

**ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 7**

Annual Financial Statements

December 31, 2016



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Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 7
Pearl River, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 7 (the District), a component unit of St. Tammany Parish, Louisiana, 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 (GAAP); 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 the District as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 5, the budgetary comparison schedule on page 27, and the supplementary schedules required by Governmental Accounting Standards Board (GASB) Statement No. 68 on pages 29 - 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of governing board and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District.

The schedule of governing board and the 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 governing board and the schedule of compensation, benefits, and other payments to agency head are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2017, on our consideration of St. Tammany Parish Fire Protection District No. 7's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Tammany Parish Fire Protection District No. 7's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
June 8, 2017

REQUIRED SUPPLEMENTARY INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Management's Discussion and Analysis For the Year Ended December 31, 2016

Our discussion and analysis of St. Tammany Parish Fire Protection District No. 7's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, issued in June 1999.

Financial Highlights

The financial statements included in this report provide insight into the financial status for the year-end. Based upon the 2016 operations, the District's net position decreased by \$4,215 and resulted in an ending net position of \$1,967,240.

A summary of the basic government-wide financial statements is as follows:

Condensed Statements of Net Position

| | 2016 | 2015 | Change |
|---------------------------------------|---------------------|---------------------|-------------------|
| Current Assets | \$ 928,898 | \$ 845,687 | \$ 83,211 |
| Capital Assets, Net | 1,055,097 | 1,175,697 | (120,600) |
| Total Assets | 1,983,995 | 2,021,384 | (37,389) |
| Deferred Outflows of Resources | | | |
| Pension | 12,182 | - | 12,182 |
| Current Liabilities | 28,937 | 49,929 | (20,992) |
| Total Liabilities | 28,937 | 49,929 | (20,992) |
| Net Position | | | |
| Net Investment in Capital Assets | 1,055,097 | 1,175,697 | (120,600) |
| Restricted - Debt Service | 24,305 | 26,214 | (1,909) |
| Unrestricted | 887,838 | 769,544 | 118,294 |
| Total Net Position | \$ 1,967,240 | \$ 1,971,455 | \$ (4,215) |

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Management's Discussion and Analysis For the Year Ended December 31, 2016

Condensed Statements of Activities

| | 2016 | 2015 | Change |
|--|---------------------|---------------------|-------------------|
| Revenues | | | |
| Operating Grants and Contributions | \$ 4,666 | \$ 3,999 | \$ 667 |
| General Revenues | 840,067 | 803,567 | 36,500 |
| Total Revenues | 844,733 | 807,566 | 37,167 |
| Expenses | | | |
| Public Safety - Fire Protection | 848,948 | 848,756 | 192 |
| Interest on Long-Term Debt | - | 172 | (172) |
| Total Expenses | 848,948 | 848,928 | 20 |
| Change in Net Position | (4,215) | (41,362) | 37,147 |
| Net Position, Beginning of Year | 1,971,455 | 2,012,817 | (41,362) |
| Net Position, End of Year | \$ 1,967,240 | \$ 1,971,455 | \$ (4,215) |

Total spending for governmental activities was \$848,948 for the year, which was \$4,215 more than the taxes, grants, contributions, and investment earnings of \$844,733.

The interest earned on checking accounts was \$238 for the year.

Using This Annual Report

This report consists of a series of financial statements. The statement of net position and the statement of activities found on pages 10 and 11 provide information about the financial activities of the District and illustrate a longer-term view of the District's finances. Fund financial statements start on page 13. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's significant funds.

The District's independent auditor attests in his report that the basic financial statements are fairly stated. The auditor is providing varying degrees of assurance regarding the required supplementary information, the levels of which are illustrated in the auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Management's Discussion and Analysis For the Year Ended December 31, 2016

Reporting on the District as a Whole, the Statement of Net Position, and the Statement of Activities

Our analysis of the District as a whole begins on page 10. These statements help to illustrate the status of the District resulting from the activities of the last year. The statements include all assets and liabilities using the accrual basis of accounting. In this method, all of the current year's revenues and expenses are taken into account, regardless of when cash is paid or received.

