

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**BASIC FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORTS**  
**YEAR ENDED DECEMBER 31, 2016**

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# **Latuso and Johnson CPA, LLC**

## *Certified Public Accountants*

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### **INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Central Fire Protection District No. 4  
Baton Rouge, Louisiana

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Central Fire Protection District No. 4 (the District) as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents and the related notes to the financial statements.

#### ***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.

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 purposes 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 Central Fire Protection District No. 4 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 the management's discussion and analysis, the budgetary comparison schedule, and the schedule of funding progress for OPEB on pages 4 through 10 and 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Fire Protection District No. 4's basic financial statements. The schedule of compensation, benefits, and other payments to the fire chief on page 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits, and other payments to the fire chief is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to the fire chief is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



## Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated June, 2016 on our consideration of Central Fire Protection District No. 4's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Latuso & Johnson CPA, LLC". The signature is written in a cursive, flowing style.

Latuso & Johnson, CPA, LLC  
Baton Rouge, Louisiana  
June 22, 2017

## **CENTRAL FIRE PROTECTION DISTRICT NO. 4**

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

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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#### **MISSION STATEMENT**

The District has the responsibility of providing services to the citizens of the Central Community in the protection of life and property from the perils of fire and other emergencies, through execution of the latest methods of rescue, first aid, and firefighting.

The District is a combination paid/volunteer fire service organization maintaining five stations, and one administration and training facility.

The District is dedicated to the preservation of life and property in the community and to continuously improve the capability and delivery of its public service.

The District will manage its fire service task with the highest regard for humanity, safety, property preservation, the environment, cost, and community wellbeing.

#### **Financial Analysis**

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the District's financial statements, which begin on page 11.

#### **Financial Highlights**

The District's assets exceeded its liabilities by \$2,146,002 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,975,360, as restated.

- Total net position is comprised of the following:
  1. Capital assets, net of related debt, of \$2,183,952 including property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  2. Unrestricted deficit of \$37,950, primarily resulted from the requirement of GASB Statements No. 45 and No. 68. These pronouncements required the recording of projected long term liabilities for pension and OPEB liabilities totaling \$3,686,422 and \$3,530,743 as of December 31, 2016 and 2015, respectively.
- The District's governmental fund reported a total ending fund balance of \$3,443,969 this year. This compares to the prior year ending fund balance of \$3,310,755, as restated, showing an increase of \$133,214 during the current year.



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Overview of the Financial Statements**

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

**Government-Wide Financial Statements (Full Accrual Basis)**

The District's annual report includes two government-wide financial statements on pages 11 and 12. These statements provide both long-term and near-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the District's statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Evaluation of the overall economic health of the District would extend to other non-financial factors such as diversification of the taxpayer base in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's activities and functions on revenues provided by the District's taxpayers.

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Fund Financial Statements (Modified Accrual Basis)**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The fund financial statements begin on page 13.

*Governmental funds:* Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Financial Analysis of the District as a Whole**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

**The District As A Whole (Accrual Basis)**

The District's beginning net position was \$1,975,360, as restated, and ending net position was \$2,146,002. Major capital additions included adding a new roof to station #34 costing \$29,970 and the purchase of various equipment totaling \$81,586.



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**The District As A Whole (Accrual Basis) (Continued)**

Property tax revenue in 2016 decreased by \$345,930, approximately 12.7% over 2015, which was mainly attributed to the flood of August 2016 which negatively impacted property tax values. A summary of the District's net position is as follows:

**Summary of Net Position (Government Wide)**

	<b><u>2016</u></b>	<b>(As restated) <u>2015</u></b>	<b><u>Account Change</u></b>
Current and other assets	\$4,205,939	\$3,800,097	\$405,842
Capital assets	5,693,841	5,862,628	(168,787)
Accumulated depreciation	<u>(2,553,260)</u>	<u>(2,607,049)</u>	<u>53,789</u>
Total assets	7,346,520	7,055,676	290,844
Total deferred outflows of resources	1,270,995	567,106	703,889
Current liabilities	600,219	438,121	162,098
Long-term liabilities	<u>5,562,436</u>	<u>4,876,986</u>	<u>685,450</u>
Total liabilities	6,162,655	5,315,107	847,548
Total deferred inflows of resources	308,858	332,315	(23,457)
Net position:			
Invested in capital assets, net of related debt	2,183,952	2,073,640	110,312
Unrestricted deficit	<u>(37,950)</u>	<u>(98,280)</u>	<u>60,330</u>
Total net position	<u>\$2,146,002</u>	<u>\$1,975,360</u>	<u>\$170,642</u>

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**The District As A Whole (Accrual Basis) (Continued)**

Comparative data is accumulated and presented to assist analysis. A summary of the District's changes in net position is as follows:

**Summary of changes in Net Position (Government Wide)**

	<u>2016</u>	(as restated) <u>2015</u>	<u>Account Change</u>
Revenues:			
Ad valorem taxes	\$2,375,907	\$2,721,837	\$(345,930)
Other general revenues	1,320,799	607,990	712,809
Service fees	<u>415,977</u>	<u>383,476</u>	<u>32,501</u>
Total revenues	4,112,683	3,713,303	399,380
Expenses:			
Public safety	3,918,406	3,052,197	866,209
Debt service	<u>23,635</u>	<u>29,027</u>	<u>(5,392)</u>
Total expenses	<u>3,942,041</u>	<u>3,081,224</u>	<u>860,817</u>
Change in net position	<u>\$ 170,642</u>	<u>\$ 632,079</u>	<u>\$(461,437)</u>

**THE DISTRICT'S FUNDS**

Governmental Funds (Modified Accrual): The following schedule shows the total cost and net cost of services. The total cost represents the financial burden that was placed on the District's taxpayers for fire protection. The net cost represents the difference between the total costs and the fire protection service charges.



