

*Financial Report*

*Village East Fire Protection District*

*Houma, Louisiana*

*For the year ended December 31, 2018*

***Financial Report***

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***For the year ended December 31, 2018***

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For the year ended December 31, 2018

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**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners,  
Village East Fire Protection District,  
Houma, Louisiana.

We have audited the accompanying financial statements of the governmental activities and the General Fund of Village East Fire Protection District, State of Louisiana (the District), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2018, 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**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the governmental activities and the General Fund of Village East Fire Protection District as of December 31, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8, the Schedule of the District's Proportionate Share of Net Pension Liability on page 35 and the Schedule of the District's Contributions on page 36 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on page 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2019 on our consideration of Village East Fire Protection District's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 the District's internal control over financial reporting and compliance.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
April 8, 2019.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Village East Fire Protection District**

The Management's Discussion and Analysis of the Village East Fire Protection District's financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2018. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2018 by \$1,441,876 (net position), which represents a 3.58% decrease from last fiscal year.

The District's revenue increased by \$16,215 (or 3.68%) primarily due to an increase in ad valorem tax revenue for 2018.

The District's expenses increased by \$7,290 (or 1.45%) primarily due to increases in general government expenses in 2018.

The District did not have a deficit fund balance.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's annual report consists of three parts: (1) management's discussion and analysis (this section) (2) financial statements and (3) various governmental compliance reports and schedules by certified public accountants and management.

The financial statements include two kinds of statements that present different views of the District:

##### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the District's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activity of the District is public safety which is comprised of various programs that includes construction, maintenance and operation of fire protection facilities and the prevention and extinguishing of fires.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The only fund of the District is a governmental fund.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains an individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 9 - 13 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in Exhibit F of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. As of December 31, 2018, assets exceeded liabilities by \$1,441,876. A large portion of the District's net position (42.03%) reflects its investment in capital assets (e.g., vehicles, machinery and equipment and building and improvements). Consequently, these assets are not available for future spending.

### Condensed Statements of Net Position

	December 31,		Dollar Change
	2018	0	
Current and other assets	\$ 1,366,271	\$ 1,249,418	\$ 116,853
Capital assets	606,063	703,955	(97,892)
Deferred outflows of resources	218,922	252,760	(33,838)
Total assets and deferred outflows of resources	<u>2,191,256</u>	<u>2,206,133</u>	<u>(14,877)</u>
Long-term liabilities	290,580	289,430	1,150
Current liabilities	18,088	10,517	7,571
Deferred inflows of resources	440,712	410,788	29,924
Total liabilities and deferred inflows of resources	<u>749,380</u>	<u>710,735</u>	<u>38,645</u>
<b>Net Position:</b>			
Net investment in capital assets	606,063	703,955	(97,892)
Unrestricted	835,813	791,443	44,370
Total net position	<u>\$ 1,441,876</u>	<u>\$ 1,495,398</u>	<u>\$ (53,522)</u>

Current and other assets increased due to the increase in cash and cash equivalents as of December 31, 2018. Deferred outflows of resources, total liabilities and deferred inflows of resources increased because of the District's participation in the Firefighters' State Retirement System of Louisiana.

#### Governmental Activities

Governmental activities decreased the District's net position by \$53,522. Key elements of this decrease are as follows:

### Condensed Statements of Activities

	For the Year Ended December 31,		Dollar Change	Total Percent Change
	2018	0		
<b>Revenues:</b>				
Taxes	\$ 399,051	\$ 384,177	\$ 14,874	3.87%
Intergovernmental:				
State revenue sharing	10,026	10,167	(141)	-1.39%
Fire insurance tax	21,103	23,293	(2,190)	-9.40%
Supplemental pay	12,000	12,000	-	0.00%
Miscellaneous	14,661	10,989	3,672	33.42%
Total revenues	<u>456,841</u>	<u>440,626</u>	<u>16,215</u>	<u>3.68%</u>
<b>Expenses:</b>				
General government	20,582	15,190	5,392	35.50%
Public safety	489,781	487,883	1,898	0.39%
Total expenses	<u>510,363</u>	<u>503,073</u>	<u>7,290</u>	<u>1.45%</u>
Change in net position	(53,522)	(62,447)	8,925	-14.29%
Net position, beginning of year	1,495,398	1,557,845	(62,447)	-4.01%
Net position, end of year	<u>\$ 1,441,876</u>	<u>\$ 1,495,398</u>	<u>\$ (53,522)</u>	<u>-3.58%</u>

