \$ 90,136. The interest rate was calculated to be 5.48%.

In 2006, the District issued ten long-term certificates of indebtedness to a local bank in the aggregate amount of \$ 2,000,000 payable over a ten year period at various stated rates ranging from 4.7% to 5.2%, to build a new fire station. The certificates are secured by and payable solely from a pledge and dedication of the excess of annual revenues of the District above statutory, necessary, and usual charges in each of the fiscal years during which the certificate is outstanding.

During 2010, the District entered into two lease purchase agreements to purchase two fire trucks. The first lease for \$ 543,332 is to be repaid in annual installments ranging from \$ 30,000 to \$ 50,000, with the balance of \$ 462,749 due in July 2017. The annual installments include interest at 4.5%. The second lease for \$214,148 requires annual installments ranging from \$ 17,000 to \$ 27,000 with the balance of \$ 106,744 due in October 2020. The installments include interest at 5%.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE I – LONG-TERM OBLIGATIONS (continued)

During 2017, the District borrowed funds under a Community Disaster Loan program administered by the U.S. Department of Homeland Security and the Federal Emergency Management Agency (FEMA). This loan is for the repair of facilities damaged by flooding in August 2016. This loan accrues interest at 2.0% annually until paid. The entire obligation, plus any accrued interest, is due in January 2022, unless the terms of the note are extended at the sole discretion of FEMA or is canceled pursuant to Section 417 of the Stafford Disaster Relief and Emergency Assistance Act.

The following is a summary of the long-term obligation transaction and balances during the year ended December 31, 2017:

	Balance, January 1, <u>2017</u>	<u>Additions</u>	Deductions/ <u>repayments</u>	Balance, December 31, <u>2017</u>
Compensated absences	\$ 560,369	\$ 153,038	\$ -	\$ 713,407
Community Disaster Loan	-	535,853	-	535,853
Capital leases	<u>604,168</u>	<u>-</u>	<u>461,754</u>	<u>142,414</u>
Totals	\$ <u>1,164,537</u>	\$ <u>688,891</u>	\$ <u>461,754</u>	\$ <u>1,391,674</u>

Annual payments on long-term obligations outstanding at December 31, 2017, are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 19,879	\$ 7,121	\$ 27,000
2019	20,873	6,127	27,000
2020	101,661	5,083	106,744
2021	-	-	-
2022-2027	<u>535,853</u>	<u>49,120</u>	<u>584,973</u>
Totals	\$ <u>678,266</u>	\$ <u>67,451</u>	\$ <u>745,717</u>

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE J – SUPPLEMENTAL PAY

The statement of activities reflects income and program expenses of \$ 78,783 for supplemental pay from the State of Louisiana paid directly to the covered employees. This amount was recorded in revenue and an offsetting expenditure was recorded in payroll and related expenses.

NOTE K – DEFERRED COMPENSATION PLAN

The District participates in The National Association of Counties (NACO) Deferred Compensation Program, which is a cost-sharing multiple-employer public employee deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future periods. Participation in the plan is optional. The deferred compensation is not available to employees until termination, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in trust for the exclusive benefit of the participants and their beneficiaries. Participants' rights under the plan are equal to the fair market value of their deferred accounts.

It is the opinion of the State's Attorney General that the District has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary investor. The plan's trustee, who provides certain options, manages investments. The participants make the choice of investment options.

NOTE L – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The East Side Fire Protection District No. 5 OPEB plan is a single-employer defined benefit "substantive plan" as understood by the employer and its employees. The plan provides health insurance benefits to eligible retirees and their spouses. There is no written plan that exists or is sanctioned by law. The OPEB plan is reported based on communications to plan members. The OPEB plan does not issue a stand-alone financial report.

There are currently 13 active members and 1 retiree receiving benefits.

Retirees with at least 10 years of service maintain the same benefits as current employees. The individual is entitled to one year of health benefits for every full year served.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE L – OTHER POST-EMPLOYMENT BENEFITS (continued)

Funding Policy

The health plan was funded with employer payment of the premiums. The employer portion of pay-as-you-go OPEB insurance premiums are allocated over all participants in the OPEB plan.

