

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH

Component Unit Financial Statements
For the Year Ended December 31, 2017

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
JONESBORO, LOUISIANA

FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Ward Two Fire Protection District
Of Jackson Parish
Jonesboro, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of Ward Two Fire Protection District, a component unit of the Jackson Parish Police Jury, 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 of the Fire District as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Commissioners
Ward Two Fire Protection District
Of Jackson Parish
Jonesboro, Louisiana

Opinions

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

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6; the budgetary comparison information on page 23; the schedule of proportionate share of the net pension liability and schedule of contributions related to the Firefighters' Retirement System on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurances.

Other Information

The Schedule of Compensation, Benefits and Other Payments to Agency Head and Board of Commissioners is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head and Board of Commissioners 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*, I have also issued my report dated March 13, 2018, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

West Monroe, Louisiana
March 13, 2018

David M. Hatt, CPA (APAC)

REQUIRED SUPPLEMENTAL INFORMATION (PART A)
MANAGEMENT'S DISCUSSION AND ANALYSIS

WARD TWO FIRE PROTECTION DISTRICT
OF JACKSON PARISH
Ruston, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

Our discussion and analysis of Ward Two Fire Protection District of Jackson Parish's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the District's financial statements that begin on page 7.

BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 7 and 8 provide information about the activities of the District and present a long-term view of the District's financial position. The fund financial statements presented on pages 9 and 10 provide information on how the operations of the District are financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements.

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and the changes in net position. Net position is the difference between assets (what the District owns), plus deferred outflow of resources (consumption of assets that apply to a future period) and liabilities (what the District owes), and deferred inflow of resources (resources that apply to a future period) and is a way to measure the financial position of the District. Over time, increases or decreases in the District's net position are an indicator of whether the District's financial position is improving or deteriorating. In the Statement of Net Position and the Statement of Activities, the District reports only governmental activities due to the fact that the District is engaged in one governmental program - fire protection. Property taxes and intergovernmental revenues finance most of this activity.

Fund Financial Statements

The fund financial statements begin on page 9 and provide more detailed information about the District's funds. The District has only one fund, the General Fund, which is reported as a governmental fund.

WARD TWO FIRE PROTECTION DISTRICT
 OF JACKSON PARISH
 Ruston, Louisiana
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2017

All of the services provided by the District are accounted for in the General Fund. Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. Governmental funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations. Governmental fund information helps to determine whether there are more or fewer financial resources that are available to be spent in the near future.

The differences between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds reported in the fund financial statements are reported in a reconciliation at the bottom of the fund financial statements.

**COMPARATIVE ANALYSIS OF
 FINANCIAL DATA**

Government-Wide

The District's net position increased by \$57,405 during 2017. The increase in net position is due primarily to the \$602,108 the District received in property tax revenue that was used to purchase capital assets in the amount of \$110,896. The following presents an analysis of net position and the changes in net position of the District's governmental activities:

	GOVERNMENTAL ACTIVITIES	
	<u>2017</u>	<u>2016</u>
Assets		
Current assets	\$2,716,989	\$2,633,530
Capital assets	<u>2,419,500</u>	<u>2,520,129</u>
Total assets	<u>5,136,489</u>	<u>5,153,659</u>
Deferred outflow of resources	<u>61,002</u>	<u>54,207</u>
Liabilities		
Current liabilities	2,811	6,564
Long-term liabilities	<u>86,827</u>	<u>48,685</u>
Total liabilities	<u>89,638</u>	<u>55,249</u>
Deferred inflow of resources	<u>522,712</u>	<u>621,746</u>
Net Position		
Net investment in capital assets	2,419,500	2,520,129
Unrestricted	<u>2,165,641</u>	<u>2,010,742</u>
Total net position	<u>\$4,585,141</u>	<u>\$4,530,871</u>

WARD TWO FIRE PROTECTION DISTRICT
 OF JACKSON PARISH
 Ruston, Louisiana
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2017

	2016	2016
Expenses - public safety	<u>\$569,604</u>	<u>\$459,120</u>
Program revenues	5,984	1,848
General revenues:		
Property taxes	602,108	591,500
State fire insurance rebate	8,255	7,650
Interest earnings	10,662	4,240
Miscellaneous	-	750
Special item:		
Loss on disposal of equipment	<u>-</u>	<u>-</u>
Total revenues and special items	621,025	605,988
Change in net position	57,405	146,868
Net position - beginning	<u>4,527,736</u>	<u>4,380,868</u>
Net position - ending	<u>\$4,585,141</u>	<u>\$4,527,736</u>

Governmental Fund - General Fund

Total revenues and other financing sources decreased from \$605,988 in 2016 to \$621,025 in 2017 due from a \$15,037 increase in property taxes. Total expenditures in 2017 increased \$110,484 from 2016 total expenditures due to an increase in capital outlay.