In 2018, the District's revenues increased \$16,215 primarily due to the increase of ad valorem tax revenue. Also, during the year ended December 31, 2018, expenses increased \$7,290, primarily due to increases in general government expenses, which includes expenses for uncollected ad valorem

taxes and ad valorem tax deductions for expenses of the Assessor’s office. Within public safety expenses increases in personal services were offset by decreases within other categories of public safety expenses

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

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

**Governmental Funds**

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's General Fund ending fund balance is \$894,597, which is an increase of \$82,657 in comparison with the prior year. Included in the ending fund balance is \$39,226 assigned to fund a budgetary deficit projected for next year while the remaining balance of \$855,371 is unassigned and available for spending at the District's discretion.

**General Fund Budgetary Highlights**

The budget was amended once during the year. The primary reason for amending the budget was to align budgeted expenditures with actual.

During the year, revenues were greater than budgetary revenue and expenditures were less than budgetary expenditures. See Exhibit E for a comparison of budgeted and actual revenue and expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of December 31, 2018, amounts to \$606,063 (net of accumulated depreciation). This net investment in capital assets includes vehicles, machinery and equipment, building and improvements (see the table below).

	2018	0
Vehicles, machinery, and equipment	\$ 1,254,226	\$ 1,264,774
Building and improvements	258,853	258,853
Totals	<u>\$ 1,513,079</u>	<u>\$ 1,523,627</u>

Major capital asset events during the current fiscal year included the purchase of radios and laptops for trucks.

Additional information on the District's capital assets can be found in the Note 5, Exhibit F of this report.

### **Long-term liabilities**

As of December 31, 2018 long-term liabilities consisted of compensated absences payable and pension liabilities. The District reported modest increases in compensated absences of \$224, and \$926 in pension liabilities to ending balances of \$4,242 and \$286,338, respectively.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Directors considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- The ad valorem tax revenue budgeted represents the estimated amount of the November 2018 assessment, which the District will receive, for the most part, in January 2019. The 2018 assessment of 15.00 mills increased from the 2017 assessment of 13.87 mills.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Directors of the Village East Fire Protection District, 100 Development St. Houma, Louisiana 70363.

**STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET**

**Village East Fire Protection District**

December 31, 2018

	<u>General Fund</u>	<u>Adjustments (Exhibit B)</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 938,688		\$ 938,688
Receivables - taxes	152,874		152,874
Due from other governmental units	239,933		239,933
Prepaid items	-	\$ 34,776	34,776
Capital assets - Depreciable, net of accumulated depreciation	<u>-</u>	<u>606,063</u>	<u>606,063</u>
Total assets	1,331,495	640,839	1,972,334
Deferred outflows of resources	<u>-</u>	<u>218,922</u>	<u>218,922</u>
Total assets and deferred outflows of resources	<u>\$ 1,331,495</u>	<u>859,761</u>	<u>2,191,256</u>
<b>Liabilities</b>			
Accounts payable and accrued expenditures	\$ 18,088	-	18,088
Long-term liabilities - due after one year	<u>-</u>	<u>290,580</u>	<u>290,580</u>
Total liabilities	<u>18,088</u>	<u>290,580</u>	<u>308,668</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	418,810	-	418,810
Pension	<u>-</u>	<u>21,902</u>	<u>21,902</u>
Total deferred inflows of resources	<u>418,810</u>	<u>21,902</u>	<u>440,712</u>
Total liabilities and deferred inflows of resources	<u>436,898</u>	<u>312,482</u>	<u>749,380</u>
<b>Fund Balance/Net Position</b>			
Fund balance			
Assigned			
Subsequent year's expenditures	39,226	(39,226)	-
Unassigned	<u>855,371</u>	<u>(855,371)</u>	<u>-</u>
Total fund balance	<u>894,597</u>	<u>(894,597)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,331,495</u>		
Net position:			
Net investment in capital assets		606,063	606,063
Unrestricted		<u>835,813</u>	<u>835,813</u>
Total net position		<u>\$ 1,441,876</u>	<u>\$ 1,441,876</u>

See notes to financial statements.