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**THE DISTRICT'S FUNDS (Continued)**

**Governmental Activities**  
**Fire Protection Charge for Service**

	<u><b>Total Cost of Services</b></u>		<u><b>Net Cost of Services</b></u>	
	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Totals	\$3,499,819	\$2,746,398	\$3,110,651	\$2,374,449

As of December 31, 2016, the District's governmental fund (as presented in the balance sheet on page 13) reported a fund balance of \$3,443,969, which is \$133,214, higher than last year's total of \$3,310,755, as restated.

**FEMA and Insurance Proceeds**

Due to the August, 2016 flood, the District had two of its buildings damaged and out of service until November. As the result of the flood various firefighting equipment was destroyed, and the District incurred substantial costs to provide disaster recovery efforts. FEMA aid was requested and claims on insurance were made to recover the costs incurred. The District received funds from FEMA totaling \$135,815 in 2017 to offset expenses of approximately \$136,000. The District received \$532,491 in insurance proceeds related to approximately \$310,000 for repairs and replacements. The insurance proceeds exceeded the net book value of the fire equipment, because the equipment was fully depreciated.

**General Fund Budgetary Highlights**

The budget is based on anticipated cash flows. Taxes and user charges expected to be collected during the year are budgeted. Expenditures are budgeted based on expected payment dates. The budgetary comparison uses modified cash basis revenues and expenditures. Some differences are due to the fact that the "actual" amounts include items that were received or paid in a different year, but were earned or incurred in this year. The budgetary comparison schedule on page 30 includes a reconciliation of the budget from modified cash basis to GAAP (modified accrual) basis.

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of 2016 the District had approximately \$3,140,581 invested in capital assets, including fire equipment, buildings, and land. As indicated in the table below, this amount represents a net decrease (including additions and depreciation) of approximately \$114,998 for the year.

**Capital Assets at Year-end**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land	\$ 264,018	\$ 264,018	\$ -
Buildings and improvements	2,099,505	2,063,045	36,460
Equipment	3,330,318	3,535,565	(205,247)
Totals	5,963,841	5,862,628	(168,787)
Accumulated depreciation	(2,553,260)	(2,607,049)	53,789
Net book value	<u>\$ 3,140,581</u>	<u>\$ 3,255,579</u>	<u>\$ (114,998)</u>

There were \$118,046 in additions and \$286,833 disposals to fixed assets in 2016. See note 4 to the financial statements for additional information regarding capital assets.

**Debt**

At the end of 2016, the amount of principal payable on a capital lease was \$956,629. See note 8 to the financial statements for additional information regarding long-term debt.

**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. If you have questions about this report or need additional financial information, contact Chief William M. Porche, Central Fire Protection District No. 4, 11646 Sullivan Road, Baton Rouge, LA 70818.



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,027,565
Due from other governments	487,998
Property taxes receivable - net of allowance	2,268,017
User charges receivable - net of allowance	399,373
Due from insurance settlement	17,604
Other receivables	182
Prepaid expenses	5,200
Capital assets, net of accumulated depreciation	3,140,581
Total assets	<u>7,346,520</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	1,270,995
Total deferred outflows of resources	<u>1,270,995</u>
<b>LIABILITIES</b>	
Accounts payable	251,217
Accrued expenses and benefits payable	98,195
Accrued interest payable	20,089
Current portion of capital lease	230,718
Long-term liabilities:	
Capital lease	725,911
Compensated absences payable	187,966
Net pension liability	4,044,397
OPEB liability	604,162
Total liabilities	<u>6,162,655</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	308,858
Total deferred inflows of resources	<u>308,858</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	2,183,952
Unrestricted deficit	(37,950)
Total net position	<u>\$ 2,146,002</u>

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

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

		<u>Program Revenues</u>		<u>Net Expenses &amp; Revenues, and Changes in Net Position</u>
			<u>Capital</u>	<u>Governmental</u>
	<u>Expenses</u>	<u>Service</u>	<u>Grants and</u>	
		<u>Fees</u>	<u>Contributions</u>	<u>Activities</u>
<b>Governmental:</b>				
Public safety- fire protection:				
Payroll and related expenses	\$ 2,880,567	\$	\$	\$
Occupancy	359,838			
Depreciation	229,765			
Other	142,240			
Supplies	124,244			
Insurance	97,805			
Equipment maintenance	83,947			
Total public safety expenses	3,918,406	415,977	-	(3,502,429)
Interest and fiscal charges	23,635	-	-	(23,635)
Total governmental activities	\$ 3,942,041	\$ 415,977	\$ -	\$ (3,526,064)

General revenues:

Property taxes, levied for fire protection	2,375,907
State revenue sharing	300,101
State supplemental pay	159,483
FEMA aid	135,815
Insurance taxes	124,534
BP settlement	20,000
Gain on disposition of capital assets	18,301
Right of way	16,214
Interest and penalties	9,657
Miscellaneous	4,203
Insurance proceeds	532,491
Total general revenues and insurance proceeds	3,696,706