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

In the statement of net position and the statement of activities, the District reports only governmental-type activities as well as grants. The majority of the District's activities are of this type. Taxes and grants finance most of the activities.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of the greater whole. The readers of these financial statements should take the time to read and evaluate all sections of this report, including the footnotes and the other required supplementary information that is provided in addition to this MD&A.

Reporting the District's Most Significant Funds, Fund Financial Statements

The analysis of the District's major funds begins on page 13. The fund financial statements provide detailed information about the most significant funds rather than the District as a whole.

The District uses governmental-type funds. These include the General Fund and Debt Service Fund. Most of the District's services are reported in the General Fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. The District's debt activity is reported in the Debt Service Fund. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation of the fund financial statements on page 15.

The District's Funds

As previously mentioned, the District uses funds to help control and manage money for particular purposes. At the completion of the year, the District reported total fund balance of \$889,410. This reflects an increase of \$96,043 from last year.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Management's Discussion and Analysis For the Year Ended December 31, 2016

General Fund Budgetary Highlights

Information on the District's General Fund balance is reported on page 13. The General Fund's budgetary information is reported in the budgetary comparison schedule on page 27.

Capital Assets

At the end of 2016, the District had \$1,055,097 invested in capital assets, including building, furniture, fire fighting equipment, and vehicles, net of accumulated depreciation of \$1,764,732. More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Taking all factors into consideration, the District's General Fund balance is expected to remain unchanged by the close of 2017.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to: St. Tammany Parish Fire Protection District No. 7, 73469 Highway 41, Pearl River, LA 70452.

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Statement of Net Position
December 31, 2016

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 223,736 |
| Receivables - Ad Valorem Taxes, Net | 686,121 |
| Receivables - State Revenue Sharing | 14,375 |
| Receivables - LGAP Grant | 4,666 |
| Capital Assets, Net of Accumulated Depreciation | <u>1,055,097</u> |
| Total Assets | <u>1,983,995</u> |
| Deferred Outflows of Resources | |
| Pension | <u>12,182</u> |
| Liabilities | |
| Accounts Payable | 1,098 |
| Accrued Expenses | <u>27,839</u> |
| Total Liabilities | <u>28,937</u> |
| Net Position | |
| Net Investment in Capital Assets | 1,055,097 |
| Restricted for Debt Service | 24,305 |
| Unrestricted | <u>887,838</u> |
| Total Net Position | <u><u>\$ 1,967,240</u></u> |

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Statement of Activities
For the Year Ended December 31, 2016

| Function/Program | Expenses | Program Revenue Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|--|-------------------|---|--|
| Governmental Activities | | | |
| Public Safety - Fire Protection | \$ 848,948 | \$ 4,666 | \$ (844,282) |
| Total | \$ 848,948 | \$ 4,666 | (844,282) |
| General Revenues | | | |
| Ad Valorem Taxes | | | 722,479 |
| Other Income | | | 51,687 |
| Fire Insurance Premium Tax | | | 29,676 |
| State Revenue Sharing | | | 21,563 |
| Cell Tower Lease | | | 14,424 |
| Interest | | | 238 |
| Total General Revenues | | | 840,067 |
| Change in Net Position | | | (4,215) |
| Net Position, Beginning of Year | | | 1,971,455 |
| Net Position, End of Year | | | \$ 1,967,240 |

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Balance Sheet
Governmental Funds
December 31, 2016

| | General Fund | Debt Service Fund | Total Governmental Funds |
|---|-------------------|-------------------------|--------------------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 223,736 | \$ - | \$ 223,736 |
| Receivables - Ad Valorem Taxes, Net | 686,121 | - | 686,121 |
| Receivables - State Revenue Sharing | 14,375 | - | 14,375 |
| Receivables - LGAP Grant | 4,666 | - | 4,666 |
| Due from Other Funds | - | 24,305 | 24,305 |
| Total Assets | \$ 928,898 | \$ 24,305 | \$ 953,203 |
| Liabilities | | | |
| Accounts Payable | \$ 1,098 | \$ - | \$ 1,098 |
| Accrued Expenses | 27,839 | - | 27,839 |
| Due to Other Funds | 24,305 | - | 24,305 |
| Total Liabilities | 53,242 | - | 53,242 |
| Deferred Inflows of Resources | | | |
| Unavailable Ad Valorem Taxes | 10,551 | - | 10,551 |
| Fund Balance | | | |
| Restricted for Debt Service | - | 24,305 | 24,305 |
| Assigned | 50,009 | - | 50,009 |
| Unassigned | 815,096 | - | 815,096 |
| Total Fund Balance | 865,105 | 24,305 | 889,410 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 928,898 | \$ 24,305 | |