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

**Village East Fire Protection District**

December 31, 2018

<b>Fund Balance - Governmental Fund</b>		<b>\$ 894,597</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Prepaid expenses reported in governmental activities are not financial resources and therefore are not reported in the governmental fund.		
Prepaid insurance		34,776
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		
Governmental capital assets	1,513,079	
Less accumulated depreciation	<u>(907,016)</u>	606,063
Deferred outflows of resources used in governmental activities are not financial resources and are not reported in governmental funds		
		218,922
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Compensated absences payable	(4,242)	
Net pension liability	<u>(286,338)</u>	(290,580)
Deferred inflows or resources are not due and payable in the current period and are not reported in governmental funds		
		<u>(21,902)</u>
<b>Net Position of Governmental Activities</b>		<b><u><u>\$ 1,441,876</u></u></b>

See notes to financial statements.

**STATEMENT OF ACTIVITIES AND STATEMENT OF  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE**

**Village East Fire Protection District**

For the year ended December 31, 2018

	<u>General Fund</u>	<u>Adjustments (Exhibit D)</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Taxes	\$ 399,051		\$ 399,051
Intergovernmental:			
State of Louisiana:			
State revenue sharing	10,026		10,026
Fire insurance tax	21,103		21,103
Supplemental pay	12,000		12,000
Miscellaneous	14,661		14,661
Total revenues	<u>456,841</u>		<u>456,841</u>
<b>Expenditures/Expenses</b>			
Current:			
General government:			
Ad valorem tax adjustments and deductions	20,582		20,582
Public safety:			
Personal services	227,061	\$ 40,905	267,966
Supplies and materials	16,904	508	17,412
Other services and charges	90,812	(2,618)	88,194
Repairs and maintenance	11,662	-	11,662
Depreciation	-	104,547	104,547
Total public safety	<u>346,439</u>	<u>143,342</u>	<u>489,781</u>
Capital outlay	7,163	(7,163)	-
Total expenditures/expenses	<u>374,184</u>	<u>136,179</u>	<u>510,363</u>
<b>Excess of Revenues Over Expenditures</b>	82,657	(82,657)	-
<b>Change in Net Position</b>	-	(53,522)	(53,522)
<b>Fund Balance/Net Position</b>			
Beginning of year	<u>811,940</u>	<u>683,458</u>	<u>1,495,398</u>
End of year	<u>\$ 894,597</u>	<u>\$ 547,279</u>	<u>\$ 1,441,876</u>

See notes to financial statements.

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

**Village East Fire Protection District**

For the year ended December 31, 2018

<b>Net Change in Fund Balance - Governmental Fund</b>	\$	82,657
Amounts reported for governmental activities in the statement of activities are 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	\$ 7,163	
Depreciation expense	(104,547)	
Excess of depreciation expense over capital outlay		(97,384)
The net effect of miscellaneous transactions involving capital assets, such as dispositions, trade-ins and donations, is to decrease capital assets.		
		(508)
Some expenditures reported in the governmental fund do not require the use of current financial resources and are not reported as expenses in the statement of activities.		
Increase in prepaid insurance	2,618	
Increase in compensated absences payable	(224)	
		2,394
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund		
Pension expense		(40,681)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(53,522)</b>

See notes to financial statements.

