

Fire Protection District No. 1
Beauregard Parish Police Jury
State of Louisiana

Annual Financial Statements
With Independent Auditor's Report

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Fire Protection District No. 1
Parish of Beauregard
State of Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fire Protection District No. 1, Parish of Beauregard, State of Louisiana, a component unit of the Beauregard Parish Police Jury, as of and for the year ended December 31, 2016, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 respective financial position of the governmental activities and each major fund of Fire Protection District No. 1, Parish of Beauregard, State of Louisiana as of December 31, 2016, and the respective 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, budgetary comparison information, schedule of the district's proportionate share of the net pension liability and schedule of district's pension contribution on pages 26 through 28 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 the 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 inquires 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire Protection District No. 1, Parish of Beauregard, State of Louisiana's basic financial statements. The schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are 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 our opinion, the schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are fairly stated in all material respects in relation to the basic financial statements as a whole.

Members of the Board of Commissioners
Fire Protection District No. 1
Parish of Beauregard
State of Louisiana
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2017, on our consideration of Fire Protection District No. 1, Parish of Beauregard, State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Fire Protection District No. 1, Parish of Beauregard, State of Louisiana's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jermel D. Windham, CPA". The signature is written in a cursive style.

DeRidder, Louisiana
April 26, 2017

BASIC FINANCIAL STATEMENTS

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement A

Statement of Net Position
December 31, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,187,995
Receivables:	
Ad valorem taxes	437,739
Due from employees	247
Restricted assets:	
Cash	54,629
Ad valorem tax receivable	73,694
Capital assets not being depreciated	23,949
Capital assets being depreciated, net	824,885
Total assets	\$ 2,603,138
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	\$ 59,237
Total assets and deferred outflows of resources	\$ 2,662,375
LIABILITIES	
Accounts payable	\$ 15,105
Payroll taxes payable	2,644
Retirement payable	2,062
Pension payable - ad valorem tax	14,833
Current liabilities payable from restricted assets:	
Pension payable - ad valorem tax	2,497
Accrued interest payable	1,380
Long term liabilities:	
Due within one year	90,000
Due in more than one year	200,937
Total liabilities	\$ 329,458
DEFERRED INFLOWS OF RESOURCES	
Pension contributions	\$ 13,714
Total liabilities and deferred inflows of resources	\$ 343,172
NET POSITION	
Net investment in capital assets	\$ 848,834
Restricted	124,446
Unrestricted	1,345,923
Total net position	\$ 2,319,203
Total liabilities, deferred inflows of resources and net position	\$ 2,662,375

The accompanying notes are an integral part of this statement.

Fire Protection District No. 1
 Beauregard Parish Police Jury
 DeRidder, Louisiana

Statement B

Statement of Activities
 For the Year Ended December 31, 2016

		<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
Program Activities	<u>Expenses</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:			
Public safety	\$ 533,616	\$ 1,500	\$ (532,116)
Interest on long term debt	4,825	-	(4,825)
Total governmental activities	<u>\$ 538,441</u>	<u>\$ 1,500</u>	<u>\$ (536,941)</u>
General revenues:			
Taxes:			
Ad valorem taxes			501,920
Fire insurance tax			30,338
Investment earnings			25,359
Insurance proceeds			3,943
Nonemployer pension revenue			7,626
Total general revenues			<u>569,186</u>
Change in net position			32,245
Net position at beginning of year			<u>2,286,958</u>
Net position at end of year			<u><u>\$ 2,319,203</u></u>

The accompanying notes are an integral part of the statement.