OVERALL FINANCIAL POSITION

The District's net position increased \$57,405 as a result of this year's operations. Unrestricted net position (those assets available to finance the daily operations of the district) were \$2,165,641 at year end. The net investment in capital assets was \$2,419,500 at year end.

DISTRICT'S FUNDS

At the end of the year, the District's General Fund reported an unassigned fund balance of \$2,191,466. The increase in unassigned fund balance for 2017 was \$183,879.

GENERAL FUND BUDGETARY HIGHLIGHTS

At year end, actual revenues and other financing source exceeded budgeted revenues by \$78,921, and actual expenditures were \$94,458 less than budgeted expenditures due to a decrease in salaries and related benefits. The District did not amend its budget during the year.

WARD TWO FIRE PROTECTION DISTRICT
OF JACKSON PARISH
Ruston, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$2,419,500. Capital assets include land, buildings, vehicles, and equipment costing \$250 or more. Total fixed asset additions were \$110,896 during the year. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Long-Term Obligations

During the year ended December 31, 2015, the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits. In accordance with GASB Statement No. 68, the District is reporting a net pension liability of \$86,827 on the statement of net position for governmental activities at December 31, 2017. Additional information about the District's net pension liability is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's revenues are derived mainly from property taxes and a variety of grants and state fire insurance rebates. The District is not aware of any significant increases or decreases in those revenues sources or associated expenditures but in light of the current economic volatility, the District must continue to monitor its limited resources to fit the needs of the citizens of Richland Parish and be aware of other funding opportunities that may present themselves.

COMPONENT UNIT FINANCIAL STATEMENTS

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental Activities</u>
<i>Assets</i>	
Cash and Cash Equivalents	\$ 620,205
Investments	1,586,325
Accounts Receivable	510,459
Capital Assets:	
Non-Depreciable	18,024
Depreciable	2,401,476
Total Assets	<u>5,136,489</u>
<i>Deferred Outflows of Resources</i>	
Resources Related to Pensions	61,002
<i>Liabilities</i>	
Accounts Payable	\$ 2,811
Net Pension Liability	<u>86,827</u>
Total Liabilities	89,638
<i>Deferred Inflows of Resources</i>	
Property Taxes	522,712
Resources Related to Pensions	<u>-</u>
Total Deferred Inflows of Resources	522,712
<i>Net Position</i>	
Net Investment in Capital Assets	2,419,500
Net Position - Unrestricted	<u>2,165,641</u>
Total Net Position	<u><u>\$ 4,585,141</u></u>

The accompanying notes are an integral part of this financial statement.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities					
Public Safety	\$ 569,604	\$ 5,984	\$ -	\$ -	\$ (563,620)

General Revenues:		
Property Taxes		602,108
Insurance Rebate		8,255
Interest		10,662
Miscellaneous		-
Total General Revenues		621,025
Changes in Net Position		57,405
Net Position - Beginning		4,527,736
NET POSITION - ENDING		\$ 4,585,141

The accompanying notes are an integral part of this financial statement.

COMPONENT UNIT FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
BALANCE SHEET, GOVERNMENTAL FUNDS
DECEMBER 31, 2017

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 620,205
Investments	1,586,325
Accounts Receivable	510,459

TOTAL ASSETS \$ 2,716,989

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ 2,811
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Deferred Inflow of Resources

Property Taxes	522,712
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Fund Balance

Unassigned	2,191,466
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TOTAL LIABILITIES AND FUND BALANCE \$ 2,716,989

The accompanying notes are an integral part of this financial statement.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
BALANCE SHEET, GOVERNMENTAL FUNDS
DECEMBER 31, 2017

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position**

*Amounts reported for governmental activities in the Statement of Net Position are
different because:*

Fund Balance, Governmental Funds:	\$ 2,191,466
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,419,500
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	(86,827)
The net effect of deferred outflows of resources and deferred inflows of resources related to pensions do not require the use of current financial resources and therefore are not reported in the funds.	<u>61,002</u>
Net Position of Governmental Activities	<u><u>\$ 4,585,141</u></u>