**STATEMENT OF GOVERNMENTAL FUND  
REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

**Village East Fire Protection District**

For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 382,300	\$ 387,850	\$ 399,051	\$ 11,201
Intergovernmental:				
State of Louisiana:				
State revenue sharing	10,167	10,000	10,026	26
Fire insurance tax	23,000	21,100	21,103	3
Supplemental Pay	12,000	12,000	12,000	-
Miscellaneous	6,000	12,150	14,661	2,511
Total revenues	<u>433,467</u>	<u>443,100</u>	<u>456,841</u>	<u>13,741</u>
<b>Expenditures</b>				
Current:				
General government:				
Ad valorem tax deductions and adjustments	13,000	13,410	20,582	(7,172)
Public safety:				
Personal services	229,762	250,200	227,061	23,139
Supplies and materials	25,500	20,950	16,904	4,046
Other services and charges	104,880	96,307	90,812	5,495
Repairs and maintenance	24,000	23,500	11,662	11,838
Total public safety	<u>384,142</u>	<u>390,957</u>	<u>346,439</u>	<u>44,518</u>
Capital outlay	<u>33,000</u>	<u>24,800</u>	<u>7,163</u>	<u>17,637</u>
Total expenditures	<u>430,142</u>	<u>429,167</u>	<u>374,184</u>	<u>54,983</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	3,325	13,933	82,657	68,724
<b>Fund Balance</b>				
Beginning of year	<u>741,768</u>	<u>811,940</u>	<u>811,940</u>	<u>-</u>
End of year	<u>\$ 745,093</u>	<u>\$ 825,873</u>	<u>\$ 894,597</u>	<u>\$ 68,724</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****Village East Fire Protection District**

December 31, 2018

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Village East Fire Protection District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

**a) Reporting Entity**

The District is a component unit of the Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2018.

GASB No. 14, *The Financial Reporting Entity*, GASB No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, and GASB No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34* established the criterion for determining which component units should be considered part of the District for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the District and the potential component unit.
4. Imposition of will by the District on the potential component unit.
5. Financial benefit/burden relationship between the District and the potential component unit.

The District has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Basis of Presentation**

The District's financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements.

**Government-wide Financial Statements:**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of the District. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

**Fund Financial Statements:**

The daily accounts and operations of the District are organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following is the governmental fund of the District:

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

**c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Government-wide Financial Statements:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Measurement Focus and Basis of Accounting (Continued)**

**Fund Financial Statements:**

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current position. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Ad valorem taxes and the related state revenue sharing (intergovernmental revenue) are recognized as revenue in the period for which levied, thus the 2018 property taxes which are being levied to finance the 2019 budget will be recognized as revenue in 2019. The 2018 tax levy is recorded as deferred inflows of resources in the District's 2018 financial statements. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Allocations of cost such as depreciation are not recognized in the governmental funds.

**d) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**e) Operating Budgetary Data**

As required by the Louisiana Revised Statutes 39:1303, the Board of Commissioners (the Board) adopted a budget for the District's General Fund. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its budget once during the year. All budgeted amounts that are not expended, or obligated through contracts, lapse at year-end.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Operating Budgetary Data (Continued)**

The General Fund budget is adopted on a basis materially consistent with accounting principles generally accepted in the United States of America.

The General Fund budget presentation is included in the financial statements.

**f) Accounts Receivable**

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the funds.

**g) Investments**

Investments are stated at fair value as established by open market, except for the Louisiana Asset Management Pool (LAMP). LAMP is an external pool which is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net position to compute share prices if certain conditions are met.

Investments during the year consisted of LAMP and are reported as cash equivalents as of December 31, 2018.

**h) Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

**Government-wide Financial Statements:**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$500 or more are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. 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.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h) Capital Assets (Continued)**

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Vehicles, machinery, and equipment	5 - 15 years
Building and improvements	20 - 25 years

**Fund Financial Statements:**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**i) Deferred Outflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources related to pensions.

**j) Deferred Inflows of Resources**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The governmental fund reports unavailable revenues from property taxes and pension related deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reports unavailable revenue when resources associated with imposed non exchange revenue transactions are received or reported as a receivable before (a) the period for which property taxes are levied; or (b) the period when resources are required to be used or when use is first permitted for all other imposed non exchange revenues in which the enabling legislation includes time requirements.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Vacation and Sick Leave**

The District provides vacation benefits to all full-time employees, after one year of continuous employment. Unused vacation does not carry forward to the next year. Eligible employees earn two weeks of vacation after one year of employment, 3 weeks after 5 years and 4 weeks after 10 years.

Every firefighter in the employ of a fire protection district shall be entitled to full pay during sickness or incapacity not brought about by his own negligence or culpable indiscretion for a period of no less than fifty-two weeks. A firefighter employed by any fire protection district who draws full pay during sickness or incapacity shall have such pay decreased by the amount of workers' compensation benefits actually received. A firefighter is entitled to sick leave benefits even though the injury or illness may have occurred while off duty. Firefighters are not prohibited from engaging in part-time employment while receiving sick leave. A probationary firefighter who is not a regular or permanent fireman is not entitled to sick leave benefits provided by the District. Sick leave does not accumulate for District employees. Accordingly, there is no accumulated sick leave for the District as of December 31, 2018.

