

FINANCIAL REPORT
ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
DECEMBER 31, 2019

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12

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June 24, 2020

To the Board of Commissioners of
St. Tammany Parish Fire Protection District No. 12
Covington, Louisiana 70431

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the St. Tammany Parish Fire Protection District No. 12 (the "District"), a component unit of St. Tammany Parish, State of Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of the District's proportionate share of the net pension liability, and the schedule of District's pension contributions 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 respects, 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 June 24, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing over internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

The Management's Discussion and Analysis is intended to provide readers of the St. Tammany Parish Fire Protection District No. 12's (the "District") financial report with a narrative overview and analysis of the financial activities of the District for the year ended December 31, 2019. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. It should be read in conjunction with the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$4,207,736 (net position).
- The District's revenues increased by \$367,034 or 4.53%, while expenses increased by \$128,990 or 1.80%. The increase in revenues was primarily attributable to an increase in ad valorem taxes received by the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Also included in the report is required supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the overall finances of the District similar to a business enterprise. The statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The statement is designed to display the financial position of the District. Over time, increases or decreases in net position help determine whether the District's financial position is improving or deteriorating.

The Statement of Activities provides information showing how the District's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the District that are financed primarily by taxes, intergovernmental revenues, and charges for services. The governmental activities of the District include fire protection services.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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 and objectives. The District uses fund accounting to ensure and demonstrate fiscal accountability.

Governmental funds are used to report the District's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a near or short-term view of the District's operations. A reconciliation is prepared of the governmental fund Balance Sheet to the Statement of Net Position and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.

The District maintains one governmental fund, the General Fund. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for this fund.

The District adopts an annual budget for its General Fund. A Budgetary Comparison Statement has been provided for this fund in the Required Supplementary Information – Part II Section.

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 presents certain required supplementary information concerning the District's budgetary comparison, proportionate share of the net pension liability, and pension contributions.

Following the required supplementary information is other supplementary information concerning the compensation paid to commission members and compensation and other payments to the agency head.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects condensed information on the District's net position:

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**CONDENSED COMPARATIVE STATEMENTS OF NET POSITION
 DECEMBER 31,**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
<u>Assets:</u>				
Current assets	\$ 11,041,337	\$ 9,795,261	\$ 1,246,076	12.72 %
Capital assets, net	4,135,773	3,970,528	165,245	4.16 %
Total assets	<u>15,177,110</u>	<u>13,765,789</u>		
<u>Deferred Outflows of Resources:</u>	<u>1,677,492</u>	<u>1,461,253</u>	216,239	14.80 %
<u>Liabilities:</u>				
Current liabilities	405,062	266,585	138,477	51.94 %
Long-term liabilities	10,968,014	10,770,824	197,190	1.83 %
Total liabilities	<u>11,373,075</u>	<u>11,037,409</u>		
<u>Deferred Inflows of Resources:</u>	<u>1,273,791</u>	<u>1,165,943</u>	107,848	9.25 %
<u>Net Position:</u>				
Net investment in capital assets	1,077,398	807,153	270,245	33.48 %
Unrestricted	3,130,338	2,216,537	913,801	41.23 %
Total net position	<u>\$ 4,207,736</u>	<u>\$ 3,023,690</u>		

The "net investment in capital assets" represents the District's net book value of its capital assets reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. It is the accumulation of years of investments in capital assets. These assets are not available for spending. The remaining fund balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

The following table provides a summary of the District's changes in net position for the years ended December 31, 2019 and 2018:

**CONDENSED COMPARATIVE STATEMENTS OF ACTIVITIES
 DECEMBER 31,**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
General revenues	\$ 7,686,838	\$ 7,362,974	\$ 323,864	4.40 %
Program revenues	781,500	738,330	43,170	5.85 %
Total revenues	<u>8,468,338</u>	<u>8,101,304</u>		
Expenses	<u>7,284,292</u>	<u>7,155,302</u>	128,990	1.80 %
Change in net position	<u>\$ 1,184,046</u>	<u>\$ 946,002</u>		

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

- Net position increased by \$1,184,046 or 39.16% from the previous year. The revenues increased 4.53% from the previous year primarily due to an increase in ad valorem taxes received by the District.

CAPITAL ASSETS

The following table reflects the District's investment in capital assets, net of accumulated depreciation, as of December 31:

**CAPITAL ASSETS
 DECEMBER 31,**

	<u>2019</u>	<u>2018</u>
Land	\$ 258,941	\$ 283,941
Construction in progress	27,842	27,842
Buildings and improvements	2,626,131	2,745,742
Transportation equipment	918,874	546,039
Furniture, fixtures, and equipment	303,985	366,964
Total capital assets	<u>\$ 4,135,773</u>	<u>\$ 3,970,528</u>

Depreciation expense for the year ended December 31, 2019, was \$314,709, as compared to \$344,747 for the year ended December 31, 2018.

LONG-TERM DEBT

Long-term debt was \$3,058,375 as of December 31, 2019, compared to \$3,163,375 at December 31, 2018. The debt decreased due to principal payments made during the year. The District's proportionate share of the net pension liability related to its participation in the FRS increased by 4% in the current year.

BUDGETARY HIGHLIGHTS

The General Fund's revenues exceeded budgeted revenues by \$916,212 or 12.62%. This was due to the District collecting more ad valorem revenues and intergovernmental revenues than expected in 2019.