Change in net position 170,642

Net position - beginning (as restated see Note 14) 1,975,360

Net position - ending \$ 2,146,002

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



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,027,565
Due from other governments	487,998
Property taxes receivable - net	2,268,017
User charges receivable - net	399,373
Due from insurance settlement	17,604
Misc receivables	182
Prepaid items	5,200
Total assets	\$ <u><u>4,205,939</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 251,217
Accrued expenses and benefits payable	98,195
Total liabilities	<u>349,412</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property taxes and user fees	412,558
<b>FUND BALANCES</b>	
Nonspendable prepaid items	5,200
Assigned	15,421
Unassigned	3,423,348
Total fund balances	<u>3,443,969</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ <u><u>4,205,939</u></u>

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

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

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Total fund balance for governmental fund (page 13)	\$ 3,443,969
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Capital assets at cost	\$ 5,693,841	
Accumulated depreciation	<u>(2,553,260)</u>	
Net capital assets		3,140,581

Some of the District's taxes and user fees will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.

Property taxes	\$ 160,423	
Due from other governments	200,067	
Service fees	<u>52,068</u>	
Total revenue changes		412,558

Deferred inflows of \$308,858 and deferred outflows of \$1,270,995 are not due and payable in the current period or do not represent current financial resources, and therefore, are not reported in the governmental funds.

962,137

Capital leases, compensated absences and other long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Those liabilities consist of:

Capital lease obligation	\$ (956,629)	
Accrued interest on capital lease	(20,089)	
Compensated absences	(187,966)	
OPEB liability	(604,162)	
Pensions liability	<u>(4,044,397)</u>	
Total long-term liabilities		<u>(5,813,243)</u>

Total net position of governmental activities (page 11)	\$ <u>2,146,002</u>
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The accompanying notes are an integral part of these financial statements.



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 2,304,907
Intergovernmental	446,186
Charges for services	389,168
FEMA aid	135,815
Insurance taxes	124,534
Proceeds on sale of capital assets	21,581
BP settlement	20,000
Right of way	16,214
Interest and penalties	9,657
Miscellaneous	4,203
Total revenues	<u>3,472,265</u>
<b>EXPENDITURES</b>	
Current:	
Fire protection	3,499,819
Debt service:	
Principle payments on capital lease obligation	225,310
Interest payments	28,367
Capital outlay:	
Equipment	118,046
Total expenditures	<u>3,871,542</u>
Excess of expenditures over revenues	(399,277)
<b>OTHER FINANCING SOURCES</b>	
Insurance proceeds	532,491
Net change in fund balance	<u>133,214</u>
Fund balance - beginning of year	<u>3,310,755</u>
Fund balance - end of year	<u>\$ 3,443,969</u>

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

**CENTRAL FIRE PROTECTION DISTRICT NO. 4  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balance - total governmental fund (page 15)	\$	133,214
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The change in net position for governmental activities in the statement of activities is 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 (\$229,765) exceeds capital outlays (\$118,046) in the current period.		(111,719)
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Repayment of the capital lease obligation is an expenditure in the governmental funds but reduces the liability in the statement of net position.		225,310
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Governmental funds report gross proceeds as disposed assets. However, in the statement of activities the gain (loss) on those disposed assets are reported in the General Revenues. Assets with an original cost of \$286,833 and accumulated depreciation of \$283,554 were disposed of in the current year.		(3,279)
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Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized for transactions that are normally not available within 60 days after year end. In the statement of activities however, which is presented on the accrual basis, revenues are reported regardless of when they are expected to be received. This amount combines the changes in deferred inflows of resources in the following accounts:

Property taxes	\$ 70,999		
Revenue sharing	13,398		
User fees	<u>26,809</u>		111,206

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

This amount combines the following net changes:

Decrease in accrued interest	\$ 4,732		
Increase in compensated absences liability	(33,143)		
Increase in OPEB liability	(82,044)		
Increase in pension liability	<u>(73,635)</u>		<u>(184,090)</u>
Change in net position of governmental activities (page 12)	\$		<u><u>170,642</u></u>

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



## **CENTRAL FIRE PROTECTION DISTRICT NO. 4**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED DECEMBER 31, 2016**

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##### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

###### **A. FORMATION AND OPERATIONS**

The Central Fire Protection District No. 4 (the District) was formed in 1976 by the City of Baton Rouge, Parish of East Baton Rouge (City/Parish).

The purpose of the District is to provide fire protection rescue and emergency medical service for the citizens of the District. The District serves approximately 35,000 individuals. The District employs permanent full-time employees and part-time employees. It also employs temporary employees as needed. Limited services are provided through volunteers. No value is attributed to the volunteer services in the accompanying financial statements.

A five-member board governs the District. Two board members are appointed by the City/Parish and two are appointed by the Central City Council. The fifth member is appointed by the other board members. No members are compensated.

###### **B. BASIS FOR PRESENTATION AND ACCOUNTING**

The accompanying financial statements of the District as of December 31, 2016 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the primary standard setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of LRS 24:514 and the Louisiana Governmental Audit Guide.

*Government-wide Statements:* The statement of net position and the statement of activities display information about the District. The District's activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The government-wide financial statements are reported using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, including property taxes and user fees, are recorded in the year assessed.