The accompanying notes are an integral part of this financial statement.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Operating Revenue</u>	
Property Taxes	\$ 602,108
Intergovernmental Revenues:	
Fire Insurance Rebate	8,255
Interest Earnings	10,662
Miscellaneous Revenue	-
Total Operating Revenue	621,025
 <u>Operating Expenses</u>	
Public Safety - Fire Protection:	
Current:	
Salaries and Related Benefits	138,166
Administrative	15,213
Fuel Allowance	9,360
Insurance	41,445
Building & Property Maintenance	9,605
Equipment Maintenance	28,321
Vehicle Maintenance	5,103
Utilities	12,372
EMS/Fire Training	8,261
Miscellaneous	-
Capital Outlay	147,610
Intergovernmental	21,690
Total Operating Expenses	437,146
 <u>Change in Fund Balance</u>	 183,879
 <u>Other Financing Sources (Uses)</u>	
Sales of Equipment	-
 <u>Net Change in Fund Balance</u>	 183,879
 <u>Fund Balance - Beginning of the Year</u>	 2,007,587
 <u>FUND BALANCE - END OF THE YEAR</u>	 \$ 2,191,466

The accompanying notes are an integral part of this financial statement.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017 (CONTINUED)

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities**

*Amounts reported for governmental activities in the Statement of Activities
are different because:*

Net change in fund balances - total governmental funds		\$ 183,879
<p>Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital assets	110,896	
Less current year depreciation	<u>(211,545)</u>	
		(100,649)
<p>Governmental funds report current year pension contributions as expenditures. However, in the statement of activities, these contributions are reported as deferred inflows of resources and the District's proportionate share of the plans pension expense is reported as pension expense.</p>		
		(31,809)
<p>The District's proportionate share of non-employer contributions to the pension plans do not provide current financial resources and are not reported in the governmental funds.</p>		
		<u>5,984</u>
Changes in net position of governmental activities		<u>\$ 57,405</u>

The accompanying notes are an integral part of this financial statement.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

INTRODUCTION

Ward Two Fire Protection District of Jackson Parish (the District) was created by resolution of the Jackson Parish Police Jury in August 1987, for the purpose of purchasing and maintaining fire equipment and providing fire protection for the people included in the district according to the boundaries set by Richland Parish Police Jury. The District is governed by a board of commissioners consisting of five members who serve without compensation. Two members are appointed by the Jackson Parish Police Jury, one member is appointed by each municipality in the District, and the fifth member, who is Chairman, is selected by the other four members. The District has one full-time and nineteen part-time employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the District is considered a component unit of the Jackson Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

Note 1 - Summary of Significant Accounting Policies

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 - Summary of Significant Accounting Policies - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The General Fund is the entity's primary operating fund. It accounts for all financial resources of the entity, except those required to be accounted for in another fund. The District has no proprietary fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 - Summary of Significant Accounting Policies - Continued

C. CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the entity 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.

The District's investments consist of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost. The District's interest rate risk is limited by the investments of funds for no longer than 12 months.

D. RECEIVABLES AND PAYABLES

Property taxes are levied on a calendar year basis and become delinquent on January 1 of each year. The following is a summary of authorized and levied Parcel Fees:

	<u>Authorized</u>	<u>Levied</u>	<u>Expiration Date</u>
Property Taxes	11.64 Mills	11.64 Mills	2017

Delinquent property taxes are considered fully collectible and therefore no allowance for uncollectible fees is provided.

E. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$250 or more for capitalizing capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No construction occurred during the current fiscal year.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 - Summary of Significant Accounting Policies - Continued

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings	40 Years
Vehicles	7-15 Years
Equipment	5-10 Years

F. COMPENSATED ABSENCES

The District is operated by volunteers and therefore has no policy for compensated absences.

G. LONG-TERM OBLIGATIONS

In the government-wide financial statements, capital leases and other long-term obligations are reported as liabilities in the statement of net position.

H. FUND EQUITY

GASB Statement No. 54 establishes standards for five fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in government funds. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining Two classifications: restricted, committed, assigned and unassigned.

Restricted Fund Balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Commissioners – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 - Summary of Significant Accounting Policies - Continued

H. FUND EQUITY (Continued)

Assigned Fund Balance – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance – This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned and unassigned – in order as needed.

