

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

FINANCIAL REPORT

December 31, 2017

HILL, INZINA & COMPANY

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Commissioners
Bastrop Area Fire Protection District Number Two
Bastrop, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Bastrop Area Fire Protection District Number Two (the "District"), 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

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 each major fund of the District as of December 31, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule be presented to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 Supplementary 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 other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This other supplementary 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. The other supplementary 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 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 30, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

/s/ Hill, Inzina & Co.

April 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended December 31, 2017

As management of Bastrop Area Fire Protection District Number Two (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the District's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the District's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the District based on information presented in the financial report and fiscal policies that have been adopted by the District. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and supplementary information that are provided in addition to this discussion and analysis of management.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net position and statement of activities, seeking to give the users of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets, liabilities, and deferred inflows of resources is 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 weakening. Evaluation of the overall economic health of the District would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the District's distinct activities or functions on revenues provided by the citizenry of the District.

The government-wide financial statements report governmental activities of the District that are principally supported by tax revenues and structure assessments. Governmental activities of the District include only public safety (fire).

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. The District has a governmental fund type that is reported in the fund financial statements and encompasses essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

As the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Reconciliations from both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance to the government-wide statements are provided to assist in understanding the differences between these two perspectives.

3. Notes to 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.

In addition to the basic financial statements and accompanying notes, the District also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net position of the District's governmental activities as of December 31:

	<u>2017</u>	<u>2016</u>
Other assets	\$ 3,273,999	\$ 2,942,033
Capital assets	<u>247,730</u>	<u>285,863</u>
Total assets	<u>\$ 3,521,729</u>	<u>\$ 3,227,896</u>
Other liabilities	<u>\$ 256,030</u>	<u>\$ 233,359</u>
Deferred inflows of resources	<u>\$ 1,188,190</u>	<u>\$ 1,186,219</u>
Net position:		
Invested in capital assets	\$ 247,730	\$ 285,863
Unrestricted	<u>1,829,779</u>	<u>1,522,455</u>
Total net position	<u>\$ 2,077,509</u>	<u>\$ 1,808,318</u>

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District will use the unrestricted net position to meet the ongoing obligations to users of its services and creditors.

The following summarizes the District's net position change of the governmental activities between the two years ended December 31:

	<u>2017</u>	<u>2016</u>
General revenues	\$ 1,226,098	\$ 1,200,401
Public safety expenses	<u>956,907</u>	<u>983,717</u>
Increase in net position	<u>\$ 269,191</u>	<u>\$ 216,684</u>

The District's expenses cover a range of services, with approximately 89% related to the payments made to City of Bastrop and Morehouse Tax Assessor for outside services.

General revenues are those available for the District to pay for the governmental activities. For the year ended December 31, 2017, taxes and structure assessment fees were by far the largest general revenue sources for the District.

Financial Analysis of Governmental Funds

As of December 31, 2017, the District's governmental fund reported an ending unassigned fund balance of \$1,806,548 compared to \$1,499,224 as of December 31, 2016.

Budgetary Highlights

The District adopted a budget for the General Fund for the year ended December 31, 2017 on December 8, 2016. The annual budget was prepared on a non-GAAP budgetary basis of accounting and was amended on December 27, 2017. Actual non-GAAP revenues of the General Fund of \$1,293,350 were less than appropriated revenues of \$1,315,000 by \$21,650 or 1.65%. Actual non-GAAP expenditures of \$896,103 were less than budgeted expenditures of \$923,000 by \$26,897.

Capital Assets and Debt Administration

As of December 31, 2017, the District had invested \$247,730 in a broad range of capital assets, including land, buildings, vehicles, and equipment. There were no capital asset additions or deletions during the year ended December 31, 2017.

Economic Factors and Next Year's Budget

The District foresees minimal change in operations for the next year. The budget adopted for the year ending December 31, 2018 includes a slight increase in revenues of \$3,000 with budgeted expenditures increasing by \$461,000, the majority being for capital outlay.