The General Fund's actual expenditures were below budgeted expenses by \$190,256 or 2.62%. This was due to a decrease in public safety expenses.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors considered the following items when setting next year's budget, rates, and fees:

- The ad valorem tax revenue is expected to remain fairly stable and may possibly decrease if the local economy suffers a downturn due to the COVID19 coronavirus.
- Salaries and benefits are based on the number of employees needed to perform necessary services and the related benefits.
- General estimates of operating supplies needed to perform necessary services.
- Salaries and benefits are expected to increase as pension rates rise and employees receive raises.

FURTHER INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Terrell Stuard, Fire Chief, St. Tammany Parish Fire Protection District No. 12, 19375 Highway 36, Covington, LA 70433.

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 4,840,710
Receivables, net of allowance for uncollectibles	6,133,651
Prepaid expenses	65,726
Deposits	1,250
Total current assets	11,041,337
Capital assets not being depreciated	286,783
Capital assets, net of accumulated depreciation	3,848,990
TOTAL ASSETS	15,177,110
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions	1,677,492
LIABILITIES:	
Current liabilities:	
Accounts payable	117,299
Salary and benefits payable	100,664
Accrued interest	14,316
Compensated absences	62,783
Notes payable	110,000
Total current liabilities	405,062
Noncurrent liabilities:	
Compensated absences	188,348
Notes payable	2,948,375
Accrued interest	194,528
Net pension liability	7,636,763
Total noncurrent liabilities	10,968,014
TOTAL LIABILITIES	11,373,075
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pensions	1,273,791
NET POSITION:	
Net investment in capital assets	1,077,398
Unrestricted	3,130,338
TOTAL NET POSITION	\$ 4,207,736

See accompanying notes.

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Public safety - fire protection	\$ 7,212,608	\$ 781,500	\$ -	\$ -	\$ (6,431,108)
Interest on long-term debt	<u>71,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,684)</u>
Total governmental activities	<u>\$ 7,284,292</u>	<u>\$ 781,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(6,502,792)</u>

General revenues:

Taxes:

Ad valorem	6,439,342
2% fire insurance tax rebate	100,592
State revenue sharing	110,575
Supplemental pay	300,150
Interest income	120,695
Gain on disposal of capital assets	3,628
Other general revenues	<u>611,856</u>
Total general revenues	<u>7,686,838</u>
Change in net position	<u>1,184,046</u>
Net position - beginning of year	<u>3,023,690</u>
Net position - end of year	<u>\$ 4,207,736</u>

See accompanying notes.

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 BALANCE SHEET
 GOVERNMENTAL FUND
DECEMBER 31, 2019

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 4,840,710
Receivables, net of allowance for uncollectibles	6,133,651
Prepaid expenses	65,726
Deposits	<u>1,250</u>
TOTAL ASSETS	<u><u>\$ 11,041,337</u></u>
LIABILITIES AND FUND BALANCE:	
Liabilities:	
Accounts payable	117,299
Accrued expenses	<u>100,664</u>
Total liabilities	<u>217,963</u>
FUND BALANCE:	
Nonspendable	66,976
Unassigned	<u>10,756,398</u>
Total fund balance	<u>10,823,374</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 11,041,337</u></u>

See accompanying notes.

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 RECONCILIATION OF THE GOVERNMENTAL FUND
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Fund balance - Governmental Fund \$ 10,823,374

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund:

Capital assets	\$ 8,264,489	
Less accumulated depreciation	<u>(4,128,716)</u>	4,135,773

Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental fund. 1,677,492

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund. All liabilities (both current and long-term) are reported in the Statement of Net Position:

Notes payable		(3,058,375)
Net pension liability		(7,636,763)
Compensated absences		(251,130)
Accrued interest payable		(208,844)

Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental fund. (1,273,791)

Net position of governmental activities \$ 4,207,736

See accompanying notes.

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 GOVERNMENTAL FUND STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>
REVENUES:	
Taxes	\$ 6,539,934
Intergovernmental:	
State revenue sharing	110,575
Supplemental pay	300,150
Dispatch service	781,500
Interest	120,694
Other revenues	321,827
Total revenues	<u>8,174,680</u>
EXPENDITURES:	
Current:	
Public safety	6,391,516
Debt service:	
Principal	105,000
Interest	58,463
Capital outlay	513,233
Total expenditures	<u>7,068,212</u>
Net change in fund balance	1,106,468
Fund balance at beginning of year	<u>9,716,906</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,823,374</u>

See accompanying notes.

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Net change in fund balance - total governmental fund	\$ 1,106,468
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.	198,523
In the Statement of Activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental fund, the proceeds from the disposal of capital assets are reflected, whether a gain or loss is realized.	(33,279)
Pension benefit (expense), which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.	(528,551)
Non-employer contributions are reported as revenues in the governmental fund when made. The District's proportionate share of non-employer contributions to the pension plan is reported in the Statement of Activities.	326,935
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal of long-term debt is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which payments exceeded proceeds.	105,000
Accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental fund. This is the change in the compensated absence liability.	22,171
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure when it is due, and thus requires the use of current financial resources. In the Statement of Activities; however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(13,221)</u>
Change in net position of governmental activities	<u>\$ 1,184,046</u>

See accompanying notes.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

ORGANIZATION:

The St. Tammany Parish Fire Protection District No. 12 was established by St. Tammany Parish Police Jury Ordinance No. 706 in April 1977. The District serves the area of Ward 3 of St. Tammany Parish, Louisiana, excluding the corporate limits of the City of Covington. The District is governed by a Board of Commissioners consisting of five resident taxpayers, as provided by Louisiana Revised Statute 40:1496. On January 30, 2012, the District entered into a 15-year "Fire Protection Services Agreement" with the City of Covington wherein, among other events, issues concerning tax millage assessments were resolved, service areas were re-drawn, and future City of Covington annexations were addressed. The St. Tammany Parish Council appoints four of the commissioners, while the parish president appoints one of the commissioners. Each commissioner is appointed to a four-year term, which runs concurrently with that of the parish council. Vacancies are filled by the body making the original appointments. The District is operated as a component unit of the St. Tammany Parish Council.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation:

The financial statements of the St. Tammany Parish Fire Protection District No. 12 (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) 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. The more significant of the District's accounting policies are described below:

Financial Reporting Entity:

Governmental Accounting Standards Board No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council 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 District is considered a component unit of the financial reporting entity because the commissioners of the District are appointed by the St. Tammany Parish Council.

As the governing authority of the parish, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of: (1) the primary government (Parish Council), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Reporting Entity: (Continued)

Fire protection districts are created for the purpose of acquiring, maintaining, and operating facilities, machinery, equipment, water tanks, water hydrants, water lines, and performing other things as necessary to provide proper fire protection and control of the property within the District.

The District interacts with other St. Tammany Parish Fire Protection Districts to carry out its objectives. The financial statements of the District include all governmental activities, organizations, and functions that are within the oversight responsibility of the District, and do not present information on the Council, the general government services provided by the Council, or other governmental units that comprise the financial reporting entity.

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and Statement of Activities for all non-fiduciary activities of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are financed to a significant extent by fees and charges for support. The District has no business-type activities.

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes and the related revenue sharing are recognized in the year for which they are levied. Federal and state grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Financial Statements:

The daily accounts and operation of the District continue to be organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The *General Fund* is the only governmental fund of the District and is used to account for all activities.

Governmental funds are reported using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances.

Governmental funds are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means the resources will be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Property taxes are recorded as deferred inflows of resources if measurable, but not available.

Ad valorem taxes and the related state revenue sharing are recognized as revenue of the period in which levied. The property taxes levied in November are recorded as revenue in the current year, since the majority of the funds are typically collected within 60 days of the end of the current year. Other revenues susceptible to accrual are intergovernmental revenues. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except principal and interest on general long-term debt, which is not recognized until due. Allocations of costs such as depreciation and amortization are not recognized in the governmental fund.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Balance:

In the fund financial statements, fund balance is classified in the following components:

- *Nonspendable* – This component consists of amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, laws or regulations of other governments), or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, change, or otherwise mandate payment of resources (from external resource providers), and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- *Committed* – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
- *Assigned* – This component consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the District or the designee as established in the District's fund balance policy.
- *Unassigned* – This component consists of amounts that have 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 restricted resources first, then unrestricted resources (committed, assigned, and unassigned) are available for use. It is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assigned actions. The District does not have a formal minimum fund balance policy.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Balance: (Continued)

Net Position:

In the government-wide financial statements, net position comprises the various net earnings from revenues and expenses. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use by external parties, such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation. All other net position classifications that do not meet the definition of “net investment in capital assets” or “restricted” are reported as unrestricted.

Budgetary Accounting:

As required by law, the District adopts an annual budget for the General Fund. Appropriations which are not expended lapse at the end of each fiscal year. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. Budgetary comparisons presented in the accompanying financial statements are on a GAAP basis and include the original budget and all subsequent revisions.

Cash and Cash Equivalents:

Cash includes demand deposits, petty cash, and certificates of deposit. The District may deposit funds in a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the District may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States Treasury obligations, United States Government Agency obligations, and direct security repurchase agreements or in eligible mutual funds that invest in these securities.

Allowance for Uncollectible Receivables:

The District’s primary revenue source, ad valorem taxes, becomes delinquent if not paid by March 1st following the year of assessment. Unpaid taxes attach as an enforceable lien on property. The Board of Commissioners determined, based on prior historical information, that current collections are estimated to be approximately 95% of the tax levy. At December 31, 2019, the amount of uncollectible receivables is estimated to be approximately \$330,203. Revenues are reported net of estimated uncollected amounts and estimated refunds.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

Capital assets include land, buildings and building improvements, and equipment. All assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at completion of the construction projects.

In the fund financial statements, capital assets used in governmental activities are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Furniture and equipment includes all items costing over \$5,000. Depreciation on capital assets, excluding land and construction in progress, is calculated on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and leasehold improvements	20-40
Furniture and equipment	5-20
Firefighting equipment	5-20
Transportation equipment (fire trucks and ambulances)	5-20

Compensated Absences:

Employees are eligible for vacation leave after they have completed one year of full-time service. Vacation hours and/or days earned are determined by the length of service on January 1st of each calendar year. Unused vacation hours are to be used in the following year and cannot be carried forward to subsequent years.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Deferred Outflows of Resources and Deferred Inflows of Resources:

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure/expense) until that future time.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

A deferred inflow of resources represents a consumption of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Long-Term Obligations:

In the government-wide financial statements, long-term obligations are reported as liabilities on the statement of net position.

