

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2022

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
of the St. George Fire Protection District No. 2
Baton Rouge, Louisiana

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of the **ST. GEORGE FIRE PROTECTION DISTRICT NO. 2 (District)**, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, and the General Fund of the District, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, the *Louisiana Governmental Auditing Guide*, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, the schedule of changes in total other post-employment benefit liability and related ratios, the schedule of proportionate share of net pension liability, the schedule of contributions to each retirement system, and related notes to required supplementary information on pages 4 through 8 and 37 through 42 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 any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head on page 43 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information on page 43 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 other supplementary information is fairly stated in all material aspects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
March 29, 2023

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

INTRODUCTION

This section of the St. George Fire Protection District No. 2's (the District) financial report represents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2022 with comparative prior year information with explanations of changes between the two years.

The District provides emergency services to a 84 square mile area of East Baton Rouge Parish. The District is located in the southern portion of East Baton Rouge Parish. It includes areas within East Baton Rouge Parish outside of the city limits of Baton Rouge with the parish line being the boundary on the eastern, western and southern ends and Harrell's Ferry Road being the northern boundary. The population of the District is approximately 106,500 and there are approximately 30,000 structures. The District is a separate government body and is governed by an appointed board of five citizens.

The District has a total staff of 216 employees that provide fire protection and related services. This includes 9 employees that provide administrative and office services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplemental information. Please read it in conjunction with the District's financial statements which begin on page 9.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, the revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused accumulated leave).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as 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.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Because the focus of governmental funds is narrower than that of 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 the 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 notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information including the budgetary comparison schedule and historical information for the net pension liability and the total other postemployment benefit liability.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$34,933,287 (net position - deficit), which represents a 9.5% deficit increased from September 30, 2021. The increased deficit in net position was mainly due to net increase in net pension liability. The largest portion of the District's net position reflects its net investment in capital assets.

The following provides a summary of the net position (deficit):

	Governmental Activities	
	2022	2021
Current and other assets	\$ 8,026,769	\$ 9,394,580
Capital assets	38,653,925	37,026,730
Total assets	46,680,694	46,421,310
Deferred outflows - resources	23,676,901	12,186,891
Other liabilities	11,373,491	7,686,035
Long-term liabilities	79,114,352	67,929,677
Total liabilities	90,487,843	75,615,712
Deferred inflows - resources	14,803,039	14,906,487
Net Position (Deficit):		
Net investment in capital assets	16,071,844	17,210,559
Restricted for debt service	362,207	865,077
Unrestricted	(51,367,338)	(49,989,634)
Total net position (deficit)	\$ (34,933,287)	\$ (31,913,998)

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The following provides a summary of the changes in net position (deficit):

	2022	2021
Governmental Activities		
Revenues:		
Program Revenues:		
Charges for services	\$ 8,313	\$ 62,329
Operating grants and contributions	2,501,844	2,717,775
Capital grants and contributions	479,809	-
General Revenues:		
Property taxes	24,181,195	23,569,876
Service charges	1,273,863	1,241,287
Intergovernmental revenues	1,106,903	740,486
Interest and other revenues	103,380	371,313
Total revenues	29,655,307	28,703,066
Expenses	32,674,596	27,945,135
Change in net position	(3,019,289)	757,931
Beginning net position (deficit)	(31,913,998)	(32,671,929)
Ending net position (deficit)	\$ (34,933,287)	\$ (31,913,998)

The District receives property tax based on a millage of 12 mills for general operations, 1.25 mills for salary and benefits, 1.25 mills for capital improvements and general operations, and 1.50 mills for capital improvements and debt service. These taxes, which represent 81.5% of total revenue, increased by \$611,319 or 2.6% from the period ending September 30, 2021. In addition, the District is allocated a proportion of property taxes withheld by the Sheriff and paid to the Firefighters' Retirement System that is considered a non-employer contribution and is recognized as revenue with the net pension liability adjustment.

The District also received grants and contributions from the federal government, the State of Louisiana for various grant programs or appropriations, and a capital contribution from the District's separate non-profit foundation. The operating and capital grants and contributions represents 10.05% of total revenue and increased by \$263,878 or 9.71% from the period ending September 30, 2021.

The District's expenses increased by \$4,729,461 or 16.92%. Most of this increase was caused by expenses for personnel services and related benefits increasing by \$3,960,151 mainly due to the net adjustments for net pension liability and total other postemployment liability of \$3,240,423.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FINANCIAL ANALYSIS OF FUNDS

The following provides a summary of the general fund's revenues, expenditures, and other financing sources for the years ended September 30, 2022 and 2021:

	General Fund		
	2022	2021	Variance
Revenues	\$ 27,928,264	\$ 27,031,562	\$ 896,702
Expenditures	33,055,687	36,762,840	(3,707,153)
Other financing sources	94,999	681,000	(586,001)
Change in fund balance	<u>\$ (5,032,424)</u>	<u>\$ (9,050,278)</u>	<u>\$ 4,017,854</u>

Revenues increased by \$896,702 largely driven by an increase in fire insurance tax of \$364,981 due to an additional appropriation in Act 170 of the 2022 Regular Legislative Session, increase in state grant of \$218,983 due to Louisiana Legislative Appropriations Act 120 of the 2021 Legislative session and an increase in property tax revenue of \$611,319 offset by net decreases in all other revenues of \$298,581.

Public safety-fire protection expenditures decreased by \$3,707,153 due mainly to a reduction in capital outlay expenditures of \$5,197,744 offset by net increases in all other expenditures of \$1,490,591 of which \$939,367 was increases in personnel services and related benefits.

Other sources of income decreased because proceeds from the sale of capital assets recognized in the prior year was more than the proceeds in the current year.

BUDGETARY HIGHLIGHTS

The original budget was not amended during the year.

	Original and	Actual	Variance with
	Final Budget		budget positive (negative)
Revenues	\$ 26,739,970	\$ 27,928,264	\$ 1,188,294
Expenditures	25,943,460	33,055,687	(7,112,227)
Other financing sources	-	94,999	94,999
Change in fund balance	<u>\$ 796,510</u>	<u>\$ (5,032,424)</u>	<u>\$ (5,828,934)</u>

Budget to Actual

Capital outlay exceeded the budget by \$3,240,700 due to construction costs related to the campus expansion project and the acquisition of general equipment and land. Contractual services exceeded the budget by \$1,179,001 due to budgeted EBR Assessor charges exceeding by \$639,980 and budgeted general and other contractual services exceeding by \$539,021. Personnel services and related benefits exceeded the budget by \$2,126,569 due to salaries exceeding the budget by \$2,541,640 offset by benefit budget exceeding actual by \$415,071.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

CAPITAL ASSETS

At September 30, 2022, the District had \$38,653,925 of capital assets including land, eight fire stations and administrative building and campus, improvements, firefighting and other equipment and furniture and fixtures, net of accumulated depreciation.

LONG-TERM DEBT

The District has two equipment financings for the acquisition of fire trucks and medical with a balance due of \$7,444,994, construction loan with a balance due of \$14,070,000, a retirement payoff loan with a balance of \$750,878 and compensated absences balance of \$2,649,424.

The District recognizes its proportionate share of net pension liability for participating in two pension plans. The liability recorded as of September 30, 2022 is \$36,067,829. In addition, the District recorded total other postemployment benefit liability of \$18,131,227 that represents the actuarial determined liability for the District offering continuing health benefits for retirees.

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 Gerard C. Tarleton, Fire Chief, St. George Fire Protection District located at 14100 Airline Highway, Baton Rouge, La. 70817.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Statement A

ASSETS

Cash and cash equivalents	\$	7,748,109
Receivables:		
Property taxes and service charges		19,609
Federal grants		40,137
Other receivables		47,030
Deposits and prepaids		171,884
Capital assets		
Non-depreciable		2,632,730
Depreciable, net		36,021,195
Total assets		46,680,694

DEFERRED OUTFLOWS OF RESOURCES

Related to net pension liability		15,953,243
Related to total other postemployment benefit liability		7,723,658
Total deferred outflows of resources		23,676,901

LIABILITIES

Accounts payable		1,146,800
Salary and benefits payable		868,114
Certificate of indebtedness		9,000,000
Accrued interest		358,577
Long-term liabilities:		
Bonds, financed equipment, debt and compensated absences:		
Due within one year		3,495,224
Due in more than one year		21,420,072
Net pension liability:		
Due in more than one year		36,067,829
Total other postemployment benefit liability:		
Due within one year		646,510
Due in more than one year		17,484,717
Total liabilities		90,487,843

DEFERRED INFLOWS OF RESOURCES

Related to net pension liability		1,929,984
Related to total other postemployment benefit liability		12,873,055
Total deferred inflows of resources		14,803,039

NET POSITION (DEFICIT)

Net investment in capital assets		16,071,844
Restricted for:		
Debt service		362,207
Unrestricted		(51,367,338)
Total net position (deficit)	\$	(34,933,287)

The accompanying notes are an integral part of this statement.