I. ESTIMATES

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

Note 2 - Stewardship, Compliance, and Accountability

Budget Information: Preliminary budgets for the ensuing year are prepared by the secretary-treasurer during November of each year. During November, the Board reviews the proposed budget and makes changes as it deems appropriate. The budget is then adopted during the December meeting. All annual appropriations lapse at year end. Encumbrance accounting is not used by the District. Budgeted amounts included in the accompanying financial statements include the original adopted budget and no amendments for the year ended December 31, 2017.

Note 3 - Cash and Cash Equivalents

Custodial Credit Risk – deposits. The 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’s policy to ensure there is no exposure to this risk is to require the financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. Accordingly, the District had no custodial credit risk related to its deposits at December 31, 2017.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 3 - Cash and Cash Equivalents (continued)

The District has cash and investments – certificates of deposit (book balances) totaling \$2,206,530 at December 31, 2017 as follows:

Checking	\$ 620,205
Investments – Certificates of Deposit	<u>1,586,325</u>
Total	<u>\$ 2,206,530</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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at December 31, 2017, are secured as follows:

Bank Balances	\$ 2,228,699
FDIC Insurance	500,000
Pledged Collateral	<u>2,055,236</u>
Uninsured Amount	<u>\$ 2,555,236</u>

The accounts are managed by the District's fiscal agent and consist of securities issued or guaranteed by the U.S. government. Investments are in accordance with LRS 33:2955(A)(1)(e) and are not required to be covered by the pledge of securities owned by the fiscal agent bank.

Note 4 - Accounts Receivable

At December 31, 2017, the District's accounts receivable consisted of the following:

Property Tax Receivable	\$ 510,459
Total Accounts Receivable	<u>\$ 510,459</u>

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 5 - Property, Plant and Equipment

Capital asset activity for the year ended December 31, 2017 and 2016 is as follows:

	December 31,			December 31,
	2016			2017
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Non-Depreciable Assets:				
Land	\$ 18,024	\$ -	\$ -	\$ 18,024
Depreciable Assets:				
Trucks	2,650,309	45,648	-	2,695,957
Equipment	351,374	12,800	-	364,174
Buildings	<u>795,388</u>	<u>52,448</u>	-	<u>847,836</u>
Totals at Historical Cost	3,797,071	110,896	-	3,907,987
Less Accumulated Depreciation for:				
Trucks	(881,171)	(160,549)	-	(1,041,720)
Equipment	(241,491)	(32,686)	-	(274,177)
Buildings	<u>(172,304)</u>	<u>(18,310)</u>	-	<u>(190,614)</u>
Total Accumulated Depreciation	<u>(1,294,966)</u>	<u>(211,545)</u>	-	<u>(1,506,511)</u>
CAPITAL ASSETS, NET	<u>\$2,520,129</u>	<u>\$(100,649)</u>	<u>\$ -</u>	<u>\$2,419,500</u>

Depreciation expense was \$211,545 in 2017.

Note 6 - Firefighters' Retirement System of Louisiana (System)

Plan Description

The Jackson Parish Ward 2 Fire Protection District contributes to the Firefighters' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. Membership in the System is mandatory for all full-time firefighters who earn more than \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana.

Any member of the Plan can retire providing the member meets one of the following criteria:

1. Any age with 25 years of creditable service.
2. Age 50 with a minimum of twenty or more years of creditable service.
3. Age 55 with a minimum of twelve or more years of creditable service.

The monthly amount of benefits are 3 1/3% of their average final compensation multiplied by his total years of service, not to exceed 100% of final salary.

The system also provides death and disability benefits. Benefits are established or amended by state statute.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 - Firefighters' Retirement System of Louisiana (System) (Continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Firefighters' Retirement System of Louisiana, 3100 Brentwood Drive, Baton Rouge, Louisiana, or by visiting the System's website www.lafirefightersret.com.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended December 31, 2016, total contributions due for employers and employees were 25.25% for January-June and 26.50% for July-December, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employee contribution rate was 10.00% for the entire year. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities but are not considered special funding situations.