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 funds. | 1,055,097 |
| Deferred inflows of resources - unavailable ad valorem taxes are not reported on government-wide financial statements. | 10,551 |
| Deferred outflows of resources - pension used in governmental activities is not financial resources and, therefore, is not reported on governmental funds. | 12,182 |
| Net Position of Governmental Activities | \$ 1,967,240 |

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

| | General Fund | Debt Service Fund | Total Governmental Funds |
|---|-------------------------|----------------------------------|---|
| Revenues | | | |
| Ad Valorem Taxes | \$ 714,318 | \$ - | \$ 714,318 |
| Other Income | 51,687 | - | 51,687 |
| Fire Insurance Premium Tax | 29,676 | - | 29,676 |
| State Revenue Sharing | 21,563 | - | 21,563 |
| Cell Tower Lease | 14,424 | - | 14,424 |
| State Grant | 4,666 | - | 4,666 |
| Interest | 238 | - | 238 |
| Total Revenues | 836,572 | - | 836,572 |
| Expenditures | | | |
| Public Safety - Fire Protection | | | |
| Salaries and Benefits | 472,385 | - | 472,385 |
| Insurance | 140,054 | - | 140,054 |
| Repairs | 36,596 | - | 36,596 |
| Professional Services | 18,532 | 141 | 18,673 |
| Utilities | 15,512 | - | 15,512 |
| Fuel | 12,955 | - | 12,955 |
| Dispatching | 11,000 | - | 11,000 |
| Office | 8,058 | - | 8,058 |
| Telephone | 7,652 | - | 7,652 |
| Fire Fighting Supplies | 6,625 | - | 6,625 |
| Training | 5,510 | - | 5,510 |
| Other | 3,739 | - | 3,739 |
| Capital Outlay | - | 1,770 | 1,770 |
| Total Expenditures | 738,618 | 1,911 | 740,529 |
| Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses) | 97,954 | (1,911) | 96,043 |
| Other Financing Sources (Uses) | | | |
| Transfers Out | (53) | 2 | (51) |
| Transfers In | 51 | - | 51 |
| Total Other Financing Sources (Uses) | (2) | 2 | - |
| Net Change in Fund Balance | 97,952 | (1,909) | 96,043 |
| Fund Balance, Beginning of Year | 767,153 | 26,214 | 793,367 |
| Fund Balance, End of Year | \$ 865,105 | \$ 24,305 | \$ 889,410 |

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
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 Balance - Total Governmental Funds | \$ 96,043 |
|--|------------------|

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | (120,600) |
|---|-----------|

| | |
|---|--------|
| Governmental funds report retirement contributions as expenditures, but pension expense on the statement of activities includes the change in deferred outflows of resources related to pensions. | 12,182 |
|---|--------|

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

| | |
|--|--------------|
| Change in Unavailable Ad Valorem Taxes | <u>8,160</u> |
|--|--------------|

| | |
|--|---------------------------------|
| Change in Net Position of Governmental Activities | <u><u>\$ (4,215)</u></u> |
|--|---------------------------------|

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity

St. Tammany Parish Fire Protection District No. 7 (the District) was created by St. Tammany Parish, Louisiana (the Parish), as authorized by Louisiana Revised Statute (LRS) 40:1492, on August 20, 1972, to purchase and maintain fire equipment and provide fire protection for the residents of District No. 7 of St. Tammany Parish. The District is governed by a five member board which is appointed by the Parish.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100, the District is a component unit of the Parish because the Parish appoints members of the District and as such is financially accountable for the District. While the District is an integral part of the Parish reporting entity and should be included within the financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63 in June 2011.