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Statement B

EXPENSES:	PROGRAM REVENUES				TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Public safety - fire protection	\$ 29,896,948	\$ 8,313	\$ 2,501,844	\$ 479,809	\$ 26,906,982
Depreciation	1,901,605	-	-	-	1,901,605
Interest	876,043	-	-	-	876,043
Total governmental activities	32,674,596	8,313	2,501,844	479,809	29,684,630
GENERAL REVENUES:					
Ad valorem taxes					24,181,195
Service charges					1,273,863
State revenue sharing					359,350
Fire insurance tax					747,553
Interest income					36,109
Miscellaneous					13,981
Net gain on disposal of assets					53,290
Total general revenues					26,665,341
Change in net position					(3,019,289)
Net position (deficit):					
Beginning of the year					(31,913,998)
End of the year					\$ (34,933,287)

The accompanying notes are an integral part of this statement.

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2022**

Statement C

**GENERAL
FUND**

ASSETS

Cash and cash equivalents	\$	7,748,109
Receivables:		
Property taxes and service charges		19,609
Federal grants		40,137
Other receivables		47,030
Deposits and prepaids		171,884
Total Assets	\$	8,026,769

LIABILITIES

Accounts payable	\$	1,146,800
Salary and benefits payable		868,114
Accrued interest payable		19,000
Certificate of indebtedness		9,000,000
Total liabilities		11,033,914

Fund balances:

Nonspendable		171,884
Restricted for debt service		572,671
Unassigned		(3,751,700)
Total fund balance (deficit)		(3,007,145)

Total Liabilities and Fund Balance	\$	8,026,769
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The accompanying notes are an integral part of this statement

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2022**

		Statement D
Total fund balance (deficit) - governmental funds (Statement C)		\$ (3,007,145)
Cost of capital assets	50,423,440	
Less: Accumulated depreciator	<u>(11,769,515)</u>	38,653,925
Deferred outflows and inflows of resources are not available to pay current period expenditures and, therefore are not reported in the governmental fund.		
Deferred outflow of resources - related to net pension liability	15,953,243	
Deferred outflow of resources - total other post-employment benefit liability	<u>7,723,658</u>	23,676,901
Deferred inflow of resources - related to net pension liability	(1,929,984)	
Deferred inflow of resources - total other post-employment benefit liability	<u>(12,873,055)</u>	(14,803,039)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term, are reported in the Statement of Net Position		
Balances at September 30, 2022 are:		
Accrued interest		(339,577)
Long-term liabilities		
Retirement payoff loan	(750,878)	
Revenue bonds	(14,070,000)	
Compensated absences payable	(2,649,424)	
Financed equipment liability	(7,444,994)	
Net pension liability	(36,067,829)	
Total other post-employment benefit liability	<u>(18,131,227)</u>	<u>(79,114,352)</u>
Net Position (deficit) (Statement A)		<u>\$ (34,933,287)</u>

The accompanying notes are an integral part of this statement

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Statement E
	GENERAL FUND
REVENUES:	
Ad valorem taxes	\$ 24,181,195
Service charges	1,273,863
State revenue sharing	359,350
Fire insurance tax	747,553
Supplemental pay	1,024,933
Federal grants	32,967
State and other grants	250,000
Interest income	36,109
Miscellaneous	22,294
Total revenues	27,928,264
EXPENDITURES:	
Personnel services and related benefits	22,409,129
Contractual services	1,481,901
Insurance	751,286
Legal and professional	272,770
Office supplies	443,407
Repairs and maintenance	262,905
Supplies	1,023,787
Telecommunications	326,554
Training	255,421
Utilities	411,942
Capital outlay	3,340,700
Debt service:	
Principal	1,222,685
Interest and other charges	853,200
Total expenditures	33,055,687
Excess (deficiency) of revenues over (under) expenditures	(5,127,423)
Other financing sources (uses):	
Proceeds from sale of assets	94,999
Total other financing sources (uses)	94,999
Net change in fund balance	(5,032,424)
Fund balance (deficit):	
Beginning of the year	2,025,279
End of the year	\$ (3,007,145)

The accompanying notes are an integral part of this statement.

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Statement F
Net change in fund balance - total governmental funds (Statement E)	\$ (5,032,424)
Amounts reported for governmental activities in the statement of activities (Statement B) are different as follows:	
Capital Assets:	
Capital outlay and other expenditures capitalized	3,340,700
Depreciation expense for year ended September 30, 2022	(1,901,605)
Donation of capital assets	229,809
Loss on disposition of capital assets	(41,709)
Changes in Long Term Liabilities:	
Change in accrued interest payable	(22,843)
Principal paid on revenue bonds and financed equipment	1,222,685
Change in compensated absences payable	93,933
Change in total OPEB liability and associated deferrals	(375,275)
Change in net pension liability and associated deferrals	(532,560)
Change in net position	\$ (3,019,289)

The accompanying notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to the Financial Statements
As of and for the Year ended September 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

On December 31, 1993, the Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge (City/Parish) created the Advisory Board as a Board of Commissioners that governs the St. George Fire Protection District (the District) pursuant to Louisiana Revised Statutes 40:1491-1508 effective January 1, 1994. Article VI, Sections 15 and 19 of the Louisiana Constitution of 1974, authorized the Metropolitan Council to appoint 5 members to the Board of Commissions.

The District provides emergency services to a 84 square mile area of East Baton Rouge Parish. The District is located in the southern portion of East Baton Rouge Parish. It includes East Baton Rouge Parish outside of the city limits of Baton Rouge with the parish line being the boundary on the eastern, western and southern ends and Harrell's Ferry Road being the northern boundary.

The District presently has eight stations to provide fire protection within their district. The District has approximately 194 employees.

B. Reporting Entity

As the governing authority of the parish, for reporting purposes, the City/Parish is the financial reporting entity. GASB Codification section 2100 established criteria for determining which component units should be considered part of the City-Parish for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Legal status of the potential component unit.
2. Fiscal accountability:
 - a. The primary government appointing a voting majority of the potential component unit's governing body (and) has ability of the to impose its will on the potential component unit, (or)
 - b. When a potential component unit is fiscally dependent on the primary government regardless of whether the organization has separate elected officials or boards.
3. Financial benefit/burden relationship between the primary government and potential component unit.
4. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

Although the Metropolitan Council appoints the members of the Board of Commissions, the District did not meet the remaining criteria to be considered a component unit of the City/Parish. Also, the District has no component units, as defined by the GASB or other legally separate organizations for which the District is financially accountable.

C. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to the Financial Statements
As of and for the Year ended September 30, 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

C. Basis of Presentation (continued)

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange or exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions should be recognized in accordance with the requirements of GASB Codification Section N50. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to the specific function. Program revenues include (a) charges for services (b) operating grants and contributions consist of grants or contributions received from federal, state or other sources including the non-employer contributions proportion allocated by pension plans, and (c) capital grants and contributions consist of grants are restricted to meeting capital requirements of a specific program. Revenues that are not classified as program revenues, including all taxes, interest income and miscellaneous revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements provide reports on its financial condition and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including the collection and disbursement of specific or legally restricted monies. Governmental funds of the District include:

General Fund - the General Fund is the operating fund of the District and accounts for all financial resources.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements (GWFS) use the economic resources measurement focus and the accrual basis of accounting in the preparation of the Statement of Net Position and the Statement of Activities. Revenues are recorded using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (FFS) 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. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers non-exchange transactions such as property taxes and service charges reported in the governmental funds when levied but subject to being available which generally means collected within sixty days after year end. Revenue from grants, entitlements and donations are recognized in the year in which all eligibility requirements have been satisfied and the availability criteria met which means twelve months.

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Notes to the Financial Statements
As of and for the Year ended September 30, 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

C. Basis of Presentation (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in the governmental fund only if the claims are due and payable.

D. Receivables

An allowance for uncollectable accounts is not being determined to record receivables. Instead, it has been determined by management that recording the collections of taxes and service charges that are made up two months subsequent to year end is a reasonable amount based on historical collections.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits that mature within 90 days after year end and other investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or under the laws of the United States.

In addition, 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.

G. Deferred Outflows/Inflows of Resources

The statement of net position reports in a separate section for deferred inflows and outflows of resources. Deferred outflows of resources is a consumption of net assets by the government that is applicable to a future reporting period while deferred inflows of resources is an acquisition of net assets by the government that is applicable to the future reporting period.

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Notes to the Financial Statements
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

H. Compensated Absences

Employees of the District earn vacation hours at various amounts on a sliding scale that range from 160 hours per year with 1 to 10 years of service to 360 hours per year with more than 21 years of service and also varies based one of three personnel categories, staff, line or communications. An employee begins accruing the vacation time after completing one year of service with the hours prorated from the anniversary date to the end of the calendar year. All other vacation is earned on January 1. Employees can also accrue compensated leave time in lieu of cash payments for overtime work based on the discretion of the Fire Chief. Per L.S.A. R.S. 33:1995, each employee is entitled to 52 weeks of continuous paid leave to recuperate for any illness of injury that is not brought about by the employees own negligence of culpable indiscretion. Upon termination of employment, employees are paid for accrued vacation and compensated leave. The cost of leave privileges is recognized as a current-year expenditure in the General Fund as leave is taken. The cost of leave privileges not requiring current resources is recorded as a long-term debt as a governmental activity.