Requests for Information

This financial report is designed to provide a general overview of the District's financial picture 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 the Chairman, P. O. Box 1236, Bastrop, Louisiana 71220.

BASIC FINANCIAL STATEMENTS

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 2,295,676
Receivables	955,092
Prepaid expense	23,231
Capital assets:	
Land	4,500
Other capital assets, net of depreciation	<u>243,230</u>
Total assets	<u>\$ 3,521,729</u>

LIABILITIES

Accounts payable	<u>\$ 256,030</u>
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DEFERRED INFLOWS OF RESOURCES

Property taxes	<u>\$ 1,188,190</u>
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NET POSITION

Invested in capital assets	\$ 247,730
Unrestricted	<u>1,829,779</u>
Total net position	<u>\$ 2,077,509</u>

See notes to financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2017

Expenses:		
Current:		
Public safety:		
Commissioners' and secretary's compensation	\$	7,800
Depreciation		38,133
Insurance		9,934
Legal and accounting		9,725
Miscellaneous		5,449
Outside services		854,811
Pension cost		8,264
Repairs and maintenance		10,454
Utilities		12,337
Total expenses	\$	<u>956,907</u>
General revenues:		
Property taxes	\$	250,161
Structure assessment fees		915,402
Fire insurance rebate		35,304
State and refuge revenue sharing		23,207
Interest		2,024
Total general revenues	\$	<u>1,226,098</u>
Change in net position	\$	269,191
Net position - beginning		<u>1,808,318</u>
Net position - ending	\$	<u>2,077,509</u>

See notes to financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 2,295,676
Receivables	955,092
Prepaid expense	<u>23,231</u>
Total assets	<u>\$ 3,273,999</u>

LIABILITIES

Accounts payable	<u>\$ 256,030</u>
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DEFERRED INFLOWS OF RESOURCES

Property taxes	<u>\$ 1,188,190</u>
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FUND BALANCE

Nonspendable (prepaid expense)	\$ 23,231
Unassigned	<u>1,806,548</u>
Total fund balance	<u>\$ 1,829,779</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,273,999</u>

See notes to financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND - GENERAL FUND
For the Year Ended December 31, 2017

Revenues:	
Property tax	\$ 250,161
Structure assessment fees	915,402
Fire insurance rebate	35,304
State and refuge revenue sharing	23,207
Interest	2,024
Total revenues	<u>\$ 1,226,098</u>
Expenditures:	
Current:	
Public safety:	
Commissioners' and secretary's compensation	\$ 7,800
Insurance	9,934
Legal and accounting	9,725
Miscellaneous	5,449
Outside services	854,811
Pension cost	8,264
Repairs and maintenance	10,454
Capital outlay	<u>12,337</u>
Total expenditures	<u>\$ 918,774</u>
Net change in fund balance	\$ 307,324
Fund balance - beginning	<u>1,522,455</u>
Fund balance - ending	<u><u>\$ 1,829,779</u></u>

See notes to financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
December 31, 2017

Total fund balance - governmental fund balance sheet	\$ 1,829,779
Amounts reported for governmental activities in 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.	<u>247,730</u>
Total net position of governmental activities - government-wide statement of net position	<u>\$ 2,077,509</u>

See notes to financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

December 31, 2017

Net change in fund balance - governmental fund - general fund \$ 307,324

Amounts reported for governmental activities in 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 as depreciation expense. This is the
amount by which depreciation (\$38,133) exceeded capital outlay
(\$0) in the current period. (38,133)

Change in net position of governmental activities -
government-wide statement of activities \$ 269,191

See notes to financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

Note 1. Organization and Summary of Significant Accounting Policies

Bastrop Area Fire Protection District Number Two (the "District") is a component unit of Morehouse Parish. It was created by the Police Jury of Morehouse Parish on May 5, 1964 in accordance with Louisiana Revised Statute 40:1491. The District is governed by a board of five commissioners who are qualified voters, residents of the District, appointed by Morehouse Parish Police Jury, and serve five year terms. The chairman of the commissioners is compensated \$150 for each meeting attended while the other commissioners are compensated \$100.