Annual OPEB cost and net OPEB obligation

The District's annual other post-employment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized as unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District uses a level of percent of payroll amortization method to amortize the unfunded actuarial accrued liability over a 30 year, open amortization period. The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE L – OTHER POST-EMPLOYMENT BENEFITS (continued)

The individual entry age-actuarial cost method was used for the December 31, 2017 actuarial valuation. Because the District currently funds OPEB using a pay-as-you-go approach, the discount rate of 3.16% is based on the historical (and expected) investments that are expected to be used in financing the payment of benefits. The actuarial assumptions included a 2% investment rate of return, an inflation rate of 4.0%, and an annual medical cost trend rate of 4.6% initially, increased to an ultimate rate of 4.7% after ten years. Life expectancies were based on the RP2000 Mortality Table set forward ten years. Turnover rates were based on standard turnover assumptions. The agency's unfunded actuarial accrued liability is being amortized using a level percentage of payroll with an amortization period of 30 years.

NOTE M – LEASE COMMITMENTS

Annual rental fees of fire hydrants totaled \$ 8,789 for the year ended December 31, 2017. There is no lease agreement for these fire hydrants. The leasing of this equipment is mandated by the City-Parish of Baton Rouge in an agreement with the local water companies.

NOTE N – EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through July 2, 2018, which is the date the financial statements were available to be issued.

NOTE O – COMPENSATION PAID TO COMMISSION MEMBERS

The following is a list of commission members appointed for the year ended December 31, 2017. The commission members did not receive any compensation for their service on the board of East Side Fire Protection District No. 5 during the year ended December 31, 2017.

Oscar LeJeune, President
Mario Contreras, Secretary
George Cotton, Commissioner
Johnny Kovalcik, Commissioner
Bill Pedneau, Commissioner

REQUIRED SUPPLEMENTARY INFORMATION

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Taxes:				
Ad valorem taxes	\$ 1,507,484	\$ 1,507,484	\$ 2,251,000	\$ 743,516
Fire protection service fees	<u>233,097</u>	<u>233,097</u>	<u>275,787</u>	<u>42,690</u>
Total taxes	<u>1,740,581</u>	<u>1,740,581</u>	<u>2,526,787</u>	<u>786,206</u>
Intergovernmental revenues:				
State fire insurance rebate	145,000	145,000	140,632	(4,368)
City-Parish General Fund	<u>72,500</u>	<u>72,500</u>	<u>70,000</u>	<u>(2,500)</u>
Total intergovernmental funds	<u>217,500</u>	<u>217,500</u>	<u>210,632</u>	<u>(6,868)</u>
Miscellaneous revenue:				
Interest earned	4,500	4,500	6,611	2,111
Miscellaneous revenues	<u>400,000</u>	<u>400,000</u>	<u>44,874</u>	<u>(355,126)</u>
Total miscellaneous revenue	<u>404,500</u>	<u>404,500</u>	<u>51,485</u>	<u>(353,015)</u>
Total Revenue	<u>2,362,581</u>	<u>2,362,581</u>	<u>2,788,904</u>	<u>426,323</u>
EXPENDITURES:				
Current operations:				
General government:				
Legal and professional	<u>108,000</u>	<u>108,000</u>	<u>88,654</u>	<u>19,346</u>
Total general government	<u>108,000</u>	<u>108,000</u>	<u>88,654</u>	<u>19,346</u>
Public safety:				
Dues	8,000	8,000	4,389	3,611
Employee benefits	678,411	678,411	609,253	69,158
Food	5,000	5,000	1,720	3,280
Insurance	92,000	92,000	99,147	(7,147)
Lien removals	1,200	1,200	1,005	195
Maintenance and repairs	182,000	182,000	291,557	(109,557)
Miscellaneous	9,000	9,000	12,483	(3,483)
Public service	7,000	7,000	-	7,000
Rent	13,000	13,000	8,789	4,211
Retirement costs – other	75,000	75,000	131,702	(56,702)