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

At December 31, 2017, the District reported a liability of \$135,512 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Jackson Parish Ward 2 Fire Protection District's proportion of the Net Pension Liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .023642%, which was an increase of .016198% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Jackson Parish Ward 2 Fire Protection District recognized pension expense of \$23,424 plus the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$8,385. Total pension expense was \$31,809.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 - Firefighters' Retirement System of Louisiana (System) (Continued)

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$-	\$7,557
Changes in assumption	5,668	32
Net difference between projected and actual earnings on pension plan	11,658	-
Changes in employer's portion of beginning net pension liability	85,990	(5,571)
Differences between employer and proportionate share of contributions	271	-
Subsequent measurement contributions	11,273	-
Total	\$114,860	\$2,018

The \$11,273 reported as deferred outflows of resources related to pensions resulting from the Jackson Parish Ward 2 Fire Protection District contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2018	16,120
2019	16,120
2020	16,120
2021	16,120
2022	16,120
2023	16,120
2024	16,120

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 is as follows:

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 - Firefighters' Retirement System of Louisiana (System) (Continued)

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	7.40% per annum (net of investment expenses, including inflation) (decreased from 7.50% in 2016)
Expected Remaining Service Lives	7 years, closed period
Inflation rate	2.775% per annum (decreased from 2.875% in 2016)
Mortality Rate Assumption	The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009, through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and set back three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement
Salary increases	Vary from 15.0% in the first two years of service to 4.75% with 25 or more years of service; includes inflation and merit increases
Cost-of-Living Adjustments (COLAs)	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.

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, 2.75%. The resulting long-term expected arithmetic nominal rate of return was 8.29% as of June 30, 2017. Best estimates of arithmetic real rates of return for each major class includes in the System's target asset allocation as of June 30, 2017, are summarized in the following table:

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 - Firefighters' Retirement System of Louisiana (System) (Continued)

	Asset Type	Target Asset Allocation	Long-Term Expected Real Rate of Return
Equity	U.S. Equity	27.00%	6.15%
	Non-U.S. Equity	20.00%	7.45%
	Global Equity	10.00%	6.85%
Fixed Income	Fixed Income	23.00%	2.04%
Alternatives	Real Estate	6.00%	4.62%
	Private Equity	4.00%	8.73%
Multi-Asset Strategies	Global Tactical Asset Allocation	5.00%	4.40%
	Risk Parity	5.00%	4.79%
		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Jackson Parish Ward 2 Fire Protection District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Jackson Parish Ward 2 Fire Protection District's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40%) or one percentage-point higher (8.40%) than the current rate:

	1.0% Decrease (6.40%)	Current Discount Rate (7.40%)	1.0% Increase (8.40%)
Employer's proportionate share of net pension liability	\$194,726	\$135,512	\$85,735

Plan Fiduciary Net Position

Detailed information about the System's fiduciary net position is available in the separately issued Firefighters' Retirement System of Louisiana Audit Report at www.lafirefightersret.com.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 7 - Risk Management

The District purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Note 8 - Subsequent Events

Subsequent events have been evaluated through March 13, 2018, which is the day the financial statements were available to be issued, and it has been determined that no significant events have occurred for disclosure.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)
BUDGETARY COMPARISON SCHEDULES

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u> <u>Over(Under)</u>
Revenues				
Taxes:				
Ad valorem tax	531,604	531,604	602,108	70,504
Intergovernmental revenues:				
Fire Insurance rebates	7,500	7,500	8,255	755
Interest and Dividend Earnings	3,000	3,000	10,662	7,662
Other revenues	-	-	-	-
Total Revenues	<u>542,104</u>	<u>542,104</u>	<u>621,025</u>	<u>78,921</u>
Expenditures				
Insurance	48,000	48,000	41,445	6,555
Building, Equipment & Vehicles Maintenance	45,000	45,000	43,029	1,971
Fuel Allowance	10,500	10,500	9,360	1,140
Utilities	17,500	17,500	12,372	5,128
Capital Improvements	240,000	240,000	147,610	92,390
Small Tools & Supplies	-	-	-	-
Administrative	12,250	12,250	15,213	(2,963)
Training/EMS	10,250	10,250	8,261	1,989
Salaries & Related Benefits	147,905	147,905	138,166	9,739
Miscellaneous	199	199	-	199
Intergovernmental	-	-	21,690	(21,690)
Total Expenditures	<u>531,604</u>	<u>531,604</u>	<u>437,146</u>	<u>94,458</u>
Net Change in Fund Balance	10,500	10,500	183,879	173,379
Other Financing Sources				
Sale of Equipment	-	-	-	-
Net Change in Fund Balance	10,500	10,500	183,879	173,379
Fund Balance at Beginning of Year	<u>2,007,587</u>	<u>2,007,587</u>	<u>2,007,587</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,018,087</u>	<u>\$ 2,018,087</u>	<u>\$ 2,191,466</u>	<u>\$ 173,379</u>