I. Revenues

General revenues

Property taxes and the service charges are assessed each calendar year and are recorded on the modified accrual basis and, therefore, recorded when they are both measurable and available. These revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The calendar of events for the 2021, ad valorem tax calendar was as follows:

	Service charges and Ad valorem taxes
Assessment date	January 1, 2021
Levy date	May 13, 2021
Tax roll completed by	November 15, 2021
Collection date	December 31, 2021

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, taxes 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 by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed. State revenue sharing revenues and the 2% fire insurance tax protection rebate are recorded when the District is entitled to the funds.

Program Revenues

The Statement of Activities presents three categories of program revenues - (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. Charges for services are revenues from exchanges or exchange-like transactions with external parties that purchase, use or directly benefit from the programs goods, services, or privileges. These revenues include fees charged for specific services, and operating special assessment, and include payments from exchange transactions with other governments.

Grants and contributions whether operating or capital in nature, are revenues arising from receipts that are reserved for a specific use.

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Notes to the Financial Statements
As of and for the Year ended September 30, 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

J. Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Compensated absences are recognized as expenditures when leave is actually taken or when the employees (or heirs) are paid for accrued leave upon termination or death, while the cost of leave privileges not requiring current resources are recorded as a long-term debt.

K. Other Financing Sources (Uses)

Proceeds from the sale of fixed assets and debt acquired for the construction and purchase of capital assets are accounted for as other financing sources and are recognized when received. Capital assets acquired through capital leases are recorded as other financing sources at the time of issuance of the contract and expenditures at the time of acquisition.

L. Capital Assets

Assets used in operations with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, leasehold improvements, and buildings are depreciated over their estimated useful lives. Depreciation is not calculated on land, land improvements or construction in progress. Accumulated depreciation is recorded at net of depreciable assets in the Statement of Net Position.

Capital assets purchased in excess of \$5,000 are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Estimated useful life is management's estimate of how long the asset is estimated to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings	10-40 years
Furniture	5-40 years
Equipment	5-40 years
Vehicles	5-10 years

M. Budget Practices

The proposed budget for 2021 - 2022 was made available for public inspection on September 10, 2021. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal at least (10) days prior to the public hearing, which was held at the St. George Fire Station on 14100 Airline Highway on September 23, 2021, for the comments from taxpayers. 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.

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments, if any.

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Notes to the Financial Statements
As of and for the Year ended September 30, 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

N. Equity Classifications

Government-Wide Statements:

1. Net investment in capital assets - Consists of net capital assets reduced by the outstanding balance of any related debt obligations and deferred inflows of resources and increase by any balances of unspent debt proceeds deferred outflows of resources attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Net position is considered restricted if their use is constrained to a particular purpose. Restrictions can be imposed by either external organization such as creditors (such as debt covenants), grants, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows of resource related to the restricted assets.
3. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

Fund Financial Statements:

Five fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in government funds. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not dependable form-prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

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

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

Committed Fund Balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Commission - the highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual requirements.

Assigned Fund Balance - These are amounts that are constrained by the Commission's *intent* to be used for specific purposes but are neither restricted nor committed. The District's management has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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Notes to the Financial Statements
As of and for the Year ended September 30, 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

N. Equity Classifications (continued)

Fund Financial Statements:

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

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

O. Post-Employment Health Care and Dental Insurance Benefits

The District provides certain continuing health care and dental benefits for its retired employees. The District recognized the cost of providing these retiree benefits as expenditure in the General Fund when paid during the year. The Statement of Net Position records these health care benefits based on an actuarial valuation prepared by the District's actuary with the details of this liability reported in Note 8 as total other postemployment benefit liability.

P. Pension Plans

The District is a participating employer in two cost-sharing multiple-employer defined benefit pension plan as described in Note 7. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Firefighters' Retirement System (FRS) and the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) and additions to/deductions from FRS's and CPERS's fiduciary net position have been determined on the same basis as they are reported by FRS and CPERS. 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 in the plan.

Q. Current Year Adoption of New Accounting Standard

The District adopted the provisions of GASB Statement 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use assets, and a lessor is required to recognize a lease receivable and a deferred inflow on leases. The District determined that it does not have any lease agreements that are material in the aggregate that meet the lease criteria for recognition as a right of use leased asset and lease liability at September 30, 2022.

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2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposits. All deposits are carried at cost plus accrued interest. Under state law these deposits must be secured by federal deposit insurance, or the pledge of securities owned by the fiscal agent bank. The depository bank places approved pledged securities for safekeeping and trust with the District in an amount sufficient to protect the District's funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposits Insurance Corporation (FDIC) Insurance.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of September 30, 2022, St. George Fire District No. 2's bank balance totaled \$7,799,623. Of this balance, \$324,560 was insured by federal deposit insurance and the remaining \$7,475,063 was collateralized with securities held by the pledging financial institutions' trust department or agent in the District's name.

3. LEVIED TAXES AND CHARGES

The following table details each of the District's 2021 assessment roll's ad valorem tax millage rates, levied millage and expiration date of each along with the assessed service charge and expiration date.

	Authorized Millage/Rate	Levied Millage	Expiration Date
Ad valorem taxes			
General operations	4.00	4.00	2023
General operations	6.00	6.00	2027
General operations	2.00	2.00	2024
For salaries and related benefits	1.25	1.25	2031
General operations and capital improvements	1.25	1.25	2024
Capital improvements and debt service	1.50	1.50	2031
Service charge (maximum rate) per structure	\$32.00		2031

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Notes to the Financial Statements
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4. CAPITAL ASSETS

Capital assets as of September 30, 2022 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,382,730	\$ 250,000	\$ -	\$ 2,632,730
Construction in progress	13,455,472	2,900,526	16,355,998	-
Total non-depreciable	<u>15,838,202</u>	<u>3,150,526</u>	<u>16,355,998</u>	<u>2,632,730</u>
Building	11,934,842	16,355,998	-	28,290,840
Furniture and appliances	217,843	-	-	217,843
Vehicle	883,931	167,339	-	1,051,270
Equipment	18,559,577	252,644	581,464	18,230,757
Total depreciable	<u>31,596,193</u>	<u>16,775,981</u>	<u>581,464</u>	<u>47,790,710</u>
Building	3,323,559	392,017	-	3,715,576
Furniture and appliances	179,339	9,619	-	188,958
Vehicle	782,775	72,960	-	855,735
Equipment	6,121,992	1,427,009	539,755	7,009,246
Accumulated depreciation	<u>10,407,665</u>	<u>1,901,605</u>	<u>539,755</u>	<u>11,769,515</u>
Depreciable, net	<u>21,188,528</u>	<u>14,874,376</u>	<u>41,709</u>	<u>36,021,195</u>
Capital assets, net	<u>\$ 37,026,730</u>	<u>\$ 18,024,902</u>	<u>\$ 16,397,707</u>	<u>\$ 38,653,925</u>

5. SHORT-TERM DEBT

The District borrowed money during the year to finance expenditures for the general operations that are budgeted evenly throughout the year, which are expected to be paid with ad-valorem taxes and service fees. The borrowing was advanced to the District through a certificate of indebtedness bearing interest at 3.310%.

Short-term debt activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Certificate of indebtedness	<u>\$ 6,000,000</u>	<u>\$ 9,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 9,000,000</u>

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Notes to the Financial Statements
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6. LONG-TERM LIABILITIES

The following is a summary of the long-term obligations during the year ended September 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
<u>Government Activities</u>					
Compensated absences	\$ 2,743,357	\$ 1,595,703	\$ 1,689,636	\$ 2,649,424	\$ 1,731,877
Direct placement debt:					
Retirement payoff loan	767,033	-	16,155	750,878	17,366
Construction loan	14,910,000	-	840,000	14,070,000	870,000
Financed equipment liability:					
Fire Vehicles	7,683,253	-	331,547	7,351,706	840,998
Medical Equipment	128,271	-	34,983	93,288	34,983
	<u>\$ 26,231,914</u>	<u>\$ 1,595,703</u>	<u>\$ 2,912,321</u>	<u>\$ 24,915,296</u>	<u>\$ 3,495,224</u>

Direct Placement Debt:

A loan that totaled \$16,500,000 was obtained on September 28, 2018, for constructing and equipping a fire station, a special service building, a training facility, and a communications center on Airline Highway and constructing and equipping a fire station on Bluebonnet Boulevard with an interest rate of 3.6% that matures November 1, 2034. There will be an annual payment on November 1 of each year starting in 2019 with graduated principal payments starting at \$780,000 in 2020 to \$1,320,000 in 2034, plus interest. Security for this loan is all revenues of the two (2) mills ad valorem tax levied on May 2, 2015 and renewed on April 28, 2018 by the voters for a 10-year period up to and including the year 2034. The loan agreement contains a requirement that, in the event of default, that the interest rate will be adjusted to be the rate applicable on the loan plus 2%.