The statement of activities presents a comparison between direct expenses and program revenues for the activities of the District. Program revenues include user fees paid by the property owners in the District and operating grants and contributions.



## CENTRAL FIRE PROTECTION DISTRICT NO. 4

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

##### B. BASIS FOR PRESENTATION AND ACCOUNTING - (CONTINUED)

*Fund Financial Statements:* The fund financial statements provide information about the District's activities, all of which are reported in the general fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and user fees are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and compensated absences, which are recognized as expenditures only to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

*General fund:* This is the District's operating fund. It accounts for all financial resources of the District.

##### C. REPORTING ENTITY

The Board of Commissioners has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14. There are no component units included within the reporting entity.

##### D. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits and time deposit accounts. The District considers short-term (maturity of 90 days or less), highly liquid investments as cash equivalents. 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.

##### E. PREPAID EXPENSE

Prepaid balances are for payments made by the District in the current year to receive services occurring in a subsequent fiscal year.



## CENTRAL FIRE PROTECTION DISTRICT NO. 4

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

##### F. CAPITAL ASSETS

Capital acquisitions are recorded in the fund financial statements as expenditures at time of purchase and are capitalized in the Statement of Net Position. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value on the date received. Asset acquisitions over \$2,000 are capitalized.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Fire engines	15
Other vehicles (trucks, rescue vehicles, etc.)	5 - 15
Buildings	7 - 40
Firefighting equipment	10
Radio, communications equipment	10
Furniture, office equipment	5 - 7

##### G. COMPENSATED ABSENCES

The District's policies relating to vacation, sick leave, and compensatory time are summarized as follows: Vacation leave is determined by the number of years of service and accrues each pay period. Accrued vacation leave is carried over from year to year up to a maximum of 1,800 hours for employees "grandfathered" under the policy which was in effect at December 31, 1999. Other hourly and salaried employees may accumulate up to 240 hours of vacation.

In some cases employees can earn compensatory time in lieu of overtime. For each hour worked over the scheduled hours, the employee earns 1½ hours of compensatory time. Eligible employees may accumulate up to 240 hours of compensatory time.

Sick leave is governed by Louisiana Revised Statute 33:1995. No cash payment is made for unused sick time.

##### H. LONG-TERM OBLIGATIONS

Long-term obligations, including compensated absences and capital leases, are expected to be financed from governmental funds.

## CENTRAL FIRE PROTECTION DISTRICT NO. 4

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED DECEMBER 31, 2016

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

##### I. FUND EQUITY

The District implemented the provisions of Governmental Accounting Standards Board Statement No. 54, which redefined how fund balances are presented in fund financial statements for the year ended December 31, 2016. In the governmental fund financial statements, fund balances are classified as follows:

*Non-spendable* - Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. As of December 31, 2016, the District's non-spendable fund balance totaled \$5,200.

*Restricted* - Amounts that can be spent only for specific purposes because of the state or federal laws, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. As of December 31, 2016, the District did not have any restricted fund balances.

*Committed* - Amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This formal action is the adoption of a resolution by the Board. As of December 31, 2016, the District did not have any committed fund balances.

*Assigned* - Amounts that are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. As of December 31, 2016, the District's assigned fund balance totaled \$15,421.

*Unassigned* - All amounts not included in other spendable classifications. Unassigned fund balances are the residual classification for the District's General fund. As of December 31, 2016, the District's unassigned fund balance totaled \$3,423,348.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.



## **CENTRAL FIRE PROTECTION DISTRICT NO. 4**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED DECEMBER 31, 2016**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

##### **J. PROGRAM REVENUES**

Program revenues consist of user charges and operating grants. These are accounted for in the District's Statement of Activities as program revenues.

##### **K. BUDGET**

The budget was prepared and approved by the board in December, 2015. There were no amendments to the 2016 budget. The accompanying Budgetary Comparison Schedule on page 36 presents comparisons of the legally adopted budget with actual data. The budget is prepared on the cash basis. Because accounting principles applied for purposes of developing data on a budgetary basis differs significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2016 is presented on page 37.

#### **2. CASH AND CASH EQUIVALENTS**

At December 31, 2016, the District has cash and cash equivalents as follows:

	<b>Book Balances</b>	<b>Bank Balances</b>
Interest bearing demand deposits	\$1,027,565	\$1,037,938

Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these bank balances. 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. At December 31, 2016 deposits were secured from risk by \$250,000 of federal deposit insurance and \$787,938 pledged securities held by the trust department of the fiscal agent bank. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the trust department of the fiscal agent bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**3. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS**

The following is a summary of receivables at December 31, 2016:

	<b>Property Taxes</b>	<b>User Charges</b>	<b>Due from Other Governments</b>
Amounts receivable	\$2,293,017	\$404,973	\$487,998
Less estimated uncollectible amounts	<u>(25,000)</u>	<u>(5,600)</u>	<u>-</u>
Net receivables	<u>\$2,268,017</u>	<u>\$399,373</u>	<u>\$487,998</u>

The allowance represents taxes and user charges not expected to be collected within the next year.