The District was created for the purpose of maintaining and operating fire stations and equipment to provide fire protection within the boundaries of the District.

The District has no employees.

The District is considered a component unit of Morehouse Parish Police Jury, the financial reporting entity, as the District provides fire protection service to residents within Morehouse Parish.

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

The more significant of the District's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole as governmental activities that are supported by general revenues.

The statement of activities reports the expenses of a given function offset by program revenues, if any, directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Other revenue sources not properly included with the program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

Fund financial statements are provided for the governmental fund.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide financial statements report 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.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt which are reported as expenditures in the year paid.

Major revenue sources susceptible to accrual are property taxes and structure assessments. Property taxes are recognized as revenues in the year for which they are levied while structure assessments are recognized in the period collected. In general, all other revenues are recognized when cash is received.

Fund Type and Major Fund:

The District reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the District and accounts for all financial resources.

NOTES TO FINANCIAL STATEMENTS

Budgets and Budgetary Accounting:

The Board of Commissioners adopted the annual budget for the General Fund on December 19, 2016. The annual budget was prepared on a non-GAAP budgetary basis of accounting and was amended on December 27, 2017. The budgetary comparison schedule, included as supplementary information in the accompanying financial statements, includes the original and final budgeted amounts. All annual appropriations lapse at the end of each fiscal year.

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.

Cash and Certificates of Deposit:

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

State law allows the District to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Receivables:

Significant receivables include property taxes and structure assessment fees.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The District's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

NOTES TO FINANCIAL STATEMENTS

Prepaid Expense:

A prepaid expense is recorded in both the government-wide and fund financial statements for a cost paid in the year ended December 31, 2017 related to revenue that will be recorded and recognized in the year ending December 31, 2018.

Capital Assets and Depreciation:

Capital assets, which include property, plant, and equipment, with useful lives of more than one year are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. The District maintains a threshold level of \$2,500 or more for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

As surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles and equipment	7 - 10 years

Deferred Inflows of Resources:

In addition to liabilities, the District's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Property taxes receivable recorded before the period for which the taxes are actually levied are reported as deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS

Equity Classifications:

In the government-wide financial statements, equity is classified as net position and is displayed in three components:

- a. Invested in capital assets - consists of capital assets net of accumulated depreciation.
- b. Restricted - consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted - all other assets that do not meet the definition of "restricted" or "invested in capital assets".

In the fund financial statements, governmental fund equity is classified as nonspendable and unassigned fund balance. These statements provide more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable - amounts that are not in a spendable form (such as inventory and prepaids) or are required to be maintained intact;
- b. Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- c. Committed - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint;
- d. Assigned - amounts that the District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition - Property Taxes and Structure Assessment Fees:

Property taxes and structure assessment fees attach as an enforceable lien on property as of the date the tax rolls are filed with the recorder of mortgages which, by law, must be on or before November 15 of each year. Billed taxes and fees become delinquent on January 1 of the following year. Morehouse Parish Sheriff bills and collects the District's property taxes and structure assessment fees using the assessed values determined by Morehouse Parish Tax Assessor and the assessment fees approved by the voters of the District.

Note 2. Deposits with Financial Institutions

The following is a summary of cash and deposits as of December 31, 2017:

Non-interest bearing demand deposit	\$ 265,034
Interest bearing deposit	1,005,637
Certificates of deposit	<u>1,025,005</u>
	<u>\$ 2,295,676</u>

These deposits are stated at cost, which approximates market. Under state law, these 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.

As of December 31, 2017, the District had \$2,295,875 in deposits (collected bank balances). These deposits were secured from risk by \$500,000 of federal deposit insurance and \$1,795,875 of pledged securities either held by the counter party's trust department or agent in the District's name or by the District or its agent in the District's name.