Compensatory time will be given to employees in lieu of overtime. The rate of accrual is one and a half hours per hour of overtime worked. Compensatory time accumulates until termination at which point it will be paid to the employee.

The liability for compensatory time is recorded as a long-term obligation in the government-wide statements. In the fund financial statements, government funds report only compensated absence liability payable from expendable available financial resources.

**l) Fund Equity**

Government-wide Statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any. As of December 31, 2018 the District had no outstanding borrowings.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1) Fund Equity(Continued)**

- b. Restricted net position - Consists of assets and deferred outflow of resources less liabilities and deferred inflow of resources (net position) with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2018 and for the year then ended, the District did not have or receive restricted resources.

**Fund Financial Statements:**

Government fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to maintain intact.
- b. Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed - amounts that can be used only for specific purposes determined by a formal action of the District's Board of Commissioners. Commitment may be established, modified, or rescinded only through resolutions approved by the District's Board of Commissioners.
- d. Assigned - amounts that do not meet the criteria to be classified as either restricted or committed but are intended to be used for specific purposes. Assignment may be established, modified or rescinded by the Chairman of the Board of Commissioners or his representative.
- e. Unassigned - all other spendable amounts.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1) Fund Equity(Continued)**

For the classification of government fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available. The District's fund balance was classified as assigned for subsequent year's budget deficit and unassigned as of December 31, 2018.

**1) New GASB Statements**

During the year ending December 31, 2018, the District implemented the following GASB Statements:

Statement No. 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*" replaces the requirements of GASB Statement No. 45. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide: governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan and governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement did not affect the District's financial statements.

Statement No. 85, "*Omnibus 2017.*" On March 20, 2017, GASB issued "*Omnibus 2017*" covering four main topics: blending component units; goodwill, fair value measurement and application; and postemployment benefits. This Statement did not affect the District's financial statements.

Statement No. 86, "*Certain Debt Extinguishment Issues*" improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement did not affect the District's financial statements.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m) New GASB Statements (continued)**

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 83, "*Certain Asset Retirement Obligations*" addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 84, "*Fiduciary Activities*" improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources,

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) New GASB Statements (continued)

thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*" improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The Statement clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 30, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*" establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of this Statement on the financial statements.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m) New GASB Statements (continued)**

Statement No. 90, “*Majority Equity Interest*” improves the consistency and comparability of reporting government’s majority equity interest in legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as component unit. The requirements of this Statement are effective for reporting period beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

**Note 2 - DEPOSITS AND INVESTMENTS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or any other federally insured investment, certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, guaranteed investment contracts, the Louisiana Asset Management Pool (LAMP) and investment grade (A-1/P-1) commercial paper of domestic corporations.

**Bank Deposits:**

State law requires that deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

The year-end balances of deposits are as follows:

	<u>Bank Balances</u>	<u>Report Amount</u>
Cash	<u>\$ 170,898</u>	<u>\$ 170,898</u>

**Note 2 - DEPOSITS AND INVESTMENTS (Continued)**

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 has a written policy for custodial credit risk, which reflects state law. As of December 31, 2018, none of the District's bank balances of \$170,898 were exposed to custodial credit risk. These deposits were insured and collateralized with FDIC insurance.

**Investments:**

State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities; guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations; repurchase agreements; and the Louisiana Asset Management Pool (LAMP).

As a means of limiting its exposure to fair value losses arising from interest rates, the District's investment policy emphasizes maintaining liquidity to match specific cash flows.

The District's investment policy requires the application of the prudent person rule. The policy states, investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Primary emphasis shall be placed upon the safety of principal secondly to maintain liquidity to meet operating requirements and finally to obtain the most favorable rate of return. The District's investment policy limits investments to those discussed earlier in this note. LAMP has a Standard & Poor's Rating of AAAM.

For an investment, custodial credit risk is the risk that in the event of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

The Louisiana Asset Management Pool (LAMP), a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993.