Noncurrent liabilities include estimated amounts for accrued compensated absences, net pension liabilities, and long-term debt that will not be paid within the next fiscal year.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Firefighters' Retirement System and additions to/deductions from FRS fiduciary net position have been determined on the same basis as they are reported by. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

2. CASH AND CASH EQUIVALENTS:

At December 31, 2019, the carrying amount of the District's cash deposits was \$4,840,710. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of December 31, 2019, the District's bank balances were \$4,866,913 of which \$250,000 was secured by FDIC. The remaining deposits were collateralized by the pledge of securities held by the District's agent in its name. Accordingly, the District was not exposed to custodial credit risk.

3. AD VALOREM TAX:

Ad valorem taxes are normally levied in November and billed in December. These taxes are typically due in January of the following year. Any unpaid taxes are collected in connection with an auction held in May. The Sheriff's department bills and collects the District's ad valorem taxes. The District recognizes the revenue when the taxes are levied.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. AD VALOREM TAX: (Continued)

Ad valorem taxes are levied based on property values determined by the St. Tammany Parish Assessor (a separate entity). All land and residential improvements are assessed at 10% of their fair market value and other property at 15% of its fair market value. The District's ad valorem tax revenues are recognized when levied to the extent that they are determined to be currently collectible. Revenue is reported net of estimated uncollectible amounts and estimated refunds.

On January 17, 1998, the District was authorized to levy an additional special ad valorem tax of 10 mills commencing in 1998 and ending in 2007. The tax was extended for 10 years until 2017. This tax was extended for 20 years at 9.95 mills ending in 2037. The tax is to be used for the purpose of acquiring, constructing, improving, maintaining, and operating fire protection facilities, purchasing fire trucks and other firefighting equipment, and paying the cost of obtaining water for fire protection purposes.

On July 19, 2003, the District was authorized to levy an additional special ad valorem tax of 10 mills commencing in 2004 and ending in 2013. The tax was extended for 10 years until 2023. The tax is to be used for the purpose of acquiring, constructing, improving, maintaining, and operating fire protection facilities, purchasing fire trucks and other firefighting equipment, and paying the cost of obtaining water for fire protection purposes.

On July 20, 2005, the District was authorized to levy an additional special ad valorem tax of five mills commencing in 2006 and ending in 2015. The tax was extended for 20 years until 2035. The tax is to be used for the purpose of acquiring, constructing, improving, maintaining, and operating fire protection facilities, purchasing fire trucks and other firefighting equipment, and paying the cost of obtaining water for fire protection purposes.

4. 2% FIRE INSURANCE TAX:

The District is eligible and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas that it serves. In accordance with the Louisiana Revised Statutes, such funds shall be used only for the purpose of "rendering more efficient" and efficacious fire protection as the District shall direct. The District received fire insurance tax rebates in the amount of \$100,592 for the year ended December 31, 2019.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance <u>1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	Completed <u>Construction</u>	Balance <u>12/31/2019</u>
Capital assets not being depreciated:					
Construction in progress	\$ 27,842	\$ -	\$ -	\$ -	\$ 27,842
Land	283,941	-	(25,000)	-	258,941
Total capital assets not being depreciated	<u>311,783</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>286,783</u>
Capital assets being depreciated:					
Buildings	3,879,485	-	(3,570)	-	3,875,915
Transportation equipment	2,643,274	513,232	(82,000)	-	3,074,506
Furniture and equipment	1,027,285	-	-	-	1,027,285
Total capital assets being depreciated	<u>7,550,044</u>	<u>513,232</u>	<u>(85,570)</u>	<u>-</u>	<u>7,977,706</u>
Less accumulated depreciation	<u>3,891,298</u>	<u>314,709</u>	<u>(77,291)</u>	<u>-</u>	<u>4,128,716</u>
Total capital assets being depreciated, net	<u>3,658,746</u>	<u>198,523</u>	<u>(8,279)</u>	<u>-</u>	<u>3,848,990</u>
Total capital assets, net	<u>\$ 3,970,529</u>	<u>\$ 198,523</u>	<u>\$ (33,279)</u>	<u>\$ -</u>	<u>\$ 4,135,773</u>

Donated fixed assets consist of the Highway 25 and Northpark properties, valued at \$55,000 and \$75,000, respectively. The properties must be used for fire protection services as stipulated in the donation agreements or the properties will revert back to the donors under terms specified in the transfer documents.

Depreciation expense charged to the public safety function was \$314,709 for the year ended December 31, 2019.

6. LONG-TERM LIABILITIES:

The following is a summary of the changes in the long-term liabilities of the District for the year ended December 31, 2019:

	Balance <u>1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2019</u>	Due Within <u>One Year</u>
Certificates of indebtedness	\$ 2,650,000	\$ -	\$ (105,000)	\$ 2,545,000	\$ 110,000
Special community disaster loan	513,375	-	-	513,375	-
Net pension liability	7,326,755	2,610,460	(2,300,452)	7,636,763	-
Compensated absences	273,301	-	(22,170)	251,131	62,783
Total	<u>\$ 10,763,431</u>	<u>\$ 2,610,460</u>	<u>\$ (2,427,622)</u>	<u>\$ 10,946,269</u>	<u>\$ 172,783</u>

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. LONG-TERM LIABILITIES: (Continued)

The additions and reductions to compensated absences could not be readily determined. The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when the leave is actually taken. The total liability for leave privileges is recorded in the Statement of Net Position.