Due from other governments consists of the following:

Due from Sheriff's Office for property taxes and service fees	\$152,116
Due from City Parish for state revenue sharing	200,067
Due from FEMA	<u>135,815</u>
Total	<u>\$487,948</u>

**4. CHANGES IN CAPITAL ASSETS**

	<b>Equipment</b>	<b>Land</b>	<b>Building</b>	<b>Accumulated Depreciation</b>	<b>Total</b>
Balance at December 31, 2015	\$3,535,565	\$264,018	\$2,063,045	\$(2,607,049)	\$3,255,579
Additions	81,586	-	36,460	(229,765)	(111,719)
Disposals	<u>(286,833)</u>	<u>-</u>	<u>-</u>	<u>283,554</u>	<u>(3,279)</u>
Balance at December 31, 2016	<u>\$3,330,318</u>	<u>\$264,018</u>	<u>\$2,099,505</u>	<u>\$(2,553,260)</u>	<u>\$3,140,581</u>

Depreciation expense recorded for the year ended December 31, 2016 was \$229,765.

**5. COMPENSATED ABSENCES**

At December 31, 2016 employees of the District have accumulated and vested \$187,966 of vacation benefits and compensatory time.



## **CENTRAL FIRE PROTECTION DISTRICT NO. 4**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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#### **6. PROPERTY TAX REVENUES**

The Sheriff of East Baton Rouge Parish, as provided by LRS 33:1435, is the official tax collector of general property taxes levied by the Parish and Parish Special Districts. December tax collections remitted to the District by the Sheriff in January are reported as "Due from other governments".

The 2016 property tax calendar was as follows:

Levy date	July 27, 2016
Millage rates adopted	July 27, 2016
Due date	December 31, 2016
Tax notices mailed	January 6, 2017
Lien date	February 1, 2017

State law requires the Sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, they bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Sheriff is required to sell a portion or all of the property to settle the taxes and interest owed. Therefore, a substantial portion of the taxes are collected by year-end.

An allowance for uncollectible taxes is deducted from the gross taxes assessed and recorded in the current year. Uncollectible taxes are those taxes which, based on historical data, are not expected to be collected in the subsequent year and are primarily due to subsequent adjustments of the tax rolls. All of the property taxes receivable is recorded on the government wide financial statements.

Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The property taxes collected by the sheriff within 60 days of year end are considered available and are recorded as such on the governmental fund financial statements.

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**7. USER CHARGES**

The District is empowered to assess a user charge of \$32 for each residential and commercial structure in the District. The District has an agreement for the sheriff to place the user charges on the property tax statements. They are subject to the same enforcement procedures as property taxes.

An allowance for uncollectible user charges is deducted from the gross user charges assessed and recorded in the current year. Uncollectible user charges are those user charges which, based on historical data, are not expected to be collected in the subsequent year. All of the user charges receivable are recorded on the government wide statements. Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The user charges collected by the sheriff within 60 days of year end are considered available and are recorded as such on the governmental fund financial statements.

**8. CHANGES IN GENERAL LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions during the year:

	<b>Beginning Balance</b>	<b>Increase/ (Decrease)</b>	<b>Ending Balance</b>
Capital Lease	\$ 956,629	(230,718)	725,911
Compensated Absences	154,823	33,143	187,966
Net Pension Liability	3,243,416	800,981	4,044,397
OPEB Liability	<u>522,118</u>	<u>82,044</u>	<u>604,162</u>
Totals	<u>4,876,986</u>	<u>\$685,450</u>	<u>\$5,562,436</u>

Current portion of long term obligations as of December 31, 2016 is \$230,718.



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**8. CHANGES IN GENERAL LONG-TERM OBLIGATIONS - (CONTINUED)**

Capital lease outstanding at December 31, 2016 is a result of the acquisition of four vehicles in 2013. The obligation bears an interest rate of 2.4%.

The annual principal and interest payments on the capital lease outstanding at December 31, 2016 are as follows:

<b>DECEMBER 31,</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2017	230,718	22,959	253,677
2018	236,255	17,422	253,677
2019	241,925	11,752	253,677
2020	<u>247,731</u>	<u>5,946</u>	<u>253,677</u>
	<u>\$956,629</u>	<u>\$58,079</u>	<u>\$1,014,708</u>

**9. PENSION PLAN**

**Firefighters' Retirement System Pension Plan**

The District also contributes to the Firefighters' Retirement System Pension Plan (Plan), a cost-sharing, multiple-employer, defined benefit pension plan. Any person who became a regular full time employee of the District after 1998 became a member of this system. The retirement system was placed under the management of a board of trustees. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Membership in the Louisiana Firefighter's 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, at or after age 50 with at least 20 years of creditable service, or at any age with at least 25 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final average salary multiplied by their total years of service, not to exceed 100% 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

## **CENTRAL FIRE PROTECTION DISTRICT NO. 4**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED DECEMBER 31, 2016**

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#### **9. PENSION PLAN - (CONTINUED)**

##### **Firefighters' Retirement System Pension Plan - (Continued)**

retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination, or at any age with at least 25 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, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

##### **Funding Policy**

Members of the System are required by state statute to contribute 10% of their annual covered salary for the years ended June 30, 2016, 2015, and 2014, and the District is required to contribute at an actuarially determined rate. The rate for employees above poverty level is 25.25%, 29.25%, and 28.25% of annual covered payroll for the years ended June 30, 2016, 2015 and 2014, respectively. The contribution requirements of plan members and the Central Fire Protection District No. 4 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.