Fire Protection District No. 1
 Beauregard Parish Police Jury
 DeRidder, Louisiana

Statement C

Balance Sheet
 Governmental Funds
 December 31, 2016

	Major Funds		Total Governmental Funds
	General Fund	Debt Service Fund	
ASSETS			
Cash and cash equivalents	\$ 1,187,995	\$ 54,629	\$ 1,242,624
Receivables:			
Ad valorem	437,739	73,694	511,433
Due from employees	247	-	247
Total assets	<u>\$ 1,625,981</u>	<u>\$ 128,323</u>	<u>\$ 1,754,304</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,105	\$ -	\$ 15,105
Payroll taxes payable	2,644	-	2,644
Retirement payable	2,062	-	2,062
Pension payable - ad valorem tax	14,833	2,497	17,330
Total liabilities	<u>\$ 34,644</u>	<u>\$ 2,497</u>	<u>\$ 37,141</u>
Fund Balances:			
Restricted	\$ -	\$ 125,826	\$ 125,826
Unassigned	1,591,337	-	1,591,337
Total fund balances	<u>\$ 1,591,337</u>	<u>\$ 125,826</u>	<u>\$ 1,717,163</u>
Total liabilities and fund balances	<u>\$ 1,625,981</u>	<u>\$ 128,323</u>	<u>\$ 1,754,304</u>

The accompanying notes are an integral part of this statement.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement D

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2016

Total fund balance - total governmental funds		\$	1,717,163
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.			848,834
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.			(1,380)
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows			59,237
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows			(13,714)
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Due within one year	\$	(90,000)	
Due in more than one year		<u>(200,937)</u>	
			<u>(290,937)</u>
Net position of governmental activities		\$	<u><u>2,319,203</u></u>

The accompanying notes are an integral part of this statement.

Fire Protection District No. 1
 Beauregard Parish Police Jury
 DeRidder, Louisiana

Statement E

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2016

	Major Funds		Total
	General Fund	Debt Service Fund	Governmental Funds
Revenues			
Taxes:			
Ad valorem	\$ 429,863	\$ 72,057	\$ 501,920
Fire insurance tax	30,338	-	30,338
Intergovernmental:			
Local grant	1,500	-	1,500
Investment income	25,080	279	25,359
Total revenues	\$ 486,781	\$ 72,336	\$ 559,117
Expenditures			
Current operating:			
Public safety	\$ 386,949	\$ 2,997	\$ 389,946
Debt service:			
Principal	-	85,000	85,000
Interest	-	6,128	6,128
Capital outlay	60,854	-	60,854
Total expenditures	\$ 447,803	\$ 94,125	\$ 541,928
Excess (deficiency) of revenues over expenditures	\$ 38,978	\$ (21,789)	\$ 17,189
Other financing sources:			
Insurance proceeds	\$ 3,943	\$ -	\$ 3,943
Net change in fund balance	\$ 42,921	\$ (21,789)	\$ 21,132
Fund balances at beginning of year	1,548,416	147,615	1,696,031
Fund balances at end of year	\$ 1,591,337	\$ 125,826	\$ 1,717,163

The accompanying notes are an integral part of this statement.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement F

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$	21,132
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital position recorded in the current period.		
		60,854
Pension expense is based on employer contributions in the governmental funds, but is an actuarially calculated expense on the Statement of Activities		
		4,447
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of bond repayments.		
		85,000
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		
		(140,491)
Accrued interest on long term debt is not shown in the governmental funds.		
		<u>1,303</u>
Change in net position of governmental activities	\$	<u><u>32,245</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements
As of and for the Year Ending December 31, 2016

INTRODUCTION

Fire Protection District No. 1, Parish of Beauregard, State of Louisiana was established through the adoption of a resolution, Ordinance No. 3-78, dated May 9, 1978, by the Beauregard Parish Police Jury, State of Louisiana. The District provides fire protection and safety for Wards One, Two and Five of Beauregard Parish, Louisiana. A board of five commissioners appointed by the Beauregard Parish Police Jury, State of Louisiana, governs the district and are compensated for their services. Two employees handle the administrative and clerical duties of the district and the rest of the District are volunteers. The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Government Units*.

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, Fire Protection District No. 1, Parish of Beauregard, State of Louisiana is considered a component unit of the Beauregard Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, whether blended into those financial statements or separately reported as discrete component units.

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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the funds financial statements.

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.

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.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

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 fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The General Fund is the district's primary operating fund. It accounts for all financial resources, except for those in another fund.