During the year ended December 31, 2006, the District issued a revenue anticipation note in the amount of \$513,375 for the purpose of paying operating expenses in anticipation of revenues. The note was issued under the Community Disaster Loan Act of 2005 and had an original maturity date of December 19, 2010. Upon the District's request, the maturity date was extended 20 years to September 30, 2035. The District is in the process of negotiating with FEMA to coordinate a new debt service schedule to account for the new maturity date. No payments have been made on the loan and interest is being accrued. The note bears interest at a fixed rate of 2.69%. Interest is payable upon maturity of the note. For the year ended December 31, 2019, interest expense on the loan was \$13,810.

On May 30, 2014, the District issued \$3,200,000 of Certificates of Indebtedness, Series 2014, for the purpose of acquiring, constructing, and improving facilities; acquiring vehicles and equipment for fire protection; providing rescue and emergency medical services in and for the Issuer; and paying all costs of incurred in connection with the issue of the certificates. The certificates were not to be callable for redemption prior to their stated dates of maturity. The certificates were issued with an interest rate of 2.22% and were expected to mature March 1, 2023. Effective October 21, 2015, the District restructured and extended the certificates based upon a principal amount of \$2,885,000. The certificates were restructured at an interest rate of 2.25%. Beginning on March 1, 2016, annual principal installments ranging from \$30,000 to \$345,000 are to be made, and the restructured bonds will mature on March 1, 2029. During the year ended December 31, 2019, the District made a principal payment of \$105,000 on the restructured certificates.

The restructured certificates have a maturity of 14 years beginning in 2015, and bear interest at a rate of 2.25%. Principal payments are due annually on March 1st of each year, and interest payments are due semiannually on March 1st and September 1st of each year. For the year ended December 31, 2019, interest expense on the Certificates was \$58,463.

Future principal and interest payments required on the District's long-term debt as of December 31, 2019, are as follows:

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. LONG-TERM LIABILITIES: (Continued)

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 110,000	\$ 56,025	\$ 166,025
2021	110,000	53,550	163,550
2022	110,000	51,075	161,075
2023	285,000	46,631	331,631
2024	295,000	40,106	335,106
Thereafter	2,148,375	260,790	2,409,165
	<u>\$ 3,058,375</u>	<u>\$ 508,177</u>	<u>\$ 3,566,552</u>

7. PENSION PLAN:

Substantially all employees of the St. Tammany Parish Fire Protection District No. 12 are members of the Louisiana Firefighters' Retirement System ("System"), a multiple-employer (cost sharing) public employee retirement system (FRS). The System is a statewide public retirement system for the benefit of fire districts and their staff, which is administered and controlled by a separate Board of Trustees. Contributions of participating fire districts are pooled with the System to fund accrued benefits, with employer/employee contribution rates approved by the Louisiana Legislature.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Louisiana Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana 70809.

Benefits Provided:

Retirement Benefits:

Employees 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 are entitled to annual pension benefits equal to 3.33% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

1. At death, their beneficiary will receive a life annuity equal to the employee's reduced retirement allowance.
2. At death, their beneficiary will receive a life annuity equal to one-half of the employee's reduced retirement allowance.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Retirement Benefits: (Continued)

3. Any other benefit certified by the actuary and approved by the Board of Trustees that will be equivalent in value to the employee's retirement allowance limited to a spouse and/or minor children.
4. The member can select a reduced Option 2 benefit. However, if the beneficiary predeceases the retiree, the benefit will convert to the maximum. This option is limited to a spouse and/or minor children or handicapped children.
5. The member can select a reduced Option 3 benefit. However, if the beneficiary predeceases the retiree, the benefit will convert to the maximum. This option is limited to a spouse and/or minor children.
6. The member can select to receive a guaranteed 2.5% COLA every year beginning when the member reaches age 55. In exchange for this COLA, the member takes an actuarially reduced benefit upon retirement.

Death Benefits:

If an active employee dies and is not eligible for retirement, his survivors shall be paid:

1. If the employee is not eligible to retire and dies in the line of duty, their spouse will receive monthly, an annual benefit equal to two-thirds of the employee's average final compensation. If death is not in the line of duty, the spouse will receive monthly, an annual benefit equal to 3.0% of the member's average final compensation multiplied by his total years of service; however, the benefit shall not be less than 40%, or more than 60% of the employee's average final compensation.
2. Children of deceased employees will receive the greater of \$200 or 10% of the member's final average compensation per month until reaching the age of 18, or until the age of 22 if enrolled full time in an institution of higher education. The surviving totally physically handicapped or mentally retarded child of a deceased employee, regardless of age, shall receive the benefits as long as they are dependent on the surviving spouse.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Death Benefits: (Continued)

3. If an employee, who is eligible to retire, dies before retiring, the designated beneficiary shall be paid under Option 2, survivor benefit equal to member's benefit.