##### **Contributions**

According to state statute, for the System, contribution requirements for all employees are actuarially determined each year. State statute requires covered employees to contribute a percentage of their salaries to the System. For the year ending December 31, 2016, the actual employer contribution rate and the actuarially determined employer contribution rate is listed below. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

The District's covered employees' contributions to the System for the years ending December 31, 2016, 2015, and 2014, were \$149,237, \$131,430, and \$123,639, respectively. The District's



## **CENTRAL FIRE PROTECTION DISTRICT NO. 4**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED DECEMBER 31, 2016**

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#### **9. PENSION PLAN - (CONTINUED)**

##### **Firefighters' Retirement System Pension Plan - (Continued)**

contributions to the System consisted of 25.25%, 29.25% and 28.25% of participating employee earnings for the years ended December 31, 2016, 2015, and 2014, respectively. The District's covered employer's contributions to the System for the years ending December 31, 2016, 2015, and 2014, were \$391,662, \$371,326, and \$355,560, respectively, equal to the required contribution for each year.

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

At December 31, 2016, the District reported a liability totaling \$4,439,796 for its proportionate share of the net pension liability for the System. 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 employers, actuarially determined. At June 30, 2016, the District's proportion was .6183% for the System, which was a decrease of .017% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the District recognized pension expense for the System totaling \$391,661. Credited to pension expense is the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions totaling \$73,635 for the System.

For the year ended December 31, 2016, the District recognized revenue from ad valorem taxes and revenue sharing funds received by the System. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities totaling \$153,502.

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the System:

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**9. PENSION PLAN - (CONTINUED)**

**Firefighters' Retirement System Pension Plan - (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 160,093
Change in assumptions	35,072	1,127
Net difference between projected and actual earnings on pension plan investments	972,005	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	74,436	147,638
Employer contributions subsequent to the measurement date	<u>189,482</u>	<u>-</u>
	<u>\$ 1,270,995</u>	<u>\$ 308,858</u>

Employer contributions subsequent to the measurement date totaling \$189,482 and reported as deferred outflows of resources will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2017 Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2017	\$ 197,720
2018	197,720
2019	258,774
2020	123,499
2021	(11,692)
2022	<u>6,534</u>
	<u>\$ 772,555</u>



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**9. PENSION PLAN - (CONTINUED)**

**Firefighters' Retirement System Pension Plan - (Continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 actuarial valuation for the System was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
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
Inflation Rate	2.875% per annum
Salary Increases	Vary from 15.0% in the first years of service to 4.75% after 25 years
Cost of Living Adjustments	Only those previously granted

**Mortality Rate**

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimate 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 the tables used would produce liability values approximating the appropriate generational mortality tables.

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**9. PENSION PLAN - (CONTINUED)**

**Firefighters' Retirement System Pension Plan - (Continued)**

**Long-Term Expected Real Rate of Return**

The estimated long term expected rate of return on pension plan investments was determined using a building block method in which best estimate 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% as of June 30, 2016. Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed Income	24%	1.85%
Equity	58%	6.77%
Alternatives	80%	6.67%
Other	10%	4.30%
Totals	<u>100%</u>	<u>5.34%</u>
Inflation		3.00%
Expected arithmetic nominal return		8.34%

**Discount Rate**

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.



## CENTRAL FIRE PROTECTION DISTRICT NO. 4

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

#### 9. PENSION PLAN - (CONTINUED)

##### Firefighters' Retirement System Pension Plan - (Continued)

##### Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the Net Pension Liability using the discount rate of 7.5%, as well as what the Authority's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
District's proportionate share of the Net Pension Liability	\$5,510,166	\$4,044,397	\$2,811,715

##### Retirement System Audit Report

Firefighters' Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2016. Access to the audit report can be found on the System's website: [www.lafirefightersret.com](http://www.lafirefightersret.com) or on the Office of Louisiana Legislative Auditor's official website: [www.lla.state.la.us](http://www.lla.state.la.us).

#### 10. DEFERRED COMPENSATION PLAN

The department has a deferred compensation plan established under Internal Revenue Code section 457. The plan covers substantially all employees. Participants elect to defer a portion of their salaries and there are no contributions made by the District. The amounts deferred from the employees' salaries are subject to the claims of general creditors of the District until the amounts are remitted to the administrator of the plan. The administrators of the plan determine the uses of the plan position, including the payment of benefits. The district has no additional fiduciary responsibility. There were no employee deferrals in 2016.

#### 11. SUPPLEMENTAL SALARIES

During the year, the full time employees received additional pay in the amount of \$159,483 from

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**11. SUPPLEMENTAL SALARIES (CONTINUED)**

the State of Louisiana. This amount was recorded in revenue as intergovernmental revenue. An offsetting expenditure was recorded in salaries and related benefits.

**12. OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description**

The Central Fire District No. 4 OPEB plan is a single-employer defined benefit "substantive plan" as understood by the employer and its employees. The plan provides health insurance benefits to eligible retirees and their spouses. There is no written plan that exists or sanctions by law. The OPEB plan is reported based on communications to plan members. The OPEB plan does not issue a stand-alone financial report.

There are presently 26 active members and 1 retiree receiving benefits.

Retirees may continue their coverage paying approximately 50% of premiums and receiving the same benefits as they did prior to their retirement. Current employees pay approximately 35%.

**Funding Policy**

The health plan was funded with employer payment of the premiums. The employer portion of pay-as-you-go OPEB insurance premiums are allocated over all participants in the OPEB plan.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized as unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**12. OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)**

The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the district's net OPEB obligation to plan.