The retirement payoff loan was enacted by Act 365 of the 2013 Regular Louisiana Legislative Session created an upgrade of accrual rate applied to transfer service for certain firefighters from the St. George Fire Department into the Firefighters' Retirement System (FRS) as of December 1, 2013. The actuary calculated a liability of \$961,141 payable over a 30-year period with an annual payment of \$73,628 due July 1 of each year. These payments are for the total increase of present value of future benefits of certain employees of the District whose increased benefit accrual rate is treated as being merged into FRS, as of December 1, 2013. The loan agreement does not contain any specific events of default requirement other than the continuance of interest accrual on the loan and FRS can recover amounts due by action of court decision.

A financed equipment loan was obtained on April 16, 2020 to purchase 12 fire trucks in the amount of \$7,770,217 with an interest rate of 2.49% and 10 annual payments starting in February of 2021. The first and second payments will be in the amount of \$250,000 and \$525,000, respectively. The remaining 8 payments will be in the amount of \$1,026,104.

A financed equipment loan was obtained on March 30, 2020 to purchase medical equipment in the amount of \$174,915 with 60 monthly payments of approximately \$2,915.

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CITY OF BATON ROUGE
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Notes to the Financial Statements
As of and for the Year ended September 30, 2022

6. LONG-TERM LIABILITIES (continued)

The annual principal and interest payments on loans and financed equipment liability outstanding at September 30, 2022, are as follows:

Year Ending	Principal Payments			Interest			Total
	Loans	Financed Equipment	Total	Loans	Financed Equipment	Total	
2023	\$ 887,366	\$ 875,981	\$ 1,763,347	\$ 545,813	\$ 185,105	\$ 730,918	\$ 2,494,265
2024	918,518	897,156	1,815,674	512,889	163,930	676,819	2,492,493
2025	955,058	907,204	1,862,262	478,412	142,222	620,634	2,482,896
2026	986,562	906,137	1,892,699	634,007	119,967	753,974	2,646,673
2027	1,023,179	928,952	1,952,131	544,089	97,152	641,241	2,593,372
2028-2032	5,709,552	2,929,564	8,639,116	1,425,881	148,747	1,574,628	10,213,744
2033-2037	4,042,702	-	4,042,702	370,274	-	370,274	4,412,976
2038-2042	297,941	-	297,941	70,227	-	70,227	368,168
	<u>\$ 14,820,878</u>	<u>\$ 7,444,994</u>	<u>\$ 22,265,872</u>	<u>\$ 4,581,592</u>	<u>\$ 857,123</u>	<u>\$ 5,438,715</u>	<u>\$ 27,704,587</u>

7. PENSION PLANS

Effective January 1, 1999, there are two retirement systems. Employees hired before January 1, 1999, are covered by the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) while employees hired after December 31, 1998 are members of the Firefighters' Retirement System (FRS). On July 1, 2007, the employees that were members of CPERS were given the option to remain as a member in CPERS or transfer their accumulated benefits to FRS. One employee opted to remain in the CPERS plan while all others opted to transfer to FRS.

Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of FRS plan to the Louisiana State Legislature. The City of Baton Rouge and Parish of East Baton Rouge Metropolitan Council has the authority to establish and amend benefits of the CPERS plan. Each system is administered by a separate board of trustees.

Each of the systems issues an annual publicly available financial report that includes financial statements and required supplementary information for each system. These reports may be obtained by writing, calling or downloading the reports as follows:

FRS	CPERS:
3100 Brentwood Drive	209 St. Ferdinand Street
Baton Rouge, Louisiana 70809	Baton Rouge, LA 70802
(225) 925-4060	(225) 389-3272
www.ffret.com	www.brla.gov/264/Retirement-System

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Notes to the Financial Statements
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7. PENSION PLANS (continued)

Plan Description

Firefighters Retirement System (FRS) is the administrator of a cost-sharing defined benefit pension plan established by Act 434 of 1979. The plan provides retirement, disability, and survivor benefits to firefighters in Louisiana as provided for in LRS 11:2251-11-2272.

City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) is the administrator of a cost-sharing defined benefit pension plan established by the City of Baton Rouge and Parish of East Baton Rouge Plan of Government.

A brief description of the eligibility requirements and benefits of each plan are provided in the following table:

Final average salary	FRS	CPERS
	Highest 36 months	Highest 36 to 60 months ²
Years of service required and/or age eligible for benefits	20 years age 50 12 years age 55 25 years any age	Hired before 9/1/15: 25 years any age ³ 20 years any age ⁴ 10 years age 55 ⁴ Hired after 9/1/15: 25 years age 55 NSP ⁵ or age 50 PS ^{5, 4} 20 years any age ⁴ 10 age 60 NSP ⁵ or age 55 PS ^{5, 4}
Benefit percent per years of service	3.33% ¹	2.5% to 3.33%

¹ If member terminates before completing 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. A member may elect an unreduced benefit or any of seven options at retirement.

² Calculation varies depending if hired before 9/1/15 or after 9/1/15

³ Benefit formula is 3% of average compensation (highest 36 months) times the number of years of service if hired before 9/1/15 and highest 60 months if hired after 9/1/15

⁴ Benefit formula is 2.5% of average compensation (highest 36 months) times the number of years of service if hired before 9/1/15 and highest 60 months if hired after 9/1/15

⁵ NSP = non-public safety and PS = public safety

Contributions

For FRS, Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. In accordance with state statute, FRS receives ad valorem taxes and state revenue sharing funds.

These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. For CPERS, the contributions rates for each participating employer and one covered employee are established by actuarial valuations and approved by the Metropolitan Council of the City-Parish.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to the Financial Statements
As of and for the Year ended September 30, 2022

7. PENSION PLANS (continued)

Contributions to the plans are required and determined and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended September 30, 2022, for the District and covered employees were as follows:

	<u>District</u>	<u>Employees</u>
Firefighters' Retirement System (FRS)		
Employees receiving compensation above poverty guidelines of US Department of Health	33.25%	10.00%
Employees receiving compensation below poverty guidelines of US Department of Health	35.25%	8.00%
City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS)	38.76%	9.50%

The contributions made to the Systems for the past two fiscal years, which equaled the required contributions for each of these years, were as follows:

	<u>2022</u>	<u>2021</u>
Firefighters' Retirement System	\$ 4,356,284	\$ 3,960,551
City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System	34,984	32,378

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

The following schedule lists the District's proportionate share of the Net Pension Liability allocated by each of the pension plans based on the June 30, 2022 for FRS and December 31, 2021 for CPERS, measurement date of the liability for each plan. The District uses this measurement to record its Net Pension Liability and associated amounts as of September 30, 2022, in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2022 for FRS and December 31, 2021, along with the change compared to the prior year measurement rates for each plan. 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 plans relative to the projected contributions of all participating employers, actuarially determined.

	<u>Measurement date (MD)</u>	<u>Net Pension Liability at MD</u>	<u>Proportionate Rate at MD</u>	<u>Increase (Decrease) compared to prior year MD</u>
Firefighters' Retirement System	6/30/2022	\$ 35,748,592	5.0698%	0.2927%
City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System	12/31/2021	319,237	0.0621%	0.0010%
Total		<u>\$ 36,067,829</u>		

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CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to the Financial Statements
As of and for the Year ended September 30, 2022

7. PENSION PLANS (continued)

The following schedule list each pension plan's proportionate share of recognized pension expense for the District for the year ended September 30, 2022:

	Total expenses
Firefighters' Retirement System	\$ 6,330,753
City of Baton Rouge and Parish of East Baton Rouge	
Employees' Retirement System	37,019
	\$ 6,367,772

The District recognized its proportionate share of the ad-valorem tax withheld by the Sheriff from taxing districts that was paid to FRS and CPERS. The revenue was recognized in the amount of \$1,443,944.

At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to each pension plan and total from the following sources:

	FRS	CPERS	Total
Deferred outflows			
Differences between expected and actual experience	\$ 213,664	\$ 21,422	\$ 235,086
Changes of assumptions	2,947,731	-	2,947,731
Net difference between projected and actual earnings on pension plan investments	8,097,993	-	8,097,993
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,485,573	23,640	3,509,213
Employer contributions subsequent to the measurement date	1,136,165	27,055	1,163,220
Total	\$ 15,881,126	\$ 72,117	\$ 15,953,243
Deferred Inflows			
Differences between expected and actual experience	\$ (1,684,995)	\$ -	\$ (1,684,995)
Changes of assumptions	-	(7,465)	(7,465)
Net difference between projected and actual earnings on pension plan investments	-	(73,305)	(73,305)
Changes in proportion and differences between employer contributions and proportionate share of contributions	(163,483)	(736)	(164,219)
Total	\$ (1,848,478)	\$ (81,506)	\$ (1,929,984)

The amount reported in the above table totaling \$1,163,220 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2022 for FRS and December 31, 2021 for CPERS, will be recognized as a reduction in Net Pension Liability in the year ended September 30, 2023.