The accompanying notes are an integral part of this financial statement.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
NOTES TO BUDGET COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017

Preliminary budgets for the ensuing year are prepared by the secretary-treasurer during November of each year. During November, the Board reviews the proposed budget and makes changes as it deems appropriate. The budget is then adopted during the December meeting. All annual appropriations lapse at year end. Encumbrance accounting is not used by the District. Budgeted amounts included in the accompanying financial statements include the original adopted budget and no amendments for the year ended December 31, 2017.

The accompanying notes are an integral part of this financial statement.

OTHER SUPPLEMENTAL SCHEDULES

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
SCHEDULE OF COMPENSATION, REIMBUREMENTS, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD,
POLITICAL SUBDIVISION HEAD, OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2017

Name	Office	Compensation	Reimbursements
M.A. (Mack) Williams	Commissioner	None	None
Alton Fallin	Commissioner	None	None
George Gryder	Commissioner	None	None
Charles Hopkins	Commissioner	None	None
William (Bill) Wheelis	Commissioner	None	None

Schedule III

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	6/30/2016 2017	6/30/2016 2016	6/30/2015 2015	6/30/2014 2014
Employer's proportion of the net pension liability (asset)	0.023642%	0.007444%	0.000976%	0.000000%
Employer's proportionate share of the net pension liability (asset)	135,512	48,690	5,268	-
Employer's covered employee payroll	55,200	16,786	3,161	-
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	245.49%	290.07%	166.68%	0.00%
Plan fiduciary net pension as a percentage of the total pension liability	73.55%	68.16%	72.45%	76.02%

The amounts presented have a measurement date of June 30.

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

Schedule IV

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Contractually required contribution	18,545	7,687	4,477	-
Contributions in relation to contractually required contribution	18,545	7,687	4,477	-
Contribution deficiency (excess)	-	-	-	-
Employer's covered employee payroll	71,340	30,148	16,198	-
Contributions as a percentage of covered employee payroll	26.00%	25.50%	27.64%	0.00%

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

COMPLIANCE REPORTING

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
Ward Two Fire Protection District
Of Jackson Parish
Jonesboro, LA 71251

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Ward Two Fire Protection District of Jackson Parish, 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 my report thereon dated March 13, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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, 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 *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as 2017-1 and 2017-2 that I consider to be significant deficiencies.

To the Board of Commissioners
Ward Two Fire Protection District
Of Jackson Parish
Jonesboro, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ward Two Fire Protection District of Jackson Parish's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the use of management of Ward Two Fire Protection District of Jackson Parish and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

David M. Nault, CPA (ISPAIC)

West Monroe, Louisiana
March 13, 2018

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

To the Board of Commissioners
Ward Two Fire Protection District of
Jackson Parish
Jonesboro, Louisiana

I have audited the financial statements of Ward Two Fire Protection District of Jackson Parish, a component unit of the Jackson Parish Police Jury as of and for the year ended December 31, 2017 and have issued my report thereon dated March 13, 2018. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2017, resulted in an unqualified opinion.

Section I- Summary of Auditor's Results

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness ___ yes X no

Significant Deficiencies not considered to be
Material Weaknesses X yes ___ no

Compliance

Compliance Material to Financial Statements ___ yes X no

B. Federal Awards – N/A

Material Weakness Identified ___ yes ___ no

Significant Deficiencies not considered to be
Material Weaknesses ___ yes ___ no

Type of Opinion on Compliance For Major Programs (No Major Programs)

Unqualified ___ Qualified ___

Disclaimer ___ Adverse ___

Are their findings required to be reported in accordance with the Uniform Guidance?
N/A

C. Identification of Major Programs: N/A

Name of Federal Program (or cluster) CFDA Number(s) N/A

Dollar threshold used to distinguish between Type A and Type B Programs. N/A

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? N/A

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Internal Control and Compliance Material to the Financial Statements

2017-1 Inadequate Segregation of Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: All accounting duties are performed by one employee.

Cause: Limited number of employees due to the small size of the District.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

Management's Response: It is not feasible to correct this deficiency based on the size of the District.