The Debt Service Fund accounts for transactions relating to resources retained and used for the payment of principal and interest on long-term obligations.

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. 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. 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, and then unrestricted resources, as they are needed.

The District has not established a policy for use of the unrestricted fund balance, therefore it considers committed fund balances to be used first, then assigned fund balances to be used next and finally the unassigned fund balance will be used.

C. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, time 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 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.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property taxes receivable are shown net of an allowance for collectibles.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

The District levies taxes on real and business personal property located within the boundaries of the district. Property taxes are levied by the district on property values assessed by the Beauregard Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Beauregard Parish Sheriff and Ex-Officio Tax Collector bills and collects property taxes for the district. Collections are remitted to the district monthly. The district recognizes property tax revenues when levied.

Property Tax Calendar	
Assessment date	January 1, 2016
Levy date	June 30, 2016
Tax bills mailed	October 15, 2016
Total taxes are due	December 31, 2016
Penalties & interest due	January 31, 2017
Lien date	January 31, 2017

For the year ended December 31, 2016, taxes of 6.94 mills were levied on property with an assessed valuation totaling \$73,693,117, and were dedicated as follows. Property taxes are levied on a calendar year basis and become due on January 1 each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage	Expiration Date
Taxes due for:			
General maintenance	5.94	5.94	Renewed Annually
Debt service	1.00	1.00	Renewed Annually

The following are the principal taxpayers and related property tax revenue for the district:

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation	Ad Valorem Tax Revenue for District
Boise Packaging & Newsprint L.L.C	Paper Products	\$ 25,274,082	34.30%	\$ 175,402
Pintail WI L.L.C.	Oil & Gas	7,536,939	10.23%	52,306
Indigo II Louisiana Operating L.L.C.	Oil & Gas	5,467,169	7.42%	37,942
Swift Energy Operating Co.	Oil & Gas	6,130,242	8.32%	42,543
Total		\$ 44,408,432	60.27%	\$ 308,193

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns 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 \$5,000 or more for capitalizing capital assets.

According to GASB 34 Fire Protection District No. 1, Parish of Beauregard, State of Louisiana was not required to retroactively report infrastructure assets in its financial statements, therefore, these assets have not been reported in the financial statements.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

The costs 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements	20-40 years
Buildings	40-50 years
Furniture and fixtures	5-15 years
Vehicles	5-20 years
Machinery and equipment	5-20 years

F. Compensated Absences

The District does not allow and has no written policy relating to compensated absences.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Fund Balances

Restricted Amounts that are restricted to specific purposes should be reported as *restricted fund balance*. Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

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

I. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items as of December 31, 2016.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

J. 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 and expenditures during the reporting period. Actual results could differ from those estimates.

K. Economic Dependency

The District receives a substantial portion of its ad valorem tax revenue from Boise Packaging and Newsprint, L.L.C. During the year ended December 31, 2016, Fire District No. 1, Parish of Beauregard, State of Louisiana received \$175,402 in ad valorem tax revenue from Boise Packaging and Newsprint, L.L.C. which represents 31.15% of total revenue.

L. Restricted Net Position

For government-wide statement of net position, net position is reported as restricted when constraints placed on net position are either:

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. imposed by law through constitutional provisions or enabling legislation.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firefighters' Retirement System (FRS) and additions to/deductions from FRS's fiduciary net positions have been determined on the same basis as they are reported by FRS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing FRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the District's proportionate share of the plans net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

N. Deferred Outflows/Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The district uses the following budget practices:

1. The secretary prepares a proposed budget and submits same to the Board of Commissioners no later than fifteen days prior to the beginning of each fiscal year.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

2. The budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Commissioners.
4. All budgetary appropriations lapse at the end of each fiscal year
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Commissioners. Such amendments were not material in relation to the original appropriations.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS The following individual funds have actual expenditures over budgeted appropriations for the year ended December 31, 2016.