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	FRS	CPERS	Total
2023	\$ 3,123,565	\$ 1,533	\$ 3,125,098
2024	2,559,994	(17,341)	2,542,653
2025	1,647,434	(9,629)	1,637,805
2026	4,939,441	(11,007)	4,928,434
2027	527,099	-	527,099
2028	98,950	-	98,950
	\$12,896,483	\$ (36,444)	\$ 12,860,039

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CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to the Financial Statements
As of and for the Year ended September 30, 2022

7. PENSION PLANS (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of September 30, 2022, are as follows:

	FRS	CPERS
Valuation Date	June 30, 2022	December 31, 2021
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial Assumptions:		
Expected Remaining		
Service Lives	7 years	4 years
Investment Rate of Return	6.90%	7.00%
Inflation Rate	2.50%	2.25%
Mortality	<ul style="list-style-type: none"> • For active members, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees. • For annuitants and beneficiaries, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Healthy Retirees. • For disabled retirees, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Disabled Retirees. • In all cases the base table was multiplied by 105% for males and 115% for females, each with full generational projection using the appropriate MP2019 scale. 	<ul style="list-style-type: none"> Healthy - RP-2006 Blue Collar (employee for active and annuitant for inactive) Projected back to 2001, Generational with MP 2018 (2016 base year) Disabled - RP-2006 Disability Table Projected back to 2001, Generational with MP-2018 (2016 base year)
Salary Increases	14.10% in first two years of service and 5.20% with 3 more years of service; includes inflation and merit increases	BREC/Regular with <1 year of service ranges from 1.50% to 7.60% based on age BREC/Regular with 1+ year of service ranges from 0.75% to 7.60% based on age Fire/Police with <1 years of service is 15.50% for all ages Fire/Police with 1+ years of service ranges from 2.00% to 6.5% based on age
Cost of Living Adjustments	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.	None

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to the Financial Statements
As of and for the Year ended September 30, 2022

7. PENSION PLANS (continued)

The following schedule list the methods used by each of the retirement systems in determining the long-term rate of return on pension plan investments:

FRS	CPERS
<p>The June 30, 2022, estimated long-term expected rate of return on pension plan investments was determined by the System's actuary using the System's target asset allocation as of January 2022, and the Curran Actuarial Consulting average studies for 2022. The consultants' average studies included projected nominal rates of return, standard deviations of returns, and correlations of returns for a list of common asset classes collected from a number of investment consultants and investment Firefighters' Retirement System Notes to the Financial Statements 31 management firms. Each consultant's response included nominal expected long term rates of return. In order to arrive at long term expected arithmetic real rates of return, the actuary normalized the data received from the consultant's responses in the following ways. Where nominal returns received were arithmetic, the actuary simply reduced the return assumption by the long-term inflation assumption. Where nominal returns were geometric, the actuary converted the return to arithmetic by adjusting for the long-term standard deviation and then reduced the assumption by the longterm inflation assumption. Using the target asset allocation for Firefighters' Retirement System and the average values for expected real rates of return, standard deviation of returns, and correlation of returns, an arithmetic expected nominal rate of return and standard deviation for the portfolio was determined. Subsequent to the actuary's calculation of the long term expected real rate of return in January 2021, the FRS board voted to amend the target asset allocation. These changes include an increase to target weight in public equity, a decrease in the target weight in fixed income, and the inclusion of a target weight in private real assets. The System's long-term assumed rate of inflation of 2.50% was used in this process for the fiscal years ended June 30, 2022 . The long-term expected real rate of return is an important input into the actuary's determination of the reasonable range for the discount rate which is used in determining the total pension liability. The actuary's method incorporates information from multiple consultants and investments firms regarding future expected rates of return, variances, and correlation coefficients for each asset class. The change integrates data from multiple sources to produce average values thereby reducing reliance on a single data source. Best estimates of arithmetic real rates of return for each major class included in the System's target asset allocation as of June 30, 2022, are summarized in the following table:</p>	<p>The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are as follows:</p>

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CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to the Financial Statements
As of and for the Year ended September 30, 2022

7. PENSION PLANS (continued)

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	FRS	CPERS	FRS	CPERS
US Equity	27.50%	32.50%	5.64%	7.50%
Non-US Equity	11.50%	17.50%	5.89%	8.50%
Global Equity	10.00%	-	5.99%	-
Emerging Market Equity	7.00%	-	7.75%	-
US Core Fixed Income	18.00%	-	0.84%	-
U.S. TIPS	3.00%	-	0.51%	-
Emerging Market Debt	5.00%	-	2.99%	-
Global Tactical Asset Allocation	-	-	3.14%	-
Risk Parity	-	-	3.14%	-
Real estate	6.00%	15.00%	4.57%	4.50%
Alternative Assets	-	5.00%	-	5.70%
Private equity	9.00%	-	8.99%	-
Domestic bonds	-	25.00%	-	2.50%
International bonds	-	5.00%	-	3.50%
Real Assets	3.00%	-	4.89%	-
Total	<u>100.00%</u>	<u>100.00%</u>		

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan'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. The discount rate used to measure the total pension liability for FRS and CPERS was 6.90% and 7.00%, respectively.

The following table presents the District's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the District's proportionate share of the NPL 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 used by each of the Retirement Systems:

	1.0% Decrease	Current Discount Rate	1.0% Increase
FRS			
Rates	5.9%	6.9%	7.9%
District's Share of NPL	\$ 52,886,074	\$ 35,748,592	\$ 21,454,720
CPERS			
Rates	6.0%	7.0%	8.0%
District's Share of NPL	\$ 427,390	\$ 319,237	\$ 228,215

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CITY OF BATON ROUGE
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Notes to the Financial Statements
As of and for the Year ended September 30, 2022

7. PENSION PLANS (continued)

The District recorded accrued liabilities to each of the Retirement Systems for the year ended September 30, 2022, mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as salaries and benefits payable. The balance due to each for the retirement systems at September 30, 2022 is as follows:

FRS	\$ 245,623
CPERS	<u>1,935</u>
	<u>\$ 247,558</u>

Also, see Note 6 for details of the retirement payoff loan between the District and FRS.

8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The District has a single employer defined benefit OPEB plan that provides post employee benefits for all permanent full-time employees and their spouses and/or dependents if they were included in the active employees' policy 5 years before retiring. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided. The plan provides postemployment healthcare, vision and dental benefits to the qualified retirees of the District with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age. Retirees are eligible to receive the same benefits as active employees until such time as the retiree becomes eligible for Medicare.

Funding policy. The District pays 67% for the retiree's health insurance and 60% of the cost of the dental insurance as incurred on a pay-as-you-go basis. The retirees are responsible for the difference. Also, retirees can purchase coverage for their spouse and/or dependents if they were included on their policy 5 years before retiring.

As of October 1, 2021, the actuarial valuation date, the following participants were covered by the plan:

Retirees and surviving spouses	32
Active participants	<u>192</u>
	<u>224</u>

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Notes to the Financial Statements
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8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability

Balance at September 30, 2021	\$ 24,411,457
Changes for the year:	
Service cost	800,616
Interest costs	612,653
Changes in benefit terms	-
Difference between expected and actual experience	4,054,902
Changes in assumption and other inputs	(11,132,677)
Benefit payments	(615,724)
Net changes	<u>(6,280,230)</u>
Balance at September 30, 2022	<u>\$ 18,131,227</u>

Actuarial assumptions- The total OPEB liability as of September 30, 2022 was based on an actuarial valuation as of October 1, 2021, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Cost method	Entry age
Valuation date	October 1, 2021
Inflation	2.84% (decreased from prior year of .50%)
Salary increases	3.50%
Discount rate	4.77% S&P Municipal Bond High Grade Rate Index, increased from prior year of 2.43%
Healthcare cost trend rates	Initial rate 10%, Ultimate rate 4% grading period 5 years
Mortality	RP 2014 Table projected to 2021 with scale BB
Withdrawal rates	
Years of service	Rate
<1	10.0%
1 - 3	6.0%
4 - 6	3.5%
7 - 10	2.0%
>10	1.0%

Sensitivity of the Total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the District, as well as what the commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percent point lower or 1 percentage point higher than the current discount rate:

	1.0% Decrease	Current discount rate	1.0% Increase
	<u>3.77%</u>	<u>4.77%</u>	<u>5.77%</u>
Total OPEB liability	\$ 21,173,647	\$ 18,131,227	\$ 15,681,698

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CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to the Financial Statements
As of and for the Year ended September 30, 2022

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the District, as well as what the district's total OPEB liability would be if it were calculated using a discount rate that is 1-percent point lower or 1 percentage point higher than the current healthcare cost trend rates.