There were no repurchase or reverse repurchase agreements as of December 31, 2017. The District had not formally adopted deposit and investment policies as of December 31, 2017 that limit the District's allowable deposits or investments and address the specific types of risk to which the District is exposed.

Note 3. Receivables

As of December 31, 2017, receivables of the District consisted of \$218,259 of property taxes and \$736,833 of structure assessment fees.

NOTES TO FINANCIAL STATEMENTS

Note 4. Taxes and Fees

The District is authorized to levy a maximum tax of 6.83 mills on property within the boundaries of the District for maintenance and operation beginning with the year 2009 and ending with the year 2018. The District levied 6.65 mills for the year ended December 31, 2017. Total property taxes levied were \$258,765.

The following were the principal property taxpayers for Morehouse Parish as a whole:

<u>Taxpayer</u>	<u>Total Assessed Valuation</u>
Entergy Louisiana Holdings, Inc.	\$ 7,754,400
Texas Gas Transmission Corp.	6,694,840
Midcontinent Express Pipeline, LLC	5,553,760

For the year ended December 31, 2017, in accordance with the provisions of Louisiana Revised Statute 40:1502.13, as amended, the District levied a structure assessment fee of \$175 on persons owning residential or commercial structures and on persons owning mobile homes, whether occupied or not, located wholly or partly within the boundaries of the District. This tax was levied on each structure for the purpose of providing fire protection and will expire in 2024.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2017 for the governmental activities of the District is as follows:

	Balance January <u>1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance December <u>31, 2017</u>
Capital assets not being depreciated:				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Capital assets being depreciated:				
Buildings	\$ 148,278	\$ -	\$ -	\$ 148,278
Vehicles and equipment	<u>641,372</u>	<u>-</u>	<u>-</u>	<u>641,372</u>
Total capital assets being depreciated	\$ 789,650	\$ -	\$ -	\$ 789,650
Less accumulated depreciation for:				
Buildings	\$ 95,074	\$ 4,388	\$ -	\$ 99,462
Vehicles and equipment	<u>413,213</u>	<u>33,745</u>	<u>-</u>	<u>446,958</u>
Total accumulated depreciation	\$ 508,287	\$ 38,133	\$ -	\$ 546,420
 Total capital assets being depreciated, net	 <u>\$ 281,363</u>	 <u>\$(38,133)</u>	 <u>\$ -</u>	 <u>\$ 243,230</u>

Depreciation expense was charged to the public safety governmental function.

NOTES TO FINANCIAL STATEMENTS

Note 6. Cooperative Endeavor Agreement

The District entered into a cooperative endeavor agreement with City of Bastrop, Louisiana (the "City"), on September 11, 2013 effective for two years commencing on July 1, 2013. During the first year of the agreement, the District agreed to pay the City \$800,000. Additional amounts may be necessary to cover the actual costs incurred by the City as a result of the agreement, and such increase will be added to the contract sum. The agreement with the same terms was renewed effective July 1, 2015 and July 1, 2017.

Under the terms of the agreement, the City is to provide fire protection to residents of the District in the same manner as is provided to residents of the City subject to availability of personnel, equipment, and water supply. During the term of the agreement, the District must maintain ownership of (or continue to lease, as lessee) three fire trucks. The District also agrees to maintain and keep in good repair the fire stations contracted or constructed by the District and to pay for all utility services. The City agrees to maintain statutory workman's compensation insurance on all of its employees and to carry a policy of general liability naming the District as an additional insured.

During the year ended December 31, 2017, the District paid the City \$831,575 under the agreement.

Note 7. Risk Management and Contingencies

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance to reduce the risk of loss resulting from property damage or liability claims on the fire station buildings and fire trucks. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

As of December 31, 2017, the District was not involved in any litigation nor aware of any unasserted claims.