While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which

**Note 2 - DEPOSITS AND INVESTMENTS (Continued)**

local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participant's shares, investments are valued at amortized cost. The fair value of participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Investments in LAMP as of December 31, 2018 amounted to \$767,790 and are classified on the Statement of Net Position as "Cash and cash equivalents".

A reconciliation of deposits and investments to the financial statements is as follows:

Bank deposits	\$ 170,898
Investment in LAMP	<u>767,790</u>
Total cash and cash equivalents	<u>\$ 938,688</u>

**Note 3 - PROPERTY TAXES**

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the District. Assessed values are established by the Terrebonne Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 2016. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended December 31, 2018 was \$15.00 per \$1,000 of assessed valuation on property within Village East Fire Protection District for the purpose of acquiring, constructing, maintaining and operating fire protection facilities within the District and paying the cost of obtaining water for the fire protection purposes, including fire hydrant rentals and services. As indicated in Note 1c, taxes levied November 1, 2018 are for budgeted expenditures in 2019 and will be recognized as revenues in 2019.

**Note 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units as of December 31, 2018 consisted of the following:

State of Louisiana - State revenue sharing	\$	7,092
Terrebonne Parish Tax Collector - December 2018 collections remitted to the District in January 2019:		
Ad valorem taxes		229,295
State Revenue Sharing		<u>3,546</u>
Total		<u>\$ 239,933</u>

**Note 5 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2018</u>
Capital assets being depreciated:				
Vehicles, machinery, and equipment	\$ 1,264,774	\$ 7,163	\$ (17,711)	\$ 1,254,226
Building and improvements	<u>258,853</u>	<u>-</u>	<u>-</u>	<u>258,853</u>
Total capital assets being depreciated	<u>1,523,627</u>	<u>7,163</u>	<u>(17,711)</u>	<u>1,513,079</u>
Less accumulated depreciation for:				
Vehicles, machinery, and equipment	(683,819)	(93,450)	17,203	(760,066)
Building and improvements	<u>(135,853)</u>	<u>(11,097)</u>	<u>-</u>	<u>(146,950)</u>
Total accumulated depreciation	<u>(819,672)</u>	<u>(104,547)</u>	<u>17,203</u>	<u>(907,016)</u>
Total capital assets, net	<u>\$ 703,955</u>	<u>\$ (97,384)</u>	<u>\$ (508)</u>	<u>\$ 606,063</u>

There are numerous assets, land, vehicles and equipment, used by the District which were purchased by a not-for-profit volunteer fire company. These assets remain in the name of the volunteer fire company and accordingly are not included in the capital assets of the District.

**Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES**

Accounts payable and accrued expenditures as of December 31, 2018 consisted of the following:

	Governmental Activities
Vendors	\$ 6,534
Accrued salaries and related payables	11,554
Total	\$ 18,088

**Note 7 - LONG-TERM OBLIGATIONS**

Long-term obligations consist of accumulated earned and unpaid compensatory time and net pension liability. The following is a summary of changes in the long-term obligations for the year ended December 31, 2018:

	Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018
Accumulated compensatory time	\$ 4,018	\$ 936	\$ 712	\$ 4,242
Net pension liability	285,412	926	-	286,338
Totals	\$ 289,430	\$ 1,862	\$ 712	\$ 290,580

**Note 8 - SUPPLEMENTAL PAY**

In addition to the compensation paid by Village East Fire Protection District, employees who are firemen may be eligible to receive supplemental pay. The amount of compensation is determined by State Law and is revised periodically.

As per Louisiana Revised Statute 33:2003, any full-time, regular employee of the parish fire protection district who is hired after March 31, 1986, who has passed a certified firemen's training program equal to the National Fire Protection Association Standard 1001 and who is paid three hundred dollars per month from public funds is eligible for supplemental pay. These full-time employees are carried on the payroll paid from funds of the district obtained through lawfully adopted bond issues or lawfully assessed taxes, either directly or through a board or commission set up by law or ordinance. Employees employed by a fire districts are not eligible for supplemental pay if they are presently drawing a retirement or disability pension, clerical employees and mechanics and for those

**Note 8 - SUPPLEMENTAL PAY (Continued)**

employees who have not passed a certified firemen's training program but are hired after March 31, 1986. State supplemental pay for firefighters must be taken into account in calculating firefighters longevity pay, holiday pay, and overtime pay. The period of service for computing additional compensation includes prior service of employees who have returned or who hereafter return to such service provided that service in any parish or fire protection district fire department shall be used in computing such prior service which includes full-time employees of a volunteer fire department.