See auditor's report on supplementary information.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)

Year Ended December 31, 2016

	Budgeted Original	Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Salaries	1,036,757	1,036,757	910,812	125,945
Supplies	140,000	140,000	98,225	41,775
Telephone	27,000	27,000	21,915	5,085
Training and travel	22,000	22,000	16,289	5,711
Utilities	30,000	30,000	26,453	3,547
Total public safety	<u>2,326,368</u>	<u>2,326,368</u>	<u>2,233,739</u>	<u>92,629</u>
Capital outlay:				
Motor vehicles	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Total capital outlay	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Debt service:				
Principal retirement	489,748	489,748	461,754	27,994
Interest expense	<u>-</u>	<u>-</u>	<u>27,994</u>	<u>(27,994)</u>
Total debt service	<u>489,748</u>	<u>489,748</u>	<u>489,748</u>	<u>-</u>
Total Expenditures	<u>3,014,116</u>	<u>3,014,116</u>	<u>2,812,141</u>	<u>201,975</u>
OTHER FINANCING SOURCES (USES):				
Community Disaster Loan proceeds	<u>-</u>	<u>-</u>	<u>535,853</u>	<u>535,853</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>535,853</u>	<u>535,853</u>
Net change in fund balance	(651,535)	(651,535)	512,616	1,164,151
Fund balance, beginning of year	<u>1,727,939</u>	<u>1,727,939</u>	<u>1,727,939</u>	<u>-</u>
Fund balance, end of year	\$ <u>1,076,404</u>	\$ <u>1,076,404</u>	\$ <u>2,240,555</u>	\$ <u>1,164,151</u>

See auditor's report on supplementary information.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

SCHEDULE OF FUNDING PROGRESS FOR OPEB

Year Ended December 31, 2017

<u>Year Ending</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2009	12/31/2009	\$ -	\$ 1,753,260	\$ 1,753,260	0.00%	\$ 480,000	365.3%
12/31/2010	12/31/2009	-	1,753,260	1,753,260	0.00%	578,982	302.8%
12/31/2011	12/31/2011	-	4,000,471	4,000,471	0.00%	680,562	587.8%
12/31/2012	12/31/2011	-	4,000,471	4,000,471	0.00%	754,764	530.0%
12/31/2013	12/31/2011	-	4,000,471	4,000,471	0.00%	762,849	524.4%
12/31/2014	12/31/2014	-	4,805,128	4,805,128	0.00%	753,170	638.0%
12/31/2015	12/31/2014	-	4,805,128	4,805,128	0.00%	792,785	606.1%
12/31/2016	12/31/2014	-	4,805,128	4,805,128	0.00%	940,990	510.7%
12/31/2017	12/31/2017	-	4,927,821	4,927,821	0.00%	950,770	518.3%

See auditor's report on supplementary information.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

Year ended December 31,	Employer's Proportionate Share of the Net Pension Liability (Assets)	Employer's Proportion of the Net Pension Liability (Assets)	Employer's Covered- Employee Payroll	Employer's Proportionate Share of Net Pension Liability (Assets) as % of Covered- Employee Payroll	Plan Fiduciary Net Position As a Percentage of Total Pension Liability
2017	0.284071%	\$ 1,628,252	\$ 731,578	222.57%	73.55%
2016	0.305924%	\$ 2,001,020	\$ 870,611	229.84%	68.16%
2015	0.303051%	\$ 1,635,600	\$ 666,253	245.49%	72.45%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

EAST SIDEFIRE PROTECTION DISTRICT NO. 5
 Baton Rouge, Louisiana

SCHEDULE OF DISTRICT'S CONTRIBUTIONS

Year ended December 31,	Contractually required contribution	Contributions in relation to contractually required contributions	Contributions deficiency (excess)	Contributions as a % of covered-employee payroll
2017	\$ 289,448	\$ 289,448	\$ 0	39.56%
2016	\$ 252,483	\$ 252,483	\$ 0	29.00%
2015	\$ 254,425	\$ 254,425	\$ 0	38.19%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS

Year Ended December 31, 2017

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

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Year Ended December 31, 2017

There were no findings for the year ended December 31, 2016, noted in the prior audit report dated June 29, 2017.