Government-Wide 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 non-fiduciary 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.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 the governmental funds.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

Measurement Focus/Basis of Accounting

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. Ad valorem 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. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements. 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus/Basis of Accounting (Continued)

Ad valorem taxes are considered to be collected when they are collected by the St. Tammany Parish Sheriff. Ad valorem taxes collected after 60 days are recorded as a deferred inflow on the governmental fund balance sheet. State revenue sharing 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 District.

The District reports the following major governmental funds:

General Fund

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund accounts for the repayment of the general obligations.

Budgets and Budgetary Accounting

The District adopts an annual budget for the General Fund on the cash basis of accounting. The budget is legally adopted and amended as necessary by the District.

The District's General Fund expenditures of \$765,972 (budgetary basis) were \$35,991 more than its budgeted expenditures of \$729,981.

Cash and Cash Equivalents and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at fair market value.

Receivables

All receivables are reported net of estimated uncollectible amounts. The allowance for uncollectibles was \$37,977, which represents 5% of the total ad valorem tax receivable at December 31, 2016. This estimate is based on the District's history of collections within this revenue stream.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 of the statement of net position.

In the fund financial statements, the face amount of any debt issued is reported as other financing sources. Expenditures for principal and interest payments for long-term obligations are recognized in the Debt Service Fund when paid.

Capital Assets

Capital assets, which include property, equipment, and buildings, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost. 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 \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The following estimated useful lives and methods are used to compute depreciation:

| | | |
|----------------------------|--------------|---------------|
| Buildings and Improvements | 40 Years | Straight-Line |
| Vehicles | 5 - 20 Years | Straight-Line |
| Equipment | 5 - 20 Years | Straight-Line |

Depreciation expense amounted to \$122,370, for the year ended December 31, 2016.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

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 of Louisiana (the System), and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Equity Classifications

In accordance with GASB Statement No. 34, as amended by GASB Statement No. 63, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

1. *Net Investment in Capital Assets* - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.
2. *Restricted* - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted* - All other net position is reported in this category.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

In the governmental fund financial statements, fund balances are classified as follows, in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

1. *Restricted Fund Balance* - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors, creditors, or contributors.
2. *Assigned Fund Balance* - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
3. *Unassigned Fund Balance* - All amounts not included in other spendable classifications.

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Impact of Recently Issued Accounting Principles

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. For defined benefit pensions, GASB Statement No. 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB Statement No. 71 requires that, at transition, a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date be recognized. The District began their participation in the Firefighters' Retirement System of Louisiana after its net pension liability measurement date of June 30, 2016. As a result, the District recorded a deferred outflow of resources for pension contributions made subsequent to the measurement date. For the year ending December 31, 2017, the District will record their proportionate share of the System's net pension liability.

Note 2. Interfund Activity

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." Interfund receivables and payables between funds within the governmental activities are eliminated in the statement of net position.

Note 3. Ad Valorem Taxes

Ad valorem taxes are recorded in the year taxes are levied. Ad valorem taxes are assessed on a calendar-year basis, billed in November of each year, and become delinquent on January 1st of the subsequent year.

The following is a summary of authorized and levied ad valorem taxes for 2016:

| Taxes Due for | Authorized Millage | Levied Millage | Millage Expiration Date |
|----------------------------|--------------------|----------------|-------------------------|
| Maintenance | 10.00 | 9.99 | 2021 |
| Operations and Maintenance | 5.00 | 4.99 | 2017 |
| Operations and Maintenance | 5.21 | 5.19 | 2026 |

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 4. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (carrying value) at December 31, 2016:

| <u>Governmental Funds</u> | <u>Amount</u> |
|------------------------------|-------------------|
| Unrestricted Demand Deposits | <u>\$ 223,736</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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be recovered. The District does not have a policy for custodial risk. At December 31, 2016, the District had \$253,078 in deposits (collected bank balances) of which \$3,078 was exposed to custodial credit risk. However, these deposits were secured from risk by the pledge of securities owned by the fiscal agent bank.