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
General Fund	\$ 388,800	\$ 442,637	\$ 447,803	\$ 5,166

3. CASH AND CASH EQUIVALENTS

At December 31, 2016, the District has cash and cash equivalents (book balances) totaling \$1,242,624 as follows:

Money market investment account	\$ 1,283
Time deposits	775,000
Interest bearing demand deposits	22,771
Petty cash	200
Passbook savings	443,370
Total	\$ 1,242,624

The cash and cash equivalents of the Fire District No. 1, Parish of Beauregard, State of Louisiana are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, the 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 or exceed 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. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

At December 31, 2016, the District has \$1,245,039 in deposits (collected bank balances). These deposits are secured from risk by \$1,025,000 of federal deposit insurance and \$220,039 of pledged securities held by an unaffiliated bank of the pledgor bank. These deposited pledged securities are deemed by law to be under the control and possession and in the name of the District and are therefore properly collateralized.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

4. RECEIVABLES

The receivables of \$511,680 at December 31, 2016, are as follows:

<u>Class of receivable</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Taxes:			
Ad valorem	\$ 437,739	\$ 73,694	\$ 511,433
Due from employees	247	-	247
Total	<u>\$ 437,986</u>	<u>\$ 73,694</u>	<u>\$ 511,680</u>

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2016, for the district is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 23,949	\$ -	\$ -	\$ 23,949
Work in progress	32,770	25,000	57,770	-
Total capital assets not being depreciated	<u>\$ 56,719</u>	<u>\$ 25,000</u>	<u>\$ 57,770</u>	<u>\$ 23,949</u>
Capital assets being depreciated				
Buildings	\$ 313,034	\$ 57,770	\$ -	\$ 370,804
Improvements	199,621	-	-	199,621
Machinery and equipment	1,695,540	28,056	-	1,723,596
Furniture and fixtures	5,173	-	-	5,173
Vehicles	1,282,166	7,798	-	1,289,964
Total capital assets being depreciated	<u>\$ 3,495,534</u>	<u>\$ 93,624</u>	<u>\$ -</u>	<u>\$ 3,589,158</u>
Less accumulated depreciation for:				
Buildings	\$ 228,599	\$ 9,270	\$ -	\$ 237,869
Improvements	60,226	7,969	-	68,195
Machinery and equipment	1,541,465	22,883	-	1,564,348
Furniture and fixtures	5,173	-	-	5,173
Vehicles	788,319	100,369	-	888,688
Total accumulated depreciation	<u>\$ 2,623,782</u>	<u>\$ 140,491</u>	<u>\$ -</u>	<u>\$ 2,764,273</u>
Total capital assets being depreciated, net	<u>\$ 871,752</u>	<u>\$ (46,867)</u>	<u>\$ -</u>	<u>\$ 824,885</u>

Depreciation expense of \$140,491 for the year ended December 31, 2016, was charged to the following governmental functions:

Public safety	<u>\$ 140,491</u>
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Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

6. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$38,521 at December 31, 2016, are as follows:

	General Fund	Debt Service Fund	Total
Payroll taxes	\$ 2,644	\$ -	\$ 2,644
Retirement	2,062	-	2,062
Accounts	15,105	-	15,105
Pension	14,833	2,497	17,330
Accrued interest	-	1,380	1,380
Total	\$ 34,644	\$ 3,877	\$ 38,521

7. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended December 31, 2016.

	Bonded Debt	Net Pension Liability	Total
Long-term obligations at beginning of year	\$ 175,000	\$ 170,754	\$ 345,754
Additions	-	48,609	48,609
Principal payments	(85,000)	-	(85,000)
Reductions	-	(18,426)	(18,426)
Long-term obligations at end of year	\$ 90,000	\$ 200,937	\$ 290,937

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2016:

	Bonded Debt	Net Pension Liability	Total
Current portion	\$ 90,000	\$ -	\$ 90,000
Long-term portion	-	200,937	200,937
Total	\$ 90,000	\$ 200,937	\$ 290,937

All district bonds outstanding at December 31, 2016, for \$90,000, are general obligation bonds with maturities from 2003 to 2017 and interest rates at 4.625% to 5.625%. Bond principal and interest payable in the next fiscal year are \$90,000 and \$2,081, respectively. The individual issue is as follows:

Bonds	Original Issue	Interest Rate	Final Payment Due	Interest to Maturity	Principal Outstanding	Funding Source
General Obligation Bond Series 2002	5/1/2002	4.625%	3/1/2017	\$ 2,081	\$ 90,000	Ad valorem taxes
	<u>Year Ending December 30,</u>			<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2017			90,000	2,081	92,081
	Total			\$ 90,000	\$ 2,081	\$ 92,081

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

In accordance with R.S. 39:562, the District is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At December 31, 2016, the statutory limit is \$28,716,112 and outstanding bonded debt totals \$90,000.

8. RETIREMENT SYSTEM

The Firefighters' Retirement System of Louisiana is a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description

Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary.

Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, PO Box 94095, Baton Rouge, LA, 70804, or by calling (225) 925-4060.

Funding Policy

Plan members are required by state statute to contribute 10.00 percent of their annual covered salary and the district is required to contribute at an actuarially determined rate. The current rate is 25.25 percent of annual covered payroll. The contribution requirements of plan members and the district are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System for the years ending December 31, 2016, 2015 and 2014 were \$18,426, \$19,306, and \$19,013, respectively equal to the required contributions for each year.

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

At December 31, 2016, the District reported a liability of \$200,937 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts, actuarially determined. At June 30, 2016 the District's proportion was .030720%, which was a decrease of .000918% from its proportion measured as of June 30, 2015.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

For the year ended December 31, 2016, the District recognized pension expense of \$13,979. At December 31, 2016, the District recognized deferred outflows of resources and deferred inflows of resources related to pension from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,954
Changes of assumptions	1,732	56
Net difference between projected and actual earnings on pension plan investments	48,292	-
Changes in proportion and differences between District contributions and proportionate share of contributions	351	5,704
District's contributions subsequent to the measurement date	8,862	-
Total	\$ 59,237	\$ 13,714

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ 10,001
2018	10,001
2019	13,035
2020	6,314
2021	(1,751)
2022	(939)
Total	\$ 36,661

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Estimated Remaining Service Life	2016 – 7 years 2015 – 7 years 2014 – 7 years
Investment Rate of Return	7.5% per annum (net of fees)
Inflation Rate	2.875% per annum

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Continued)

Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Cost of Living Adjustments	Only those previously granted

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. The mortality was then projected forward to a period equivalent to the estimated duration of the System’s liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected nominal rate of return was 8.34% for the year ended June 30, 2016.

Best estimates of real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Rates of Return	
		Real	Nominal
Fixed income	24%	1.85%	
Equity	58%	6.77%	
Alternatives	8%	6.67%	
Other	10%	4.30%	
System total			5.34%
Inflation			3.00%
Expected Nominal Return			8.34%

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Notes to the Financial Statements (Concluded)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5%, or one percentage point higher 8.5% than the current rate as of June 30, 2016:

	Changes in Discount Rate:		
	1%	Current	1%
	Decrease	Discount	Increase
	6.50%	Rate	8.50%
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 273,760	\$ 200,937	\$ 139,693

9. RESTRICTED FUND BALANCE

Restricted Assets	
Cash	\$ 54,629
Ad valorem tax receivable	73,694
Total assets	\$ 128,323
Less:	
Liabilities payable from restricted assets	
Pension plan - ad valorem tax	\$ 2,497
Restricted Fund Balance	\$ 125,826