	<u>1% Decrease</u>	<u>Current healthcare cost trend rate Initial 10%, Ultimate 4.00%</u>	<u>1% Increase</u>
Total OPEB liability	\$ 15,536,648	\$ 18,131,227	\$ 21,306,005

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the District recognized an OPEB expense of \$990,999 and reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Differences between expected and actual experience	\$ 3,787,369	\$ (759,903)
Changes in assumptions and other inputs	3,936,289	(12,113,152)
	<u>\$ 7,723,658</u>	<u>\$ (12,873,055)</u>

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

Year ending September 30:		
2023	\$	(422,269)
2024		(422,269)
2025		(422,269)
2026		(422,270)
2027		(422,270)
2028 - 2032		(2,111,362)
2033 - 2034		(926,688)
		<u>(5,149,397)</u>

9. ON BEHALF PAYMENTS:

The full-time firefighters of the fire department receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. Each full-time firefighter after their second year of service, received \$500 per month. These supplemental state funds are paid directly to the firefighters, and do not pass through the fire department, they are included in total salaries and as revenue. The total amount received by the qualified full-time firefighters was \$1,024,933.

10. LITIGATION

The District may be a party to certain legal proceedings with respect to a variety of matters. The District evaluates the likelihood of an unfavorable outcome of all legal proceedings to which it is a party and accrues a claims and judgement liability, if applicable, when the loss is probable and estimable. These evaluations are subjective based on the status of the legal proceedings and consultations with legal counsel.

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CITY OF BATON ROUGE
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Notes to the Financial Statements
As of and for the Year ended September 30, 2022

10. LITIGATION *(continued)*

The District is in pending litigation involving former employees of the District with a possible loss ranging from \$200,000- \$300,000. Management believes that that ultimate resolution of such litigation will not have a material effect on the financial position of the District.

11. PROPERTY TAX ABATEMENT

The Louisiana Industrial Ad Valorem Tax Exemption program (Louisiana Administrative Code, Title 13, Chapter 5) is a state incentive program which abates, up to ten years, local ad valorem taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. Application to exempt qualified property for five years are approved by the Board of Commerce and Industry. For the fiscal year ended September 30, 2022, approximately \$24,623 of the District's ad valorem tax revenues were abated by the state of Louisiana through this program.

12. BOARD OF COMMISSIONERS

The District is governed by a Board of Commissioners. The members receive no compensation or per diem allowances for their services. Below is a list of the Board members and their respective titles:

Johnny R Suchy	President
David Carnes	Secretary
Christopher Corzo	Board Member
Darrell P Ourso	Board Member
Chris Rosendahl	Board Member

13. GRANTS FROM OTHER GOVERNMENTAL UNITS OR CONTRIBUTIONS

The District participates in local, state or federal grant programs or receives contributions similar to grants, which are governed by various rules, regulations and eligibility requirements. Costs charged to the respective programs may be subject to audit and adjustment by the grantor agencies. In management's opinion, there are no contingent liabilities relating to compliance with the rules, regulations or eligibility requirements governing local, state or federal grants or contributions. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that may be identified to be disallowed, if any, would be recognized in the period agreed upon by the grantor agency and the District.

On August 12, 2022, the District was awarded a \$675,000 grant from the City of Baton Rouge / Parish of East Baton Rouge (City-Parish). This grant is an allocation from the City-Parish's federal Coronavirus State and Local Fiscal Recovery Funds (SLFRF) enacted under the American Rescue Plan Act. This is a reimbursement grant where the District is required to spend the funds on certain eligible costs by December 31, 2026. Since the District did not incur eligible costs on this grant as of September 30, 2022, the District did not recognize any revenue or receivable on this grant.

14. DEFICIT FUND BALANCE

The General Fund's deficit resulted from an increase in personnel services and related benefits of approximately \$939,000 along with capital outlay expenditures of \$3,340,700 which exceeded the resources available for these expenditures. The District intends on reducing expenditures in the subsequent years to eliminate the deficit fund balance of \$3,007,145. Additionally, the District was authorized in December 2022 to levy and collect a new 4 mill ad valorem tax with which is expected generate \$4 million in revenues, as described in Note 16.

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Notes to the Financial Statements
As of and for the Year ended September 30, 2022

15. CURRENT ACCOUNTING STANDARDS SCHEDULED TO BE IMPLEMENTED

GASB Statement 96, *Subscription-Based Information Technology Arrangements*. This statement is intended to streamline the accounting for these types of arrangements with those arrangements listed under GASB 87. The requirements of this statement are effective for periods beginning after June 15, 2022. The District will include the requirement of this statement, as applicable, in its September 30, 2023 financial statements. The effect of this statement or its applicability to the District are unknown at this time.

16. SUBSEQUENT EVENTS

On December 20, 2022, an election was held where voters authorized the District to levy and collect a new 4 mill ad valorem tax for 10 years beginning in fiscal year end September 30, 2024 through September 30, 2033. The estimated tax for the first year is expected to be \$4 million which will increase if the property values in the District increase.

REQUIRED SUPPLEMENTAL INFORMATION – PART II

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
REVENUES:			
Ad valorem taxes	\$ 24,703,710	\$ 24,181,195	\$ (522,515)
Service charges	1,263,200	1,273,863	10,663
State revenue sharing	348,390	359,350	10,960
Fire insurance tax	386,400	747,553	361,153
Supplemental pay	-	1,024,933	1,024,933
Federal grants	-	32,967	32,967
State and other grants	-	250,000	250,000
Interest income	26,270	36,109	9,839
Miscellaneous	12,000	22,294	10,294
Total revenues	<u>26,739,970</u>	<u>27,928,264</u>	<u>1,188,294</u>
EXPENDITURES:			
Personnel services and related benefits	20,282,560	22,409,129	(2,126,569)
Contractual services	302,900	1,481,901	(1,179,001)
Insurance	631,760	751,286	(119,526)
Legal and professional	210,000	272,770	(62,770)
Office supplies	254,800	443,407	(188,607)
Repairs and maintenance	684,000	262,905	421,095
Supplies	703,830	1,023,787	(319,957)
Telecommunications	240,000	326,554	(86,554)
Training	140,000	255,421	(115,421)
Utilities	408,430	411,942	(3,512)
Capital outlay	100,000	3,340,700	(3,240,700)
Debt service	1,985,180	2,075,885	(90,705)
Total expenditures	<u>25,943,460</u>	<u>33,055,687</u>	<u>(7,112,227)</u>
Excess (deficiency) of revenues over (under) expenditures	796,510	(5,127,423)	(5,923,933)
Other financing sources (uses):			
Proceeds from sale of assets	-	94,999	94,999
Total other financing sources (uses)	<u>-</u>	<u>94,999</u>	<u>94,999</u>
Net change in fund balance	796,510	(5,032,424)	(5,828,934)
Fund balance:			
Beginning of the year	2,025,279	2,025,279	-
End of the year	<u>\$ 2,821,789</u>	<u>\$ (3,007,145)</u>	<u>\$ (5,828,934)</u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to Required Supplementary Information
Budget and Actual
For the Year Ended September 30, 2022

Budgetary Process

The proposed budget for 2021 - 2022 was made available for public inspection on September 10, 2021. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal at least (8) days prior to the public hearing, which was held at the St. George Fire Station on 14100 Airline Highway on September 23, 2021, for the comments from taxpayers. 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.

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments, if any.

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT
BENEFIT LIABILITY AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2022**

Financial statement reporting date	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement date	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Service cost	\$ 800,616	\$ 773,131	\$ 694,548	\$ 959,855	\$ 1,001,614
Interest	612,653	554,496	619,995	791,297	683,476
Difference between actual and expected experience	4,054,902	51,780	(803,772)	(163,946)	(12,211)
Changes of assumptions or other inputs	(11,132,677)	(942,898)	1,522,230	3,736,708	(1,542,952)
Benefit payments	(615,724)	(456,267)	(303,286)	(281,321)	(194,786)
Net change in total OPEB liability	<u>(6,280,230)</u>	<u>(19,758)</u>	<u>1,729,715</u>	<u>5,042,593</u>	<u>(64,859)</u>
Total OPEB liability - beginning	<u>24,411,457</u>	<u>24,431,215</u>	<u>22,701,500</u>	<u>17,658,907</u>	<u>17,723,766</u>
Total OPEB liability - ending	<u>\$ 18,131,227</u>	<u>\$ 24,411,457</u>	<u>\$ 24,431,215</u>	<u>\$ 22,701,500</u>	<u>\$ 17,658,907</u>
Covered employee payroll	\$ 10,974,116	\$ 10,934,909	\$ 10,565,129	\$ 12,019,920	\$ 12,019,920
Total OPEB liability as a percentage of covered payroll	165.22%	223.24%	231.24%	188.87%	146.91%

Notes to Schedule:

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

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 for this OPEB plan.

Changes of Assumptions.