Note 8. Subsequent Events

Subsequent events were evaluated through April 30, 2018, which is the date the financial statements were available to be issued, and it was determined that no significant event had occurred requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP) BUDGETARY BASIS -
GOVERNMENTAL FUND - GENERAL FUND
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 275,000	\$ 280,000	\$ 277,452	\$ (2,548)
Structure assessment fees	1,045,000	975,000	955,363	(19,637)
Fire insurance rebate	35,000	34,000	35,304	1,304
State and refuge revenue sharing	25,500	24,500	23,207	(1,293)
Interest	1,500	1,500	2,024	524
Total revenues	<u>\$ 1,382,000</u>	<u>\$ 1,315,000</u>	<u>\$ 1,293,350</u>	<u>\$ (21,650)</u>
Expenditures:				
Current:				
Public safety:				
Commissioners' and secretary's compensation	\$ 8,500	\$ 8,500	\$ 7,800	\$ 700
Insurance	20,000	15,000	10,385	4,615
Legal and accounting	10,000	10,000	9,725	275
Miscellaneous	15,500	5,500	5,449	51
Outside services	840,000	840,000	829,568	10,432
Pension cost	10,000	9,000	8,264	736
Repairs and maintenance	40,000	15,000	12,575	2,425
Utilities	15,000	15,000	12,337	2,663
Capital outlay	20,000	5,000	-	5,000
Total expenditures	<u>\$ 979,000</u>	<u>\$ 923,000</u>	<u>\$ 896,103</u>	<u>\$ 26,897</u>

(continued)

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -
GOVERNMENTAL FUND - GENERAL FUND (Continued)
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Net changes in fund balances	\$ 403,000	\$ 392,000	\$ 397,247	\$ 5,247
Fund balance - beginning (non-GAAP and GAAP budgetary basis)	<u>1,898,429</u>	<u>1,898,429</u>	<u>1,522,455</u>	<u>(375,974)</u>
Fund balance - ending (non-GAAP budgetary basis)	<u>\$ 2,301,429</u>	<u>\$ 2,290,429</u>	\$ 1,919,702	<u>\$(370,727)</u>
Adjustments to generally accepted accounting principles:				
Revenue accruals			(65,281)	
Expenditure accruals			(22,672)	
Deferred inflows of resources accrual			<u>(1,970)</u>	
Fund balance - ending (GAAP basis)			<u>\$ 1,829,779</u>	

OTHER SUPPLEMENTARY INFORMATION

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

SCHEDULE OF COMPENSATION PAID COMMISSIONERS
As of and for the Year Ended December 31, 2017

The schedule of compensation paid to the commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the commissioners is included in the public safety expenditures of the General Fund. The commissioners receive compensation pursuant to Louisiana Revised Statute 404.1.

<u>Name and Title</u>	<u>Compensation</u>
James Boyd, Chairman	\$ 1,800
Steve Mitcham	1,200
Jessie Griggs	600
Jimmy Luzader	1,200
Anthony Griffith	<u>1,200</u>
Total compensation	<u>\$ 6,000</u>

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
As of and for the Year Ended December 31, 2017

Agency Head Name: James Boyd, Chairman

<u>Purpose</u>	<u>Amount</u>
Compensation	\$ <u>1,800</u>

HILL, INZINA & COMPANY

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

Board of Commissioners
Bastrop Area Fire Protection District Number Two
Bastrop, 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 each major fund of Bastrop Area Fire Protection District Number Two (the "District"), 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 and have issued our report thereon dated April 30, 2018.

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 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 significance 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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-1, that we consider to be a significant deficiency.

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*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

This report is intended solely for the information and use of management, the commissioners, others within the District, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

/s/ Hill, Inzina & Co.

April 30, 2018

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

As of and for the Year Ended December 31, 2017

We have audited the financial statements of the governmental activities and each major fund of Bastrop Area Fire Protection District Number Two (the "District"), 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 and have issued our report thereon dated April 30, 2018. 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. Our audit of the financial statements as of December 31, 2017 resulted in an unqualified opinion.