Annual required contribution (ARC)	\$ 111,718
Interest on net OPEB obligation	26,106
Adjustment to annual required contribution	<u>(33,965)</u>
Annual OPEB cost	103,859
Age adjusted contributions made	<u>(21,815)</u>
Change in net OPEB obligation	82,044
Net OPEB obligation - Beginning of Year	<u>522,118</u>
Net OPEB obligation - End of Year	<u>\$604,162</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year follows:

	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net Change to net OPEB Obligation	Net OPEB Obligation
December 31, 2014	\$84,242	25.7%	\$62,608	\$427,899
December 31, 2015	\$114,159	17.5%	\$94,219	\$522,118
December 31, 2016	\$103,858	21.0%	\$82,044	\$604,162

**Funding Status and Funding Progress**

The funding status of the plan as of December 31, 2016, from the most recent actuarial valuation, shows the plan was unfunded by \$1,180,173. The covered payroll (annual payroll of active employees covered by the plan) as of December 31, 2016 was \$1,586,571 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 74.4%.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**12. OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)**

and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The individual entry age-actuarial cost method was used for the December 31, 2016 actuarial valuation. Because the District currently finances OPEB using a pay-as-you-go approach, the discount rate of 5% is based on the historical (and expected) investments that are expected to be used in financing the payment of benefits. The actuarial assumptions included a 5% investment rate of return, an inflation rate of 3%, and an annual medical cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 4.7% after nine years. Life expectancies were based on the RP2000 Mortality Table set forward ten years. Turnover rates were based on standard turnover assumptions. The agency's unfunded actuarial accrued liability is being amortized using a level percentage of payroll with an amortization period of 30 years.

**13. BOARD OF COMMISSIONERS**

The District is governed by a Board of Commissioners. The members receive no compensation or per diem allowances for their service.



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**14. PRIOR PERIOD ADJUSTMENTS**

In 2015, \$484,216 was not included as an intergovernmental receivable and in property tax revenue for the new millage rate increase of 4.25. The change in net position for the year ended December 31, 2015 was an increase from \$ 147,863 to \$632,079.

The impact on governmental activities net position and general fund balance was as follows:

	Government Wide <u>Net Position</u>	General <u>Fund Balance</u>
Ending balance, as previously reported, December 31, 2015	\$ 1,491,144	\$ 2,826,539
Increase in 2015 property tax revenue from the millage increase	<u>484,216</u>	<u>484,216</u>
Ending balance, as restated, December 31, 2015	<u>\$ 1,975,360</u>	<u>\$ 3,310,755</u>

**15. SUBSEQUENT EVENTS**

Management of the District has evaluated all subsequent events through June 22, 2017, the date the financial statements were available to be issued. On January 25, 2017 the district entered into a loan agreement with FEMA for \$779,500, at 2%. Of this amount \$665,000 will be funded in 2017 and \$114,500 in 2018. The loan is to be repaid on January 22, 2022. As of the date of this report, the District has received \$200,000. In 2017, a fire engine was purchased for \$239,000 and a vehicle for \$31,000. No additional disclosures are considered necessary by management.

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**Non GAAP Basis**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variances with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 2,705,750	\$ 2,705,750	\$ 653,370	\$ (2,052,380)
Charges for services	457,200	457,200	83,077	(374,123)
Intergovernmental	381,500	381,500	2,641,303	2,259,803
Insurance taxes	141,000	141,000	124,534	(16,466)
Property acquisition	20,000	20,000	21,581	1,581
Interest earnings	8,250	8,250	9,657	1,407
Miscellaneous	1,000	1,000	861,761	860,761
Total revenues	<u>3,714,700</u>	<u>3,714,700</u>	<u>4,395,283</u>	<u>680,583</u>
<b>EXPENDITURES</b>				
Salaries	1,909,500	1,909,500	1,859,476	50,024
Employee benefits	918,000	918,000	773,363	144,637
Contractual services	479,200	479,200	756,297	(277,097)
Debt Service	254,500	254,500	253,677	823
Supplies	141,500	141,500	124,244	17,256
Capital outlay	12,000	12,000	118,046	(106,046)
Total expenditures	<u>3,714,700</u>	<u>3,714,700</u>	<u>3,885,103</u>	<u>(170,403)</u>
Excess of revenues over expenditures	\$ -	\$ -	\$ 510,180	\$ 510,180
Budgetary fund balance, beginning of year	<u>517,385</u>	<u>517,385</u>	<u>517,385</u>	-
Budgetary fund balance, end of year	<u>\$ 517,385</u>	<u>\$ 517,385</u>	<u>\$ 1,027,565</u>	<u>\$ 510,180</u>

**Budgetary Process**

The proposed budget for 2016 was made available for public inspection on November 23, 2015. The proposed budget, prepared on the cash basis of accounting, was published in the official journal twenty-two (22) days prior to the public hearing, which was held at the Central Fire Department Station on Sullivan Road on December 15, 2015, for the comments from the public. The budget is legally adopted and amended, as necessary, by the Board of Commissioners.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

See independent auditors' report



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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Note A: Explanation of Differences between Excess of Expenditures over Revenues for the General Fund on a Budgetary Basis and the Net Change in Fund Balance on a GAAP

Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (Budgetary basis)	\$ 510,180
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Adjustments