Note 5. Fire Insurance Premium Tax

The District is eligible and receives a pro-rata share of the fire insurance premium taxes collected by the State of Louisiana, in accordance with LRS 22:345. The amounts received by the District are based on the population of the areas that it serves. In accordance with the Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection, as the District shall direct. For the year ended December 31, 2016, the District received \$29,676 of such funds.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 6. Capital Assets

Capital assets activity for the year ended December 31, 2016, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|---------------------|------------------|---------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 28,400 | \$ - | \$ - | \$ 28,400 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 681,174 | - | - | 681,174 |
| Firefighting and Rescue Vehicles | 1,492,006 | 1,770 | - | 1,493,776 |
| Firefighting Equipment | 570,648 | - | (128,779) | 441,869 |
| Computer Equipment | 63,824 | - | (13,500) | 50,324 |
| Station Equipment | 124,286 | - | - | 124,286 |
| Total Capital Assets Being Depreciated | 2,931,938 | 1,770 | (142,279) | 2,791,429 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (287,541) | (16,042) | - | (303,583) |
| Firefighting and Rescue Vehicles | (871,773) | (75,655) | - | (947,428) |
| Firefighting Equipment | (453,073) | (27,662) | 128,779 | (351,956) |
| Computer Equipment | (63,222) | (257) | 13,500 | (49,979) |
| Station Equipment | (109,032) | (2,754) | - | (111,786) |
| Total Accumulated Depreciation | (1,784,641) | (122,370) | 142,279 | (1,764,732) |
| Total Capital Assets Being Depreciated, Net | 1,147,297 | (120,600) | - | 1,026,697 |
| Capital Assets, Net | \$ 1,175,697 | \$ (120,600) | \$ - | \$ 1,055,097 |

Note 7. Louisiana Firefighters' Retirement System Pension

The District began participating in the Firefighters' Retirement System of Louisiana (the System) in September 2016.

Plan Description and Provisions

Substantially all full-time employees of the District are members of the System, a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 7. Louisiana Firefighters' Retirement System Pension (Continued)

Eligibility Requirements

Any person who becomes an employee as defined in LRS 11:2252 on and after January 1, 1980, shall become a member as a condition of employment. No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System. Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies, or political subdivisions, and who is receiving retirement benefits therefrom may become a member of the System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with the System, or for any other purpose in order to attain eligibility or increase the amount of service credit in the System.

Retirement Benefits

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 three and one-third 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.

Deferred Retirement Option Plan

After completing 20 years of creditable service at age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months. Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 7. Louisiana Firefighters' Retirement System Pension (Continued)

Initial Benefit Option Plan

Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

Employer Contributions

Employer contributions are actuarially determined each year. For the plan year ended June 30, 2016, employer and employee contributions for members above the poverty line were 27.25% and 10.0%, respectively. For the plan year ending June 30, 2017, employer and employee contributions for members above the poverty line are 25.25% and 10.0%, respectively.

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

The System's net pension liability was measured as of June 30, 2016, and was determined by actuarial valuation as of that date. As stated in Note 1, the District did not begin its participation in the System until after its measurement date. Therefore, the District was not included in the System's actuarial valuation report and, as such, its allocation percentage was not determined. As a result, the District's proportionate share of the System's net pension liability for December 31, 2016, cannot be readily determined.

At December 31, 2016, the District reported deferred outflows of resources of \$12,182 for pension contributions subsequent to the measurement date. The District did not report any other deferred inflows of resources related to its pension.

Note 8. Risk Management

The District is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the District carries commercial insurance. The District had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Note 9. Subsequent Event

In February 2017, the District was a subrecipient of a \$108,011 Department of Homeland Security Assistance to Firefighters grant. The grant will be used for the purchase of radio communication equipment.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual (Cash Basis) - General Fund
For the Year Ended December 31, 2016