Disability Benefits:

If an eligible member is officially certified as disabled by the State Medical Disability Board, he shall receive the greater retirement, if eligible for disability benefits as follows:

1. Any member totally disabled from injury received in the line of duty, shall be paid, on a monthly basis, an annual pension of 60% of the average final compensation being received at the time of the disability.
2. Any member of FRS who has become disabled or incapacitated because of continued illness or as a result of any injury received, even though not in the line of duty, and who has five years of creditable service, but is not eligible for retirement under the provisions of R. S. 11:2256 may apply for retirement under the provisions of R.S. 11:2258 and shall be retired on 75% of the retirement salary to which he would be entitled under R. S. 11:2256 if he were otherwise eligible there under or 25% of the member's average salary, whichever is greater.
3. Any retired member or DROP plan participant who becomes disabled for any reason provided for by law shall be permitted to apply for conversion of a service retirement to a service connected disability retirement under R.S. 11:2258(B)(1)(e).
4. Should a member who is on disability retirement die and leave a surviving spouse, the surviving spouse shall receive a benefit of \$200 per month. When the member takes disability retirement, he may, in addition, take an actuarially reduced benefit in which case the member's surviving spouse shall receive 50% of the disability benefit being paid immediately prior to the death of the disabled retiree. If the surviving spouse remarries prior to age 55, such benefits shall cease; however, the benefits shall resume upon subsequent divorce or death of the new spouse and the approval of the Board of Trustees.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. PENSION PLAN: (Continued)

Deferred Retirement Option Plan:

After completing 20 years of creditable service and age 50, or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to FRS cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to FRS. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option:

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

Contributions:

Contributions for all members are established by statute at 10% for wages above poverty and 8.0% for wages below poverty for the year ended December 31, 2019. The contributions are deducted from the member's salary and remitted by the participating agency.

According to state statute, employer contributions are actuarially determined each year. For the period July 1, 2019 - December 31, 2019, employer contributions were 27.75% of covered payroll above poverty and 29.75% of covered payroll below poverty. For the period January 1, 2019 - June 30, 2019, employer contributions were 26.50% of covered payroll above poverty and 28.50% of covered payroll below poverty, effective July 1, 2018. The District's contributions to the System for the year ended December 31, 2019 were \$803,832.

According to state statute, FRS also receives insurance premium tax funds from the State of Louisiana. This additional source of income is used as an additional employer contribution and is reported as a non-employer contribution. These contributions are used to finance administrative costs of FRS.

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. PENSION PLAN: (Continued)

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

At December 31, 2019, the District reported a liability for the Louisiana Firefighters' Retirement System of \$7,636,763 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The District's proportion of the net pension liability for the retirement system was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion for the Louisiana Firefighters' Retirement System was 1.219558%. This reflects a decrease for the Louisiana Firefighters' Retirement System of 0.054200% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the District recognized pension expense in the amount of \$525,533, for which there were no forfeitures.

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 550,873
Changes in assumptions	694,760	556
Net difference between projected and actual earnings on pension plan investments	513,551	-
Changes in proportion and differences between employer and non-employer contributions and proportionate share of contributions	23,954	722,362
Employer and non-employer contributions subsequent to the measurement date	445,227	-
Total	<u>\$ 1,677,492</u>	<u>\$ 1,273,791</u>

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. PENSION PLAN: (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions: (Continued)

During the year ended December 31, 2019, employer contributions totaling \$445,227 were made subsequent to the measurement date for the Louisiana Firefighters' Retirement System. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 132,931
2021	(207,714)
2022	18,587
2023	48,689
2024	(21,774)
Thereafter	<u>(12,245)</u>
Total	<u>\$ (41,526)</u>

Actuarial Assumptions:

The total pension liability for the Louisiana Firefighters' Retirement System (FRS) in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. PENSION PLAN: (Continued)

Actuarial Assumptions: (Continued)

	FRS
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Expected remaining service lives	7 Years
Investment rate of return	7.15%, net of investment expense
Inflation rate	2.500% per annum
Projected salary increases	Vary from 14.75% in the first two years of service to 4.50% after 25 years.
Cost-of-living adjustments	None, other than those previously granted, since they are not deemed to be substantively automatic.
Mortality	Mortality rate assumption was projected based on a five-year (2009-2014) experience study of the System's members.
Termination and disability	Termination, disability and retirement assumptions were projected based on a four year (2006-2010) experience study of the System's members.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected inflation. Estimates of arithmetic real rates of return for each major asset class based on the Louisiana Firefighters' Retirement System's target asset allocation as of June 30, 2019, are as follows:

	Long-Term Target Asset Allocation	Long-Term Expected Real Rate of Return
<u>Asset Class</u>	<u>FRS</u>	<u>FRS</u>
Fixed Income	31.00%	2.17%
Equity	49.00%	6.70%
Alternatives	10.00%	7.33%
Other	10.00%	4.52%
Totals	100.00%	4.65%
Inflation		2.50%
Expected Arithmetic Nominal Return		7.15%

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. PENSION PLAN: (Continued)

Discount Rates:

The discount rate used to measure the total pension liability for the Louisiana Firefighters' Retirement System was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC, taking into consideration the recommendation of the Louisiana Firefighters' Retirement System's actuary. Based on those assumptions, the Louisiana Firefighters' Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates:

The following presents the District's proportionate share of the net pension liability using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage-point higher (8.15%) than the current rate:

1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
<u>\$ 11,058,549</u>	<u>\$ 7,636,763</u>	<u>\$ 4,764,776</u>

Support of Non-employer Contributing Entities:

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2019, the District recognized revenue as a result of support received from non-employer contributing entities of \$326,935 for its participation in the Louisiana Firefighters' Retirement System.

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued Louisiana Firefighters' Retirement System's 2019 Annual Financial Report, which may be obtained by writing to the Louisiana Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana, 70809.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. PENSION PLAN: (Continued)

Payables to the Pension Plan:

At December 31, 2019, there were no payables due to the Louisiana Firefighters' Retirement System.