As of December 31, 2018, the District has recognized revenue and expenditures of \$12,000 in salary supplements that the State of Louisiana has paid directly to the District's employees.

**Note 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters for which the District carries commercial insurance. No settlements were made during the year that exceeded the District's insurance coverage.

**Note 10 - DEFINED BENEFIT PENSION PLAN**

**Plan Description** - The District contributes to the Firefighters' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public retirement system, which is controlled and administered by a separate Board of Trustees. The System is governed by Louisiana Revised Statutes 11:2251 through 11:2272, specifically, and other general laws of the State of Louisiana.

**Eligibility** – Membership in the System is a condition of employment for any full-time firefighter employed by any municipality, parish, or fire protection district in the state in addition to System employees. Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits there from may become a member of this System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

**Benefits Provided** - The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Benefit provisions are authorized within Act 434 of the 1979 and amended by Louisiana Revised Statutes 11:2251 through 11:2272. The State Legislature authorized the System

**Note 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

to establish a 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 DROP for up to 36 months. When a member enters DROP their status changes from active to retired even though they continue to work and draw their salary. Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. 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 deferred retirement option plan account until the participant retires.

**Contributions** - Employer contributions are actuarially determined each year. For the year ended June 30, 2018, the employer contribution rate for the period January 1, 2018 through June 30, 2018 was 26.50% and 26.50% for the period July 1, 2018 through December 31, 2018. Plan members above the poverty line are required to contribute 10% of their annual covered payroll, and 8.00% for those below the poverty line.

The District's contributions to the Systems for the years ending December 31, 2018 were \$31,688, equal to the required contributions for the year.

**Pension Liabilities** - As of December 31, 2018, the District reported a net pension liability of \$286,338 for its proportionate share of the System's net pension liability. The net pension liability was measured as of June 30, 2018 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 the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.049780%.

**Pension Expense** - For the year ended December 31, 2018, the District recognized pension expense of \$72,369.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - As of December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as presented on the following page:

**Note 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (21,794)
Changes in proportions	164,484	(63)
Changes in assumptions	19,975	(45)
Net difference between projected and actual earnings on pension plan investments	18,619	-
Contributions subsequent to the measurement date	<u>15,844</u>	<u>-</u>
Total	<u>\$ 218,922</u>	<u>\$ (21,902)</u>

The District reported \$15,844 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the year ending December 31st,</u>	<u>Amount</u>
1900	\$ 52,507
1900	41,616
1900	28,689
1900	37,893
1900	20,373
1900	<u>98</u>
Total	<u>\$ 181,176</u>

**Actuarial Assumptions** - The actuarial assumptions used in the June 30, 2018 valuation were based on the assumptions used in the June 30, 2018 actuarial funding valuation. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are presented on the following page:

**Note 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

<b>Valuation Date</b>	June 30, 2018
<b>Actuarial Cost Method</b>	Entry Age Normal Cost
<b>Estimated Remaining Service Life</b>	7 years, Closed period
<b>Investment Rate of Return</b>	7.30% per annum (net of fees)
<b>Inflation Rate</b>	2.700% per annum
<b>Salary Increases</b>	Vary from 15.0% in the first two years of service to 4.75% after 25 years.
<b>Cost of Living Adjustments</b>	Only those previously granted

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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 long-term expected nominal rate of return was 8.09% as of June 30, 2018.

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 are summarized in the following table presented on the next page:

**Note 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	26%	1.76%
Equity		
U.S. Equity	22%	6.14%
Non-U.S. Equity	22%	7.46%
Global Equity	10%	6.74%
Alternatives		
Real Estate	6%	4.38%
Private Equity	4%	8.73%
Multi-Asset Strategies		
Global Tactical Asset Allocation	5%	4.31%
Risk Parity	5%	4.89%

**Discount Rate** - The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates taking into consideration the recommendation of the System's actuary. Based on those assumptions, the 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.

**Sensitivity of the District's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the participating employers calculated using the discount rate of 7.30%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.30%) or one percentage-point higher (8.30%) than the current rate as of June 30, 2018.