| | <u>Budgetary Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|---|--------------------------|----------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Ad Valorem Taxes | \$ 672,085 | \$ 672,085 | \$ 701,616 | \$ 29,531 |
| Other Income | - | - | 41,288 | 41,288 |
| Fire Insurance Premium Tax | 30,000 | 30,000 | 29,676 | (324) |
| State Revenue Sharing | 14,000 | 14,000 | 20,154 | 6,154 |
| Cell Tower Lease | 13,596 | 13,596 | 14,424 | 828 |
| LGAP Grant | - | - | 3,340 | 3,340 |
| Interest | 300 | 300 | 238 | (62) |
| Total Revenues | 729,981 | 729,981 | 810,736 | 80,755 |
| Expenditures | | | | |
| Public Safety - Fire Protection | | | | |
| Salaries and Benefits | 545,911 | 545,911 | 504,318 | 41,593 |
| Insurance | 55,000 | 55,000 | 133,388 | (78,388) |
| Repairs | 25,000 | 25,000 | 33,378 | (8,378) |
| Professional Services | 12,000 | 12,000 | 18,532 | (6,532) |
| Utilities | 15,200 | 15,200 | 15,393 | (193) |
| Fuel | 25,000 | 25,000 | 12,955 | 12,045 |
| Dispatching | 12,000 | 12,000 | 12,000 | - |
| Office | 12,500 | 12,500 | 8,679 | 3,821 |
| Telephone | 6,120 | 6,120 | 8,231 | (2,111) |
| Fire Fighting Supplies | 4,000 | 4,000 | 6,759 | (2,759) |
| Training | 6,500 | 6,500 | 5,510 | 990 |
| Other | 8,000 | 8,000 | 3,889 | 4,111 |
| Capital Outlay | 2,750 | 2,750 | 2,940 | (190) |
| Total Expenditures | 729,981 | 729,981 | 765,972 | (35,991) |
| Excess of Expenditures Over Revenues Before Other Financing Sources (Uses) | - | - | 44,764 | 44,764 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | - | - | (53) | (53) |
| Transfers In | - | - | 51 | 51 |
| Total Other Financing Sources (Uses) | - | - | (2) | (2) |
| Net Change in Fund Balance | \$ - | \$ - | 44,762 | \$ 44,766 |
| Fund Balance, Beginning of Year | | | 154,669 | |
| Fund Balance, End of Year | | | \$ 199,431 | |

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual (Cash Basis) - General Fund (Continued)
For the Year Ended December 31, 2016

Note A. Reconciliation of Cash Basis to GAAP Basis

The District maintains its accounting records and prepares and adopts its budget under the cash basis of accounting. Accounting principles generally accepted in the United States of America (GAAP) require the statement of revenues, expenditures, and changes in fund balance for the General Fund to be reported using the modified accrual basis of accounting. The budgetary comparison schedule is presented using the cash basis, which is the same as the legally adopted budget. A reconciliation to the GAAP basis has been provided below:

| | Actual Amounts (Budgetary Basis) | Budget to GAAP Differences Over (Under) | Actual Amounts GAAP Basis |
|---|---|--|------------------------------------|
| Revenues | | | |
| Ad Valorem Taxes | \$ 701,616 | \$ 12,702 | \$ 714,318 |
| Other Income | 41,288 | 10,399 | 51,687 |
| Fire Insurance Premium Tax | 29,676 | - | 29,676 |
| State Revenue Sharing | 20,154 | 1,409 | 21,563 |
| Cell Tower Lease | 14,424 | - | 14,424 |
| State Grant | 3,340 | 1,326 | 4,666 |
| Interest | 238 | - | 238 |
| Total Revenues | 810,736 | 25,836 | 836,572 |
| Expenditures | | | |
| Public Safety - Fire Protection | | | |
| Salaries | 504,318 | (31,933) | 472,385 |
| Insurance | 133,388 | 6,666 | 140,054 |
| Repairs | 33,378 | 3,218 | 36,596 |
| Professional Services | 18,532 | - | 18,532 |
| Utilities | 15,393 | 119 | 15,512 |
| Fuel | 12,955 | - | 12,955 |
| Dispatching | 12,000 | (1,000) | 11,000 |
| Office | 8,679 | (621) | 8,058 |
| Telephone | 8,231 | (579) | 7,652 |
| Fire Fighting Supplies | 6,759 | (134) | 6,625 |
| Training | 5,510 | - | 5,510 |
| Other | 3,889 | (150) | 3,739 |
| Capital Outlay | 2,940 | (2,940) | - |
| Total Expenditures | 765,972 | (27,354) | 738,618 |
| Excess of Expenditures Over Revenues Before Other Financing Sources (Uses) | 44,764 | 53,190 | 97,954 |
| Other Financing Sources (Uses) | | | |
| Transfers Out | (53) | - | (53) |
| Transfers In | 51 | - | 51 |
| Total Other Financing Sources (Uses) | (2) | - | (2) |
| Net Change in Fund Balance | 44,762 | 53,190 | 97,952 |
| Fund Balance, Beginning of Year | 154,669 | 612,484 | 767,153 |
| Fund Balance, End of Year | \$ 199,431 | \$ 665,674 | \$ 865,105 |