8. SUPPLEMENTAL SALARIES:

During the year ended December 31, 2019, certain eligible full-time employees received supplemental salary payments in the amount of \$300,150 from the State of Louisiana. The amount of the supplemental pay is determined by state law and is in addition to the compensation they receive from the District. These intergovernmental funds are reflected in the financial statements of the District for the year ended December 31, 2019.

9. DEFERRED COMPENSATION PLAN:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Annual contributions to the plan may not exceed the lesser of 100% of the participating employee's includible compensation or \$18,000. Participants who were age 50 or older by the end of the calendar year were eligible to make additional catch up contributions of up to \$6,000. The plan requires that the minimum contribution be equal to the current employee's withholding rate for social security. The District no longer contributes to the 457 plan. The employees' contributions were \$73,856 for the year ended December 31, 2019.

The District offers a 401(a) plan in which five employees are enrolled. For any employees in the plan, the District contributes 10% of the employees' compensation annually. The employers' total contributions were \$8,454 for the year ended December 31, 2019.

All assets of the deferred compensation plan are held in a custodial account and all such assets are held for the exclusive benefit of the plan participants and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this plan and the assets may not be diverted to any other use. The plan's balances and activities are not reflected in the District's financial statements.

It has been the opinion of management that the District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Investments are managed by the plan's administrator. The plan participants choose the investment options.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

10. MAINTENANCE AND SUPPORT AGREEMENT:

During the year ended December 31, 2013, the District entered into a maintenance and support agreement with Unifire as a part of purchasing public safety software for several districts. The term of the agreement is for a period of five years commencing on October 1, 2013, and ending on September 30, 2018, at a rate of \$17,000 per year. The District's portion of the contract payments is approximately 20%. The agreement was continued on a year-to-year basis starting October 1, 2018. The agreement was continued starting on October 1, 2019 and ending September 30, 2020.

11. LOUISIANA LEGISLATIVE AUDITOR ACT 774:

Duplantier, Hrapmann, Hogan & Maher, LLP performed certain procedures to assist the District in assessing certain controls and in evaluating management's compliance with certain laws and regulations during the period from January 1, 2019, to December 31, 2019, in accordance with Act 774 of the 2014 Regular Legislative Session. Management of the District is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. The procedures that Duplantier, Hrapmann, Hogan & Maher, LLP performed, the results of the procedures performed, the recommendations of Duplantier, Hrapmann, Hogan & Maher, LLP, and the District's response to the audit can be found in the publicly issued report on the Louisiana Legislative Auditor's website at www.la.gov.

12. SUBSEQUENT EVENTS:

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could possibly impact the District. Management has evaluated these events and the financial impact and duration cannot be reasonably estimated at this time.

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Actual Amounts</u>	<u>Budgeted Amounts</u>		<u>Variance with Final Budget</u>
		<u>Original</u>	<u>Final</u>	
REVENUES:				
Taxes	\$ 6,539,934	\$ 6,215,970	\$ 6,215,970	\$ 323,964
Intergovernmental	410,725	70,000	70,000	340,725
Interest	120,694	40,000	40,000	80,694
Other revenues	<u>1,103,327</u>	<u>932,498</u>	<u>932,498</u>	<u>170,829</u>
Total revenues	<u>8,174,680</u>	<u>7,258,468</u>	<u>7,258,468</u>	<u>916,212</u>
EXPENDITURES:				
Current:				
Public safety	6,391,516	7,095,023	7,095,023	(703,507)
Debt service:				
Principal	105,000	110,000	110,000	(5,000)
Interest	58,463	53,445	53,445	5,018
Capital outlay	<u>513,233</u>	<u>-</u>	<u>-</u>	<u>513,233</u>
Total expenditures	<u>7,068,212</u>	<u>7,258,468</u>	<u>7,258,468</u>	<u>(190,256)</u>
Excess of revenues over expenditures	<u>1,106,468</u>	<u>-</u>	<u>-</u>	<u>1,106,468</u>
Fund balance-beginning	<u>9,716,906</u>	<u>9,716,906</u>	<u>9,716,906</u>	<u>-</u>
FUND BALANCE-ENDING	<u>\$ 10,823,374</u>	<u>\$ 9,716,906</u>	<u>\$ 9,716,906</u>	<u>\$ 1,106,468</u>

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
FOR THE SIX YEARS ENDED DECEMBER 31, 2019

<u>Fiscal Year</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>District's Covered-Employee Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2019	1.219558%	\$ 7,636,763	\$ 2,995,332	255.0%	74.0%
2018	1.273758%	\$ 7,326,755	\$ 3,033,452	241.5%	74.8%
2017	1.258975%	\$ 7,371,015	\$ 3,110,354	237.0%	73.5%
2016	1.379450%	\$ 9,022,851	\$ 3,085,470	292.4%	68.2%
2015	1.451858%	\$ 7,835,841	\$ 2,875,053	272.5%	72.4%
2014	1.452815%	\$ 6,464,901	\$ 2,983,775	216.7%	76.0%

The schedule is intended to report information for ten years. Additional years will be displayed as they become available.

The amounts presented have a measurement date of the previous fiscal year.