2017-2 Inadequate Controls Over Preparation of Annual Financial Statements.

Criteria: The District is required to prepare annual financial statements in accordance with generally accepted accounting principles and should have internal controls in place to prevent, detect or correct a misstatement of those financial statements.

Condition: Due to its small size, the District does not have an individual with the expertise to perform these internal control functions effectively.

Cause: Limited number of employees due to the small size of the District.

Effect: Misstatements in the financial statements may not be detected within a timely period.

Recommendation: None

Management's Response: It is not feasible to correct this deficiency based on the size of the District.

Section II - Financial Statement Findings

No findings were reported under this section.

Section III - Management Letter

No management letter was issued.

WARD TWO FIRE PROTECTION DISTRICT OF
JACKSON PARISH
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Internal Control and Compliance Material to the Financial Statements

2016-1 Inadequate Segregation of Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: All accounting duties are performed by one employee.

Recommendation: None

Finding Status: Unresolved, see 2017-1 in current year findings.

2016-2 Inadequate Controls Over Preparation of Annual Financial Statements.

Criteria: The District is required to prepare annual financial statements in accordance with generally accepted accounting principles and should have internal controls in place to prevent, detect or correct a misstatement of those financial statements.

Condition: Due to its small size, the District does not have an individual with the expertise to perform these internal control functions effectively.

Recommendation: None

Finding Status: Unresolved, see 2017-2 in current year findings.

Section II - Internal Control and Compliance Material to Federal Awards

This section is not applicable for this entity.

Section III - Management Letter

This section is not applicable for this entity.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Ward Two Fire Protection District and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Ward Two Fire Protection District (Entity) 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 Entity'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, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Currently, the Ward Two Fire Protection District does not have written policies and procedures addressing budgeting, disbursements, receipts, payroll/personnel, contracting, ethics and debt service, but are in the process of writing policies as of January 1, 2018. The District does however have a policy for purchasing.

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

The District's minutes were reviewed without exception and the Board meets monthly. The minutes include a financial recap for the Board to review.

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

The District has four bank accounts and all bank reconciliations for each month have been prepared. There is no evidence that a member of management with no involvement in the transactions associated with the bank account has reviewed each bank reconciliation. There are no outstanding checks over six months old on any reconciliation.

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

All cash/checks/money order (cash) collection is done at one locations, the District's office in Vernon, LA. There is only one employee that handles all aspects of the accounting process and he is bonded. That employee receives the checks and all cash received and makes the deposit. A copy of the check received is made and put in the file and no sequentially numbered receipts are used.

The highest (dollar) week of cash collections was selected and traced to the deposit slip and bank statement without exception. There is no written policy for the District to determine completeness of all collections.

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

A listing of disbursements was obtained and from that, 25 disbursements were randomly selected. Purchase orders are used in purchasing and there is approval on the invoices, and they are presented each month to the Board at their monthly meetings and approved there as well. There is only one employee in charge of all areas of the accounting function. The employee can add vendors to the computer system and has signatory authority. The Secretary/Treasurer has signatory authority along with the Chairman and one other Board member. The Secretary/Treasurer initiates all purchases. Blank checks are maintained in the locked filing cabinet and no signature stamp is used.

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).
If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The District only has no cards for purchases.

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.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
 - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The District does pay reimbursements for travel and minor purchasing expenses made by employees.

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.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

The District does not maintain any contracts.

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee.

Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete.

If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

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.

There are 5 employees at the District. There are formal employment contracts for pay rate structure. No changes were made to salaries during the year. Attendance records are not required for any of the employees since they are on a fixed salary. Leave records are maintained on three of the five employees and were tested without exception.

All employee and employer portions of payroll taxes and the required reporting forms were filed timely.

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

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

Two Board members and the Fire Chief received the required ethics training, none of the other Board members, four employees or volunteers have not. Inquired as to any alleged ethics violations being reported to them and there were none.

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

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

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

The District has no debt. The District receives a millage for operations that is collected by the Parish Tax Collector and remitted to the District.

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Inquired of management whether the District had any misappropriations of public funds or assets and there was none. The entity does not have posted on its premises, the notice required by R.S. 24:523.1 as of year-end but does have it in place currently.

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

The purpose of this report is solely to describe the scope of testing performed on those 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.

David M. Hattl, CPA (APAC)

West Monroe, Louisiana
March 13, 2018