The changes in assumptions balance was a result of changes in the discount rate, and change in the inflation rates. The following are the discount rates and inflation rates used in each measurement of total OPEB liability

Measurement Date	Discount rates		Inflation rates	
	Rate	Change	Rate	Change
9/30/2022	4.77%	2.34%	2.84%	2.34%
9/30/2021	2.43%	0.23%	0.50%	-0.50%
9/30/2020	2.20%	-0.45%	1.00%	0.00%
9/30/2019	2.65%	-1.60%	1.00%	-1.60%
9/30/2018	4.25%		2.60%	

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST SHARING PLANS ONLY
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Pension Plan	Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Firefighters' Retirement System (1)						
	2022	5.0698%	\$ 35,748,592	\$ 12,626,601	283.1213%	74.68%
	2021	4.7771%	16,929,254	11,984,225	141.2628%	86.78%
	2020	4.5739%	31,704,096	11,388,659	278.3830%	72.61%
	2019	4.4248%	27,707,643	10,699,218	258.9689%	73.96%
	2018	4.2119%	24,227,333	10,013,746	241.9408%	74.76%
	2017	3.9893%	22,866,232	9,310,574	245.5942%	73.55%
	2016	4.0056%	26,200,082	9,027,902	290.2123%	68.16%
	2015	4.2529%	22,953,520	9,029,945	254.1934%	72.45%
	2014	4.3065%	19,163,597	8,778,740	218.2955%	76.02%
City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (2)						
	2022	0.0621%	\$ 319,237	\$ 85,306	374.2257%	73.35%
	2021	0.0611%	357,052	82,737	431.5506%	68.78%
	2020	0.0598%	376,094	79,008	476.0201%	65.47%
	2019	0.0539%	395,663	70,470	561.4630%	59.36%
	2018	0.0475%	254,087	66,248	383.5391%	68.80%
	2017	0.0466%	276,894	65,152	424.9969%	64.09%
	2016	0.0427%	246,449	58,794	419.1737%	63.95%
	2015	0.0413%	181,447	55,935	324.3890%	70.95%

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

- (1) The amounts presented have a measurement date of June 30th of the previous year identified.
(2) The amounts presented have a measurement date of December 31st of the previous year identified.

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
SCHEDULE OF CONTRIBUTIONS TO EACH RETIREMENT SYSTEM
COST SHARING PLANS ONLY
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Pension Plan:	Year	Contractually Required Contribution ¹	Contributions in Relation to Contractually Required Contribution ²	Contribution Deficiency (Excess)	Covered Payroll ³	Contributions as a % of Covered Payroll
Firefighters' Retirement System						
	2022	\$ 4,356,284	\$ 4,356,284	\$ -	\$ 12,935,990	33.68%
	2021	3,960,551	3,960,551	-	12,136,067	32.63%
	2020	3,333,588	3,333,588	-	11,537,505	28.89%
	2019	2,921,448	2,921,448	-	10,892,968	26.82%
	2018	2,685,307	2,685,307	-	10,133,230	26.50%
	2017	2,431,000	2,431,000	-	9,509,337	25.56%
	2016	2,427,986	2,427,986	-	9,076,845	26.75%
	2015	2,590,370	2,590,370	-	9,008,030	28.76%
	2014	2,522,992	2,522,992	-	8,851,445	28.50%
City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System						
	2022	\$ 34,984	\$ 34,984	\$ -	\$ 90,470	38.67%
	2021	32,378	32,378	-	85,241	37.98%
	2020	30,119	30,119	-	81,935	36.76%
	2019	27,306	27,306	-	78,359	34.85%
	2018	24,801	24,801	-	72,598	34.16%
	2017	18,615	18,615	-	56,341	33.04%
	2016	19,816	19,816	-	67,778	29.24%
	2015	17,644	17,644	-	58,149	30.34%
	2014	16,293	16,293	-	54,991	29.63%

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

For reference only:

¹ Employer contribution rate multiplied by covered payroll

² Actual employer contributions remitted to Retirement Systems

³ Employer's covered employee payroll amount for the year ended September 30 of each year

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS - NET PENSION LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Changes in Benefit Terms Include:

<u>Plan</u>	<u>Measurement Date</u>	<u>Description of Benefit Term Change</u>
FRS	06/30/2015	Ad hoc cost of living increases (COLAs) deemed to not be substantively automatic or that COLAs will be granted on a predictable basis in the future
CPERS	12/31/2016	Members with dates of hire after September 1, 2015 are subject to updated age and service requirements along with the calculation of average compensation of service

Changes in Assumptions Include:

Changes in Discount Rates: Following includes the year that a change was made

<u>Plan</u>	
FRS	06/30/2021 - 6.90%; 06/30/2020 - 7.00%; 06/30/2019 - 7.15%; 06/30/2018 - 7.30%; 06/30/2017 - 7.40%; 06/30/2014 - 7.50%
CPERS	12/31/2019 - 7.00%; 12/31/2018 - 7.04%; 12/31/2017 - 7.25%; 12/31/2014 - 7.50%

Changes in Inflation Rates:

<u>Plan</u>	
FRS	06/30/2019 - 2.50%; 06/30/2018 - 2.70%; 06/30/2017 - 2.775%; 06/30/2015 - 2.880% 06/30/2014 - 3.00%
CPERS	12/31/2019 - 2.25%; 12/31/2015 - 2.75%; 12/31/2014 - 3.50%

Changes in Salary Increases:

<u>Plan</u>	<u>Measurement Date</u>	
FRS	06/30/2020	14.10% in the first 2 years of service and 5.20% with 3 or more year
	06/30/2019	Vary from 14.75% in the first 2 years of service to 4.50% with 25 or more year
	06/30/2015	Vary from 15.00% in the first 2 years of service to 4.75% with 25 or more year
	06/30/2014	Vary from 15.00% in the first 2 years of service to 5.50% after 14 year
CPERS	12/31/2020	BREC/Regular with <1 year of service ranges from 1.50% to 7.60% based on age BREC/Regular with 1+ year of service ranges from 1.55% to 7.60% based on age Fire/Police with <1 years of service is 15.50% for all ages Fire/Police with 1+ years of service ranges from 2.00% to 6.5% based on age
CPERS	12/31/2019	BREC/Regular with <1 year of service ranges from 1.50% to 7.60% based on age BREC/Regular with 1+ year of service ranges from 3.25% to 7.60% based on age Fire/Police with <1 years of service is 15.50% for all ages Fire/Police with 1+ years of service ranges from 3.00% to 6.5% based on age
CPERS	12/31/2013	BREC/Regular ranges from .50% to 2.5% based on age up to age 50 Fire/Police ranges from 1.00% to 4.00% based on age up to age 45

Changes in Mortality Tables:

<u>Plan</u>	<u>Measurement Date</u>	
FRS	06/30/2020	Pub-2010 Public Retirement Plans Mortality for Safety multiplied by 105% for males and 115% for females based on experience study from July 1, 2014 to June 30, 2015
	06/30/2015	RP-2000 Sex Distinct Tables projected to 2031 Scale AA based on experience study from July 1, 2009 to June 30, 2014
	06/30/2014	RP-2000 Sex Distinct Tables projected to 2031 Scale AA based on experience study from July 1, 2004 to June 30, 2009
CPERS	12/31/2019	Healthy - RP-2006 Blue Collar Projected back to 2001, Generational with MP 2018 (2016 base year) Disabled - RP-2006 Disabled Table Projected back to 2001, Generational with MP 2018 (2016 base year)
	12/31/2013	Healthy - RP-2000 Healthy Combined Blue Collar Projected to 2019 using Scale BB Disabled - RP-2000 Disabled Mortality Projected to 2019 using Scale BE

OTHER INFORMATION

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<u>Gerard C. Tarlenton, Fire Chief</u>	
Salary (including state supplemental pay)	\$ 201,131
Benefits - retirement	67,652
Benefits - insurance	<u>5,553</u>
Total Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	<u><u>\$ 274,336</u></u>

INDEPENDENT AUDITORS' 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*

Honorable Chairman and Members
of the St. George Fire Protection District No. 2
Baton Rouge, 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 *the Louisiana Governmental Audit Guide and Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the **ST. GEORGE FIRE PROTECTION DISTRICT NO. 2 (District)** as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2023.

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) as a basis for designing 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 District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 weakness. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and recommendations as item 2022-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 financial statements. 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 is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 2022-002 and 2022-003.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendation. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 the *Louisiana Governmental Audit Guide* and *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the District's management, the Louisiana Legislative Auditor, and federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
March 29, 2023

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
BATON ROUGE, LOUISIANA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended September 30, 2022

1) Summary of Auditors' Results:

A) The type of report issued on the financial statements: **Unmodified opinion.**

B) Significant deficiencies in internal control that were disclosed by the audit of financial statements: **2022-001.**

Material weaknesses: **None.**

C) Noncompliance which is material to the financial statements: **2022-002** and **2022-003.**

2) Findings related to the financial statements reported in accordance with *Governmental Accounting Standards*: **2022-001, 2022-002 and **2022-003.****

3) FINDING – FINANCIAL STATEMENTS:

2022-001 Credit Cards

Fiscal Year Finding Originated: 2022

Criteria: The District’s credit card policy required all purchases be accompanied by a purchase receipt along with an approved purchase requisition according to the District’s purchasing guidelines. The District’s purchasing guidelines require that once the purchase has been completed, the receipt should be turned in to the senior administrative assistant along with the approved purchase requisition.

Condition: The District was unable to provide sufficient support for certain credit card transactions.