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of District's Proportionate Share of the
Net Pension Liability
For the Year Ended December 31, 2016

| | |
|---|-----------|
| District's Portion of the Net Pension Liability | ** |
| District's Proportionate Share of the Net Pension Liability | ** |
| District's Covered-Employee Payroll | \$ 48,246 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | ** |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | ** |

** Not readily determinable. See Note 7.

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of District's Contributions
For the Year Ended December 31, 2016

| | |
|--|--------------------|
| Contractually Required Contribution | \$ 12,182 |
| Contributions in Relation to the Contractually Required Contribution | <u>(12,182)</u> |
| Contribution Deficiency (Excess) | <u><u>\$ -</u></u> |
| District's Covered-Employee Payroll | \$ 48,246 |
| Contributions as a Percentage of Covered-Employee Payroll | |
| January 1, 2016 to June 30, 2016 | 27.25% |
| July 1, 2016 to December 31, 2016 | 25.25% |

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of Governing Board
For the Year Ended December 31, 2016

| <u>Board of Commissioners</u> | <u>Compensation</u> |
|---|----------------------------|
| Charles Graves, Chairman 34695 Edgar Kennedy Road Pearl River, LA 70452 (985) 863-2901 | \$ 1,200 |
| Albert Hollie 75309 Hollie Road Pearl River, LA 70452 (985) 863-9319 | \$ 1,200 |
| David Howell 73320 Bud Howell Road Pearl River, LA 70452 (985) 863-5587 | \$ 300 |
| Larry O'Berry 37089 Howard O'Berry Road Pearl River, LA 70452 (985) 863-5481 | \$ 1,125 |
| Eddie Smith, Sr. 73456 Highway 41 Pearl River, LA 70452 (985) 863-2457 | \$ 750 |

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of Compensation, Benefits and Other Payments
to Agency Head
For the Year Ended December 31, 2016

Agency Head
Chief Gary Whitehead

| Purpose | Amount |
|--|---------------|
| Salary | \$73,840 * |
| Benefits - Insurance | \$9,763 ** |
| Benefits - Retirement | \$13,115 *** |
| Benefits - Other | \$0 |
| Car Allowance | \$0 |
| Vehicle Provided by Government | \$0 |
| Per Diem | \$0 |
| Reimbursements | \$1,200 |
| Travel | \$0 |
| Registration Fees | \$0 |
| Conference Travel | \$0 |
| Continuing Professional Education Fees | \$0 |
| Housing | \$0 |
| Unvouchered Expenses | \$0 |
| Special Meals | \$0 |

* This amount represents gross salary, including State supplemental pay of \$6,000.

** This is the employer portion of the insurance expense.

*** This is the employer portion of the retirement contribution.

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 7
Pearl River, Louisiana

We have audited, 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, the financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 7 (the District) 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, and have issued our report thereon dated June 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 St. Tammany Parish Fire Protection District

No. 7'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 effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
June 8, 2017

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

**Schedule of Findings and Responses
For the Year Ended December 31, 2016**

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to the financial statements identified? | No |
| d. Other matters identified? | No |
| 3. Management letter comment provided? | No |

Federal Awards

No applicable.

Part II - Findings Related to the Financial Statements

None.

Part III - Compliance and Other Matters

Compliance

None.

Other Matter

None.

**AGREED-UPON PROCEDURES REPORT
St. Tammany Parish Fire Protection District No. 7**

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Period of January 1, 2016 - December 31, 2016**

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 7
Pearl River, Louisiana

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of St. Tammany Parish Fire Protection District No. 7 (the District), a component unit of St. Tammany Parish, Louisiana, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the District's compliance with certain laws and regulations during the period of January 1, 2016 through December 31, 2016, in accordance with Act 774 of 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the District and the Legislative Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

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

1. Obtain the entity's written policies and procedures over purchasing and disbursements (or report that the entity does not have any written policies and procedures over purchasing and disbursements) and report whether those written policies and procedures address (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; (5) documentation required to be maintained for all bids and price quotes; and (6) the processing, reviewing, and approving of disbursements.