To adjust revenues for increase (decrease) in accrued income

Intergovernmental	(2,181,719)
Property taxes	1,722,536
User charges	332,900
Other	21,945
Deferred revenue	(111,206)

To adjust expenditures for increase in accrued expenses

Accounts payable	(172,106)
Accrued expenses	10,684

Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	\$ <u>133,214</u>
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See independent auditors' report

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**  
**SCHEDULE OF FUNDING PROGRESS FOR OPEB**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Year Ending</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/2009	12/31/2009	\$ -	\$ 781,174	\$ 781,174	0.0%	\$ 591,000	132.2%
12/31/2010	12/31/2009	-	781,174	781,174	0.0%	1,090,800	71.6%
12/31/2011	12/31/2009	-	781,174	781,174	0.0%	1,052,345	74.2%
12/31/2012	12/31/2012	-	767,770	767,770	0.0%	1,054,614	72.8%
12/31/2013	12/31/2012	-	767,770	767,770	0.0%	1,061,731	72.3%
12/31/2014	12/31/2012	-	767,770	767,770	0.0%	1,078,202	71.2%
12/31/2015	12/31/2015	-	1,180,173	1,180,173	0.0%	1,109,624	106.4%
12/31/2016	12/31/2015	-	1,180,173	1,180,173	0.0%	1,586,571	74.4%

See independent auditors' report



**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**FOR THE YEAR ENDED DECEMBER 31, 2016\***

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**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

	<u><b>2016</b></u>	<u><b>2015</b></u>
District's proportion of the net pension liability	.618%	.610%
District's proportionate share of the net pension liability	\$4,044,397	\$3,243,416
District's covered-employee payroll	\$1,397,262	\$1,269,491
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	289.45%	255.49%
Plan fiduciary net position as a percentage of the total pension liability	68.16%	72.45%

\*The amounts presented for December 31, 2016 and 2015 were determined as of June 30, 2016, and 2015, respectively. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SCHEDULE OF CONTRIBUTIONS-RETIREMENT PLAN**

Contractually required contribution	\$379,915
Contributions in relation to the contractually required contribution	\$380,754
Contribution deficiency (excess)	(839)
Covered-employee payroll	\$1,397,262
Contributions as a percentage of covered-employee payroll	27.25%

See independent auditors' report

# **Latuso and Johnson CPA, LLC**

*Certified Public Accountants*

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

Board of Commissioners  
Central Fire Protection District No. 4  
Baton Rouge, 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 Central Fire Protection District No. 4 (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 22, 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one weakness in internal control described in the accompanying schedule of findings that we consider to be a significant deficiency in internal control as indicated by finding 2016-1.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard* as indicated as finding 2016-2.

#### The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### 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 result 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.

*Latuso + Johnson CPA, LLC*

Baton Rouge, Louisiana  
June 22, 2017

**CENTRAL FIRE PROTECTION DISTRICT NO. 4**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED DECEMBER 31, 2016**

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**SECTION 1 - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of report issued	Unmodified	
Internal control over financial reporting:		
- Material weaknesses identified	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
- Significant deficiencies identified that are not considered to be material weaknesses.	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Noncompliance material to financial statements	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
<b>Financial Statements Findings</b>	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

**SECTION II - CURRENT YEAR FINDINGS**

**2016-2: Financial Statement Preparation**

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

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

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

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

**Recommendation:** Since the District is satisfied with using its auditing firm to prepare the external financial statements, no change is recommended. However, this matter will continue to be reported.

**Management's Response:** After reviewing the findings we will monitor the issue and determine if it is economically beneficial to resolve the condition.



## CENTRAL FIRE PROTECTION DISTRICT NO. 4

### SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2016

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#### SECTION III – CURRENT YEAR FINDINGS (Continued)

##### 2016-2:2 Local Government Budget Act

**Criteria:** Louisiana Revised Statute 39:1311 require budgets be amended when the total actual revenues, expenditures, and other sources or uses plus projected revenues, expenditures and other sources or uses for the remainder of the year exceed the total budget categories by five percent or more.

**Condition:** The budget for the District had a favorable revenue variance of \$680,583 or 18.3% and an unfavorable expenditure variance of \$170,403 or 4.6 %.

**Cause:** During the month of August 2016 a flood occurred in the District's area. The District received FEMA relief aid and proceeds from insurance claims, which resulted in unbudgeted revenues. Due to an oversight the budget was not amended.

**Effect:** The District is in violation of the Budget Act.

**Recommendation:** The fire chief should review the monthly financial statements and if necessary present an amended budget to the Board of Commissioners for approval.

**Management's Response:** Management concurs with the recommendation.

#### SECTION III – PRIOR YEAR FINDING

##### 2015-1: Financial Statement Preparation

**Finding:** The District relies on its auditor to assist in the preparation of the external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the District's auditors cannot be considered part of the District's internal control structure; however, design of the internal control structure does not otherwise include procedures to prepare external financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

**Action Taken:** This finding is repeated in the current year.

**CENTRAL FIRE PROTECTION DISTRICT NO. 4  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
TO THE FIRE CHIEF  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Fire Chief Name:** William Porche

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 107,501
Auto Allowance	8,050
State Supplemental Pay	6,000
Benefits - insurance	15,639
Benefits - retirement	4,702
Cell phone	<u>648</u>
Total	<u><u>142,540</u></u>

See independent auditor's report