Cause: Based on testing performed of 20 transactions totaling \$16,785 the District was unable to provide support for 10 out of the 20 transactions tested. The total of unsupported charges noted was \$4,158.

Effect: The District is not compliant with its internal policies regarding the procedures made by use of credit cards.

Recommendation: We recommend that the District reinforces its current credit card policy to ensure at all transactions are supported by a receipt and approved purchase requisition form, as required by the District’s purchasing guidelines.

Response: Management concurs with this matter and intends to reinforce the established policies regarding purchases made by use of credit cards.

4) FINDINGS – NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

2022-002 Louisiana Government Budget Act

Fiscal Year Finding Originated: 2020

Criteria: In accordance with Louisiana R.S. 39:1311, *Louisiana Governmental Budget Act* (LGBA), political subdivisions are required to monitor the adopted budget and duly authorize adopted amendments to the budgets for all legally adopted budgets. Additionally, management of the political subdivision is required to advise the governing authority to adopt a budget amendment, in writing, for all legally adopted budgets when the following conditions exist:

- Total revenues and other sources plus projected revenues and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenue and other sources by 5% or more.
- Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by 5% or more.

4) FINDINGS – NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS (CONTINUED)

2022-002 Louisiana Government Budget Act (Continued)

- Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by 5% or more and fund balance is being used to fund current year expenditures.

Condition: The District’s actual expenditures and other uses for the year exceeded total budgeted expenditures and uses by 27% or \$7,112,227. Additionally, the District did not advise the governing authority to adopt a budget amendment.

Cause: The District’s General Fund budget was not amended when actual expenditures and other uses were projected to exceed budgeted expenditures and other uses by greater than 5%.

Effect: The District is not compliant with the LGBA.

Recommendation: We recommend that the District monitor legally adopted budgets to ensure budget amendments are duly authorized for anticipated changes in revenues and expenditures that will result in unfavorable variances of greater than five percent of actual revenue and other sources to total budgeted revenues and other sources, actual expenditures and other uses to total budgeted expenditures and other uses, or actual beginning fund balance failing to meet the estimated beginning fund balance. Additionally, we recommend the District advise the governing authority to adopt a budget amendment, in writing, for all legally adopted budgets when unfavorable variances are anticipated.

Response: Management concurs with this matter and plans to comply with the LGBA in future periods.

2022-003 Compliance with Debt Service Covenants

Fiscal Year Finding Originated: 2022

Criteria: In accordance with Bond Resolution No. 10-11-2018-01 Section 10 of the District’s \$16,500,000 Revenue Bond – Series 2018 (Bond) the District shall create a Sinking Fund and deposit sufficient amounts into the Sinking Fund to pay promptly and fully the principal of and the interest on the Bond as they become due and payable. The required deposits of the Fund are to be paid monthly in advance on or before the business day prior to the last day of each month. The required monthly deposits related to the Bond’s principal and interest payments are as follows:

- A sum equal to one-twelfth (1/12th) of the principal falling due on the Bond’s next principal payment date.
- A sum equal to one-sixth (1/6th) of the interest falling due on the Bond’s next interest payment date.

**4) FINDINGS – NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS
(CONTINUED)**

2022-003 Compliance with Debt Service Covenants (Continued)

Condition: The District’s Sinking Fund was not funded in 10 of the 12 months during fiscal year under audit. Additionally, the District’s Sinking Fund was underfunded by \$549,886 at September 30, 2022 based upon required transfers.

Cause: The District did not deposit sufficient amounts into the Sinking Fund to pay promptly and fully the principal of and the interest 9 of 12 months out of the fiscal under audit.

Effect: The District is not compliant with all debt service covenants as required by the Bond agreement. Although, the District fulfilled all debt service payment obligations of the Bond as due and in full in November 2022 through the utilization of operating cash.

Recommendation: We recommend the District make monthly deposit of sufficient amounts into the Sinking Fund on or before the business day prior to the last day of each month in order to pay promptly and fully the principal of and the interest and maintain compliance with the Bond agreement.

Response: Management concurs with this matter and plans to comply with its debt service covenant requirements in future periods.

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
BATON ROUGE, LOUISIANA**

SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the year ended September 30, 2022

2021-001 Local Government Budget Act

This finding has been reclassified as Item 2022-002.

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2

Baton Rouge, Louisiana

For the year ended September 30, 2022

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Honorable Chairman and Members
of the St. George Fire Protection District No. 2
Baton Rouge, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2022 through September 30, 2022. The **ST. GEORGE FIRE PROTECTION DISTRICT NO. 2's (District's)** management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period October 1, 2021 through September 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and schedule of exceptions are as follows:

Written Policies and Procedures:

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. ***Disbursements***, including processing, reviewing, and approving.
 - d. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e. ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j. **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Board (or Finance Committee, if applicable):

- 2. Obtain and inspect the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe whether the managing board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations:

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts. Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections:

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a. Employees that are responsible for cash collections do not share cash drawers/registers.
 - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a. Observe that receipts are sequentially pre-numbered.
 - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c. Trace the deposit slip total to the actual deposit per the bank statement.
 - d. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e. Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding credit card purchases, travel reimbursements, and petty cash purchases):

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b. At least two employees are involved in processing and approving payments to vendors.
 - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a. Observe that the disbursement matched the related original invoice/billing statement.

- b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards:

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b. Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Travel and Travel-Related Expense Reimbursement (excluding card transactions):

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts:

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel:

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee and officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums, etc.) have been paid, and associated forms have been filed, by required deadlines.

Ethics:

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Debt Service (excluding nonprofits):

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice:

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Information Technology Disaster Recovery/Business Continuity:

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- a. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Sexual Harassment:

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a. Number and percentage of public servants in the agency who have completed the training requirements;
 - b. Number of sexual harassment complaints received by the agency;
 - c. Number of complaints which resulted in a finding that sexual harassment occurred;
 - d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e. Amount of time it took to resolve each complaint.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2

Baton Rouge, Louisiana

SCHEDULE OF EXCEPTIONS

For the year ended September 30, 2022

Exceptions:

No exceptions were found as a result of applying the procedures listed above, except as follows:

Written Policies and Procedures:

1a Budgeting - The District has no written policy addressing preparing, adopting, monitoring, and amending the budget.

1b (2) Purchasing - The District has no written policy addressing how vendors are added to the vendor list.

1d Receipts/Collections - The District has no written policy addressing processing, recording, and preparing deposits.

1e (1)(2) Payroll/Personnel - The District has no written policy addressing payroll processing and reviewing and approving time and attendance records.

1f (1)(2)(3)(4)(5) Contracting -The District has no written policies and procedures addressing types of services requiring written contracts, standard terms and conditions of contracts, legal review of contracts, the approval process of contracts, and the monitoring process of contracts.

1h (2) Travel and expense reimbursement - The District has no written policy addressing dollar thresholds by category of expense for travel and expense reimbursements.

1i (1)(2)(3)(4) Ethics - The District has no written policy addressing the prohibitions as defined in Louisiana Revises Statute (R.S.) 42:1111-1121, actions to be taken if an ethics violation takes place, a system to monitor possible ethics violations, a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

1j (1)(2)(3)(4) Debt Service - The District has no written policy addressing debt issuance approval, continuing disclosure/EMMA reporting requirements, debt reserve requirements, and debt service requirements.

1k (1)(2)(3)(4)(5)(6) IT Disaster Recovery/Business Continuity - The District has no written policy addressing the identification of critical data and frequency of data backups, storage of backups in a separate physical location isolated from the network, periodic testing/verification that backups can be restored, use of antivirus software on all systems, timely application of all available system and software patches/updates, and identification of personnel, processes, and tools needed to recover operations after a critical event.

Bank Reconciliations:

3b - We did not observe evidence on bank reconciliations that a member of management/commission member who does not handle cash, post ledgers, or issues checks reviewed the 1 month of bank reconciliations selected for testing. However, while performing standard audit procedures we were able to observe evidence that a member of management who does not handle cash, post ledgers, or issues checks reviewed the other 11 months of the fiscal year.

Collections:

7d - Based on the testing of the 2 deposits tested totaling \$997,553, 1 deposit totaling \$747,553 was not made within one day of receipt at the collection location.

Credit Cards/Debit Cards/Fuel Cards/P-Cards:

13 (1)(2) - Based on the testing of the 20 transactions tested totaling \$16,785, we were unable to observe an original itemized receipt that identifies precisely what was purchased and written documentation of the business/public purpose for 10 transactions totaling \$4,158.

Debt Service:

22 - The District did not make monthly sinking fund deposits, as required by the Series 2018 Bond agreement for 9 of 12 months of the fiscal year ended September 30, 2022. As a result, the District's sinking fund was underfunded by \$549,886 at September 30, 2022.

Although, the District fulfilled all debt service payment obligations of the Bond as due and in full in November 2022 through the utilization of operating cash.

Information Technology Disaster Recovery/Business Continuity:

25 (a)(b)(c) - We performed the related procedures and discussed the results with management.

Management's Response:

Management of the District concurs with the exceptions and are working to address the exceptions identified.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
March 29, 2023