SUPPLEMENTARY INFORMATION

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
Year Ended December 31, 2017

Agency Head: S. Dale Hancock, Fire Chief

Purpose:	Amount:
Salary	\$ 123,038
Benefits – insurance	\$ 32,054
Benefits – retirement	\$ 48,282
Benefits – payroll taxes	\$ 2,145
Car allowance	\$ 18,336
Vehicle provided by government	None
Per diem	None
Reimbursements	\$ 3,953
Travel	None
Registration fees	None
Conference travel	None
Continuing professional education fees	None
Housing	None
Unvouchered expenses	None
Special needs	None

See auditor's report on supplementary information.



WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Members of the Board of Commissioners of East Side Fire Protection District No. 5
and the Louisiana Legislative Auditor
Baton Rouge, Louisiana

I have performed the procedures enumerated below, which were agreed to by East Side Fire Protection District No. 5 (Entity) and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal period January 1, 2017, through December 31, 2017. The Entity's management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were reviewed. The Board's policies and procedures did not address debt service. Other areas noted above were addressed.

Management's response: We concur with the matter noted above. Our written policies and procedures will be updated to address debt service matters.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Board minutes for the fiscal period were examined. The Board met seven times during the year under examination. The board minutes did not reference or include monthly budget-to-actual comparisons as noted above. The board minutes did include non-budgetary information, specifically the approval of a FEMA loan obligation during the year.

Management's response: We concur with the matter noted above. We will ensure that all future Board meetings include discussion of applicable financial records and reports.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

A listing of all bank accounts was obtained from management. During the fiscal period, the Entity had two checking accounts, and these accounts were moved to a different bank near the end of the fiscal period.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Bank statements and bank reconciliations for each month of the current fiscal period were examined. Reconciliations were prepared each month by the Board's external accountant, and all bank reconciliations were reviewed by the Board President. As of December 31, 2017, no reconciling items had been outstanding for more than 6 months.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

The Entity's main collection location is its outside accountant's office. The entity is able to collect funds at either of its fire station locations, but did not do so during the fiscal year under examination.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Collections were made at the agency's outside accountant for the fiscal year. Most funds were transmitted by direct deposit, although a very limited number of physical checks were received. Funds received by the outside accountant were deposited within one business day of receipt.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

As noted above, collections are made at the outside accountant's office. Most of the funds received are from other governmental agencies, such as the East Baton Rouge Parish Sheriff and the City/Parish Finance Department. Other funds received included non-recurring items, such as insurance claims and refunds.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

The Entity's general ledger was obtained and examined.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Purchases are initiated within the entity, usually by the Fire Chief or an Assistant Chief. All selected disbursements were approved by the Fire Chief or an Assistant Chief when approving bills to be paid by the outside accountant. No exceptions were noted.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

All purchases are approved by the Fire Chief or an Assistant Chief, and payment for those purchases is approved by a different Assistant Chief. No new vendors are paid without prior approval from the Fire Chief.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

All purchases are approved by the Fire Chief or an Assistant Fire Chief, and payment for those purchases is approved by another Assistant Fire Chief. The agency's external accountant prepares all payments for signature and includes applicable supporting documentation, such as invoices and packing slips, with the payment.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Unused check stock is stored at the office of the external accountant. No employees of the Entity have access to that check stock. Authorized signers other than the external accountants do not have access to print checks.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

A signature stamp is used by the outside accountant with the knowledge and consent of the Fire Chief. The signature stamp is maintained in a locked file cabinet at the outside accountant's office. All signed checks are maintained by the accountant until mailed, usually the same day or within one business day of signing.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The entity maintains two combined credit card accounts with a national bank. The cards on these accounts are issued to the Fire Chief, two Assistant Fire Chiefs, and the outside accountant.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

The largest monthly combined statement for each credit card was examined. Both statements indicated review and approval of payments as noted on each statement. No finance charges or late fees were noted on either statement.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

For one combined statement examined, there were five charges noted, totaling \$ 701.94. Of these charges, three were for recurring online computer services for which no receipt was generated. Receipts for the other two charges were provided.