Section I - Summary of Auditor's Report

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*

Internal Control

Significant Deficiencies Yes No Material Weaknesses Yes No

Compliance

Material to Financial Statements Yes No

Section II - Financial Statement Findings

2017-1 Inadequate Segregation of Duties (initially cited in first audit conducted by our firm as of and for the two years ended December 31, 1993)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

Due to the size of the board, management feels they have done all that can be done to segregate duties. This includes hiring an outside accountant to receive mail, pay bills, and make deposits.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
As of and for the Year Ended December 31, 2017

Section I - Internal Control and Compliance Material to Financial Statements

2016-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential
to a proper internal control structure.

Unresolved - 2017- 1.

Section II - Management Letter

None issued.

HILL, INZINA & COMPANY

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Bastrop Area Fire Protection District Number Two and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Bastrop Area Fire Protection District Number Two (the "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

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, we 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 District'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 District does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
**The District had no written policies and procedures addressing these specifics relative to budgeting.
 - 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.
**The District had no written policies or procedures addressing these specifics relative to purchasing.
 - c) **Disbursements**, including processing, reviewing, and approving
**The District had no written policies or procedures addressing these specifics relative to disbursements.

d) **Receipts**, including receiving, recording, and preparing deposits

**The District had no written policies or procedures addressing these specifics relative to receipts.

e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

**The District had no employees and had no written policies or procedures addressing these specifics relative to payroll/personnel.

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

**The District had no written policies or procedures addressing these specifics relative to contracting.

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

**The District had none of the type cards mentioned and had no written policies or procedures addressing these specifics relative to this type cards.

h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

**The District made no reimbursements and had no written policies and procedures addressing these specifics relative to travel and expense reimbursement.

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 annually attest through signature verification that they have read the Commission's ethics policy.

**The District had no written policies or procedures addressing these specifics relative to ethics.

j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, and (3) debt reserve requirements.

**The District had no outstanding debt and had no written policies and procedures addressing these specifics relative to debt service.

Board of Commissioners and Finance Committee

2. Obtain and review the board 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.

**The board of commissioners met (with a quorum) at least monthly during the fiscal period.

- 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 District'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.

**The District did not have a functioning finance committee. Each board member was provided a monthly budget-to-actual comparison on the General Fund but such was not actually referenced or included in the formal minutes. The District was not deficit spending during the fiscal period.

- 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.

**The minutes referenced or included non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

**Management of the District provided a listing of the bank accounts and representation that the listing was complete.

4. Using the listing provided by management, select all the District's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). 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;

Monthly or quarterly bank reconciliations were prepared by an outside CPA firm for the checking and savings accounts selected.

- 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

**There was no evidence that a member of management or a board member (with no involvement in the transactions associated with the bank accounts) reviewed the bank reconciliations.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

**None of the reconciliations had reconciling items that had been outstanding for more than six months as of the end of the fiscal period.

Collections

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

**Management of the District provided a listing of the collection locations and representation that the listing was complete

- 6. Using the listing provided by management, select all of the District'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 five locations). 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.

**The District's cash/check/money order collections are made by an outside CPA firm that is also responsible for depositing, recording, and reconciling. None of the employees of the CPA firm were bonded relative to the District's collections. A cash register or drawer was not used at the collection location.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the District has a formal process to reconcile 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 collections in the collection locations selected.

**The District had no formal, written process to reconcile collections by a person who is not responsible for collections.

- c) Select the highest (dollar) week of collections from the general ledger or other accounting records during the fiscal period and:

- Using the District's 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.
- **The District had no means to document the date the monies were received at the collection location. The highest (dollar) week of collections was comprised of one check that was dated December 31, 2016. A summary provided by the vendor for the check's payment was dated January 9, 2017 while the actual deposit was made by an outside CPA firm on January 17, 2017 and cleared the bank account on January 18, 2017.
- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily collections are completely supported by documentation and report any exceptions.

**Sequentially numbered receipts, system reports, or other related collection documentation are not used to verify collections.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the District has a process specifically defined (identified as such by the District) 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.

**The District had no process specifically defined to determine completeness of all collections by a person who is not responsible for collections.