REQUIRED SUPPLEMENTAL INFORMATION

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Schedule 1

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Ad valorem	\$ 449,934	\$ 441,233	\$ 429,863	\$ (11,370)
Fire insurance tax	30,000	30,338	30,338	-
Intergovernmental:				
Local grant	-	1,500	1,500	-
Investment income	23,000	8,019	25,080	17,061
Other revenue	6,000	640	-	(640)
Total revenues	<u>\$ 508,934</u>	<u>\$ 481,730</u>	<u>\$ 486,781</u>	<u>\$ 5,051</u>
Expenditures				
Current operating:				
Public safety	\$ 338,800	\$ 392,637	\$ 386,949	\$ 5,688
Capital outlay	50,000	50,000	60,854	(10,854)
Total expenditures	<u>\$ 388,800</u>	<u>\$ 442,637</u>	<u>\$ 447,803</u>	<u>\$ (5,166)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 120,134</u>	<u>\$ 39,093</u>	<u>\$ 38,978</u>	<u>\$ (115)</u>
Other financing sources:				
Insurance proceeds	\$ 5,000	\$ 3,943	\$ 3,943	\$ -
Sales of assets	-	-	-	-
Total other financing sources	<u>\$ 5,000</u>	<u>\$ 3,943</u>	<u>\$ 3,943</u>	<u>\$ -</u>
Net change in fund balance	\$ 125,134	\$ 43,036	\$ 42,921	\$ (115)
Fund balances at beginning of year	<u>1,560,000</u>	<u>1,548,416</u>	<u>1,548,416</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 1,685,134</u></u>	<u><u>\$ 1,591,452</u></u>	<u><u>\$ 1,591,337</u></u>	<u><u>\$ (115)</u></u>

Schedule of the District's Share of the Net Pension Liability
 For the Year Ended December 31, 2016

Firefighters' Retirement System	<u>December 31, 2015</u>	<u>December 31, 2016</u>
District's proportion of the net pension liability (asset)	.031638%	.030720%
District's proportionate share of the net pension liability (asset)	\$ 170,754	\$ 200,937
District's covered-employee payroll	\$ 68,340	\$ 68,207
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.50%	2.95%
Plan fiduciary net position as a percentage of the total pension liability	72.45%	68.15%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Schedule 3

Schedule of the District's Pension Contribution
For the Year Ended December 31, 2016

Firefighters' Retirement System	December 31, 2015	December 31, 2016
Contractually required contribution	\$ 19,306	\$ 18,426
Contributions in relation to the contractually required contribution	<u>19,306</u>	<u>18,426</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 68,340	\$ 68,207
Contributions as a percentage of covered-employee payroll	28.25%	27.02%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

OTHER SUPPLEMENTAL INFORMATION

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Schedule 4

Schedule of Per Diem Paid to Board Members
For the Year Ended December 31, 2016

	<u>Total</u>
Travis Brooks	\$ 360
Wesley Jeans	360
Gerald Spears	360
Marvin Whiddon	360
Mickey Whitaker	360
	<u>\$ 1,800</u>

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Schedule 5

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ended December 31, 2016

Agency Head Name - Jay Williams

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 68,207
Benefits - insurance	-
Benefits - retirement	18,426
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	1,446
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

OTHER REPORTS

Fire Protection District No. 1
Beauregard Parish Police Jury
DeRidder, Louisiana

Schedule 6

Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2016

There were no prior year audit findings for the year ended December 31, 2015.

Schedule of Current Year Audit Findings and Management's Response
For the Year Ended December 31, 2016

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

Windham & Reed, L.L.C.

Certified Public Accountants

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DeRidder, LA 70634
Tel: (337) 462-3211
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John A. Windham, CPA
Charles M. Reed, Jr., CPA

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

Members of the Board of Commissioners
Fire Protection District No. 1
Parish of Beauregard
State of 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 Fire Protection District No. 1, Parish of Beauregard, State of Louisiana as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Fire Protection District No. 1, Parish of Beauregard, State of Louisiana's basic financial statements, and have issued our report thereon dated April 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire Protection District No. 1, Parish of Beauregard, State of Louisiana'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 Fire Protection District No. 1, Parish of Beauregard, State of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire Protection District No. 1, Parish of Beauregard, State of Louisiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire Protection District No. 1, Parish of Beauregard, State of Louisiana's financial statements are free from 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

Members of the Board of Commissioners
Fire Protection District No. 1
Parish of Beauregard
State of Louisiana

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "John A. Windham, CPA". The signature is written in a cursive style with a large initial "J".

DeRidder, Louisiana
April 26, 2017