Results: The District did not have written policies and procedures over purchasing and disbursements during the fiscal period.

Management's Response: The District will adopt written policies and procedures over purchasing and disbursements.

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2. 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.

Results: We obtained this listing and management's representation that the listing was complete.

3. Using the disbursement population from #1 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; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; (3) and an approved invoice.

Results: A purchase order system is not in place. When an invoice is received, it is given to Chief Whitehead for his approval. A check is prepared by the office manager and attached to the invoice after approval, and presented to two Board members for review and signature.

4. 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.

Results: The District did not have written policies and procedures over purchasing and disbursements during the fiscal period.

Management's Response: The District will adopt written policies and procedures over purchasing and disbursements.

5. 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.

Results: The District did not have written policies and procedures over purchasing and disbursements during the fiscal period.

Management's Response: The District will adopt written policies and procedures over purchasing and disbursements.

6. 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.

Results: Inquired of management and observed that the unused check supply is maintained in a locked location with access restricted to those persons that do not have signatory authority.

7. 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.

Results: The District did not use a signature stamp during the fiscal period. The signed checks remain under the control of the signer and authorized user until mail.

Payroll and Personnel (Leave Follow-Up)

1. Obtain the entity's written policies and procedures and report whether those procedures address the "pay out" of any unused leave balance upon employment termination.

Results: Obtained the District's policy and noted that it does not specifically address the "pay out" of any unused leave balance upon employment termination.

Management's Response: The District will amend its policy to specifically address the "pay out" of any unused leave balance upon employment termination.

2. 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 5 employees/officials, and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - 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.

Results: No exceptions were noted as a result of this procedure.

3. 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.

Results: The District did not have any termination payments during the fiscal period.

Fueling Station

1. Obtain the entity's written policies and procedures over fuel and fuel transactions (or report that the entity does not have any written policies and procedures over fuel) and report whether those written policies and procedures address (1) individuals authorized to dispense fuel; (2) documentation requirements; (3) required approvers and form submission; (4) security of keys to fuel tanks; and (5) restrictions on filling small gas cans to operate equipment.

Results: The District's written policies and procedures over fuel use and fuel transactions address the items listed above.

2. Report whether all employees have signed the written policies and procedures for fuel usage and documented that they understand and will adhere to the fuel policies implemented by the agency.

Results: No exceptions were noted as a result of this procedure.

3. Obtain a listing of all active fueling stations and obtain management's representation that the listing is complete. Randomly select one month for each fueling station, obtain the supporting documentation for that month, and report whether there is written documentation of supervisory review. If there is written documentation, report whether the review includes the following:
 - a) An analysis of the reasonableness of fuel dispensed per vehicle or miscellaneous small equipment;
 - b) An examination of records or exception reports for after hours or off-duty fueling from non-emergency staff that do not normally work during these hours;
 - c) An analysis of the reasonableness and frequency of small equipment fill-ups;
 - d) An inventory and reconciliation of fuel purchased to fuel dispensed, including research and documentation of variances.

Results: All fuel is kept at the main station on Highway 41 - there are three different tanks: gasoline, diesel, and auxiliary diesel. We obtained supporting documentation for April 2016 fuel transactions and noted there was written documentation of supervisory review. The written supervisory review contains each of the items listed above.

4. Report whether the entity maintains a log book for each vehicle to track odometer readings between fill-ups. If automated, report whether the log books are compared to mileage entered into the system. If not automated, report whether the log books are used to evaluate the reasonableness of the quantity of fuel pumped per vehicle.

Results: The District maintains manual logs for each vehicle and they are used to evaluate the reasonableness of the quantity of fuel pumped per vehicle.

The agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of St. Tammany Parish Fire Protection District No. 7 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.



A Professional Accounting Corporation

Covington, LA
June 26, 2017