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

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

**The District provided a listing of the disbursements and representation that the listing was complete.

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 Jury 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.

**A requisition/purchase order system or an equivalent electronic system is not utilized by the District.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

**See 9.a)

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; (3) and an approved invoice.

**90% of the District's total expenditures for the fiscal period were made under a cooperative endeavor agreement that did not require an approved requisition/purchase order, receiving report, or an approved invoice.

10. Using the District's 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 District's purchasing/disbursement system.

**All payments of the District are processed by an outside CPA firm who also adds vendors to the District's purchasing/disbursement system.

11. Using the District's 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.

**The president of the District's Board of Commissioners along with an employee of an outside CPA firm have signatory authority and both make final authorization for disbursements or have responsibility for initiating/recording the purchases.

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 the District's documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

**Unused checks are maintained at an outside CPA's office. Access to the unused checks is not restricted to those persons that do not have signatory authority.

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.

**The District did not have a signature stamp. The employee of an outside CPA firm that has signatory authority attest that checks are mailed immediately after 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 District had no active cards during the fiscal period and provided representation to that affect.

15. Using the listing prepared by management, randomly select ten cards (or at least one-third of the cards if the Jury has less than ten 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.]

**See 14.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

**See 14.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the ten cards selected (i.e. each of the ten 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.)

**See 14.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Jury'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.

**See 14.

- c) For each transaction, compare the Jury'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.

**See 14.

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 District made no travel and related expense reimbursements during the fiscal period and provided representation to that affect.

18. Obtain the Jury'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 (GSA) (www.gsa.gov) and report any amounts that exceed GSA rates.

**See 17.

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 Jury does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

**See 17.

- 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).

**See 17.

- c) Compare the Jury'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.

**See 17.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**See 17.

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 District provided a listing of the only contract in effect during the fiscal period and representation that the listing was complete.

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.

**A formal/written cooperative agreement that supported the service arrangement and fees was examined for the contract in effect during the fiscal period.

- 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 Commission 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 District solicited quotes as a best practice.

**The agreement was not subject to the bid law and procurement code nor was it feasible for other quotes to be solicited.

- 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.

**The agreement examined was not amended during the current fiscal period but was renewed effective July 1, 2017 for two years.

- 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.

**Payments made by the District during the fiscal period did comply with the terms and conditions of the agreement.

- 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).

**The Board of Commissioners authorized the president to sign all papers concerning the renewal of the agreement at a regular monthly meeting.

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:

**The District had no employees during the fiscal period and provided representation to that affect.

- 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.

**See 22.

- 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.

**See 22.

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 Jury 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.

**See 22.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

**See 22.

- c) Report whether there is written documentation that the Jury maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

**See 22.

24. Obtain from management a listing 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.

**See 22.

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. Documentation was reviewed providing evidence that 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.

**See 22.

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 Jury maintained documentation to demonstrate that required ethics training was completed.

**See 22.

27. Inquire of management whether any alleged ethics violations were reported to the Jury 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 Jury's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

**An employee of an outside CPA firm attested that there were no ethics violations during the fiscal year ended December 31, 2017. The District has no written policies or procedures addressing ethics.

Debt Service (excluding nonprofits)

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

**The District issued no debt during the fiscal period.

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

**The District had no outstanding debt during the fiscal period.

30. If the District 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.

**During the fiscal period, the District had no tax millages relating to debt service.

Other

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

**An employee of an outside CPA firm attested that there were no misappropriations of public funds during the fiscal year ended December 31, 2017.

32. Observe and report whether the District 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.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**An employee of an outside CPA firm attest that the District did not post on its premises the required notice. The District did not have a website.

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 regarding management's representations in the procedures above were noted.

We were 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 C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, 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.

/s/ Hill, Inzina & Co.

February 12, 2018



April 2, 2018

MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

We have reviewed the above report and concur with the findings listed. Although there is no written policy as noted above, the board seeks necessary information/guidance from an attorney, CPA/Auditor, or state law whenever situations warrant.