	<u>1% Decrease (6.30%)</u>	<u>Current Discount Rate (7.30%)</u>	<u>1% Increase (8.30%)</u>
District's proportionate share of the net pension liability	<u>\$ 417,835</u>	<u>\$ 286,338</u>	<u>\$ 175,836</u>

**Note 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Plan Fiduciary Net Position** - The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Firefighters' Retirement System of Louisiana, 2051 Silverside Drive, Suite 210, Baton Rouge, Louisiana 70808-4136 or on the System's website, [www.lafirefightersret.com](http://www.lafirefightersret.com).

**Note 11 - COMPENSATION OF BOARD MEMBERS**

No compensation was paid to board members for the year ended December 31, 2018.

**Note 12 - STATE OF LOUISIANA TAX ABATEMENTS**

The District's ad valorem tax revenues were reduced by \$43,760 under agreements entered into by the State of Louisiana.

**Note 13 - SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through April 8, 2019, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**Village East Fire Protection District**

December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.049780%	0.049794%	0.023279%
District's proportionate share of the net pension liability	\$ 286,338	\$ 285,412	\$ 152,266
District's covered-employee payroll	\$ 118,481	\$ 116,262	\$ 52,487
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	241.67%	245.49%	290.10%
Plan fiduciary net position as a percentage of the total pension liability	74.76%	73.55%	68.16%

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS****Village East Fire Protection District**

December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 31,688	\$ 30,332	\$ 28,890
Contributions in relation to the contractually required contribution	<u>(31,688)</u>	<u>(30,332)</u>	<u>(28,890)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 119,578</u>	<u>\$ 117,218</u>	<u>\$ 110,259</u>
Contributions as a percentage of covered-employee payroll	26.50%	25.88%	26.20%

**SUPPLEMENTARY INFORMATION SECTION**

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER  
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

**Village East Fire Protection District**

December 31, 2018

**Agency Head Name:** Armond Triche, Fire Chief

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 73,538
Benefits - insurance	8,926
Benefits - retirement	19,487
Benefit - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meals	-
	<u>\$ 101,951</u>

Note: The Fire Chief of the District functions as Chief Executive Officer.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

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

To the Board of Commissioners,  
Village East Fire Protection District,  
Houma, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Village East Fire Protection District (the District), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 8, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected 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 charges with governance.

Our consideration of internal control over financial reporting 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
April 8, 2019.

**SCHEDULE OF FINDINGS AND RESPONSES**

**Village East Fire Protection District**

For the year ended December 31, 2018

**Section I Summary of Auditor's Results**

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                     yes     no
- Significant deficiency (ies) identified that are not  
  considered to be material weaknesses?             yes     none reported

Noncompliance material to financial statements noted?     yes     no

b) Federal Awards

Village East Fire Protection District did not expend federal awards in excess of \$750,000 during the year ended December 31, 2018 and therefore is exempt from the audit requirements under the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**Section II Financial Statement Findings**

No financial statement findings were noted during the audit for the year ended December 31, 2018.

**Section III Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **Village East Fire Protection District**

For the year ended December 31, 2018

#### **Section I Internal Control and Compliance Material to the Financial Statements**

##### Internal Control

No material weaknesses were reported during the audit for the year ended December 31, 2017.

No significant deficiencies were reported during the audit for the year ended December 31, 2017.

##### Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2017.

#### **Section II Internal Control and Compliance Material to Federal Awards**

Village East Fire Protection District did not expend federal awards in excess of \$750,000 during the year ended December 31, 2017 and therefore is exempt from the audit requirements under the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2017.

# **MANAGEMENT'S CORRECTIVE ACTION PLAN**

## **Village East Fire Protection District**

For the year ended December 31, 2018

### **Section I Internal Control and Compliance Material to the Financial Statements**

#### Internal Control

No material weaknesses were noted during the audit for the year ended December 31, 2018.

No significant deficiencies were noted during the audit for the year ended December 31, 2018.

#### Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2018.

### **Section II Internal Control and Compliance Material to Federal Awards**

Village East Fire Protection District did not expend federal awards in excess of \$750,000 during the year ended December 31, 2018 and therefore is exempt from the audit requirements under the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2018.