For the other combined statement examined, there were twelve charges totaling \$8,831.76. Of these charges, nine charges were properly documented. None of the remaining three charges totaling \$722.80 were documented.

Management's response: We concur with the matter noted above. We will emphasize with our personnel and our outside accountant the importance of having complete and accurate documentation of credit card charges prior to payment.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

The Entity's general ledger was obtained and sorted for travel and expense reimbursements.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The Entity's written policies and procedures match the per diem rates established the U.S. General Services Administration.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

During the fiscal year, only five travel expense reimbursements were noted. Of these, three were for per diem reimbursement only to fire fighters traveling to a training conference. As such, no receipt was required or available. The two remaining reimbursements were for educational travel, and receipts for lodging were provided. The business purposes of all travel was included with the reimbursement or noted in other procedures listed herein.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

The Entity's general ledger was obtained and sorted for contract payments.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter)

During the fiscal year, only four vendors (excluding payments to the auditor) were under contracts as discussed above. Of these, one was for legal services, one was for the outside accountant's monthly services, and one was for an equipment lease. The remaining contract vendor was a computer web hosting service. None of the contracts noted were subject to the Public Bid Law or Procurement Code. None of the contracts were amended during the year. Payments under all contracts were examined for supporting documentation, comparison to contract terms, and compliance with contract terms and conditions. No exceptions were noted.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

A listing of employees and their related salaries was provided by the Entity. Compensation for five randomly selected employees was traced to employee records. Changes in compensation were noted for two of the five selected employees, and documentation for such changes was examined. No exceptions were noted.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Attendance and leave records for all employees were examined for the pay period from December 1-15, 2017. Time sheets were examined for each employee during this pay period, which included attendance and leave taken. All regular employee time sheets were approved by an Assistant Chief, all Assistant Fire Chief time sheets were approved by the Fire Chief and the Fire Chief's time sheet was approved by the Board president. Written leave records are maintained for each employee by pay period. No exceptions were noted.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

During the current fiscal period, a number of employees were terminated or resigned. No termination payments were made to any of these employees.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

During the fiscal year, all payroll was processed by the outside accountant. All payroll taxes, retirement contributions, and employee benefits were paid on a timely basis, as noted by cancelled checks or electronic withdrawals. All payroll tax reporting was submitted to the applicable agencies in a timely manner.

Ethics (excluding nonprofits)

- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Examined documentation related to required ethics training for four of the five employees selected. Documentation for one employee was not available.

Management's response: All full-time employees are required to take ethics training. However, part-time employees have not been required in the past, as some of them are full-time employees of other fire departments. We will make sure that all employees obtain ethics training in the future.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management stated that there were no ethics violations during the fiscal year.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

During the fiscal period, the entity obtained an operating loan from FEMA. Supporting documentation was obtained and reviewed. State Bond Commission approval was obtained as required.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

All required debt payments were made on a timely basis during the fiscal period.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The Entity had no tax millages relating to debt service during the fiscal period.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No misappropriates of public funds or assets were known or disclosed for the fiscal period.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lfa.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The Entity has posted on its premises and its website the required notice related to reporting of misappropriation, fraud, waste, or abuse of public funds.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions were observed.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the Statewide Agreed-Upon Procedures. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the Statewide Agreed-Upon Procedures, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

WILLIAM J. MERRITT, CPA (APAC)

Baton Rouge, Louisiana
July 2, 2018