ST. TAMMANY PARISH
 FIRE PROTECTION DISTRICT NO. 12
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE SIX YEARS ENDED DECEMBER 31, 2019

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
2019	\$ 803,832	\$ 803,832	\$ -	\$ 2,995,332	26.8%
2018	\$ 837,057	\$ 837,057	\$ -	\$ 3,039,334	27.5%
2017	\$ 765,947	\$ 765,947	\$ -	\$ 3,033,452	25.3%
2016	\$ 847,572	\$ 847,572	\$ -	\$ 3,085,470	27.5%
2015	\$ 902,500	\$ 902,500	\$ -	\$ 2,875,053	31.4%
2014	\$ 812,202	\$ 812,202	\$ -	\$ 2,983,775	27.2%

The schedule is intended to report information for ten years. Additional years will be displayed as they become available.

The amounts presented have a measurement date of the previous fiscal year.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

1. BUDGETARY BASIS OF ACCOUNTING:

Formal budgetary accounting is employed as a management control device during the year for the Governmental Fund. The level of budgetary control is at the line-item level. Appropriations which are not expended lapse at year end. The budget for the Governmental Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary comparisons presented in the accompanying financial statements are on a GAAP basis including the original budget and all subsequent revisions.

2. LOUISIANA FIREFIGHTERS' RETIREMENT SYSTEM:

Changes in Benefit Terms:

There were no changes in benefit terms for any of the years presented.

Changes in Assumptions:

For the actuary valuation dated June 30, 2019, there were no changes made to the salary scale, mortality, retirement, DROP entry, and withdrawal rates. Projected salary increases decreased from 15% in the first two years of service to 14.75% after two years of service and from 4.75% after 25 years to 4.50% after 25 years. The investment rate of return decreased from 7.30% to 7.15%. There were no changes to the inflation rate.

For the actuary valuation dated June 30, 2018, there were no changes made to the salary scale, mortality, retirement, DROP entry, and withdrawal rates. The investment rate of return decreased from 7.40% to 7.30%. The inflation rate decreased from 2.775% to 2.700%.

For the actuary valuation dated June 30, 2017, there were no changes made to the salary scale, mortality, retirement, DROP entry, and withdrawal rates. The investment rate of return decreased from 7.50% to 7.40%. The inflation rate decreased from 2.875% to 2.775%.

For the actuary valuation dated June 30, 2016, there were no changes made to the salary scale, mortality, retirement, DROP entry, and withdrawal rates. There was no change to the investment rate of return or inflation rate.

For the actuary valuation dated June 30, 2015, there were no changes made to retirement, DROP entry, and withdrawal rates. The salary scale decreased from 5.5% after 14 years to 4.75% after 25 years. The mortality rate was based on an actuarial experience study for the period of July 1, 2009 – June 30, 2014. There was no change to the investment rate of return. The inflation rate decreased from 3.00% to 2.875%.

For the actuary valuation dated June 30, 2014, there were no changes made to the salary scale, mortality, retirement, DROP entry, and withdrawal rates. There was no change to the investment rate of return or inflation rate.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION PAID TO COMMISSION MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Commissioners

Nino Covington	\$ 600
James Holden	1,300
Steven Swanson	1,250
Ronald Garrity	1,350
Ryan Munsey	<u>1,000</u>
	<u>\$ 5,500</u>

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency Head Name: Terrell Stuard, Fire Chief

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 108,555
Buy back of unused leave	11,531
Benefits - retirement	31,128
Benefits - insurance	1,436
State Supplemental Pay	6,000
	<u>\$ 158,650</u>



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

June 24, 2020

Board of Commissioners
St. Tammany Parish Fire Protection District No. 12
Covington, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the St. Tammany Parish Fire Protection District No. 12 (the "District"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 24, 2020.

Internal Control Over Financial Reporting

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

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Members
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Society of LA CPAs

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as items: 2019-01 and 2019-02.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the St. Tammany Parish Fire Protection District No. 12 for the year ended December 31, 2019 was unmodified.
2. Internal Control
Material weaknesses: None noted
Significant deficiencies: None noted
3. Compliance and Other Matters
Noncompliance material to financial statements: 2019-01 and 2019-02

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

None

CURRENT YEAR FINDINGS:

2019-01 PUBLISHED APPROVED BUDGET

Condition:

The 2019 Operating Budget of the St. Tammany Parish Fire Protection District No. 12 was not published in accordance with L.R.S. 39:1307(D), subsequent to its adoption in a public hearing.

Criteria:

L.R.S. 39:1307(D) states that a political subdivision shall certify completion of the public budget hearing by publishing a notice in the same manner as is required for the notice of availability of the proposed budget and public hearing.

Cause:

The District did publish a notice of its proposed Operating Budget, as well as the date and time of the public hearing in which the proposed Operating Budget would be considered. Though the District approved of its Operating Budget in a public hearing, the District did not publish a notice subsequent to its budget hearing indicating that the budget was approved.

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

CURRENT YEAR FINDINGS: (Continued)

2019-01 PUBLISHED APPROVED BUDGET (Continued)

Effect:

The public may not be informed of any potential changes that were made to the proposed Operating Budget during the public hearing in which the proposed Operating Budget was considered and approved.

Recommendation:

We recommend that the District publish its adopted Operating Budget, subsequent to its approval in a public hearing, in accordance with state law.

Management's Response:

The District will begin to publish its adopted Operating Budgets, subsequent to its approval in a public hearing, in accordance with state law.

2019-02 BUDGET MESSAGE AND BUDGET FORMAT

Condition:

The 2019 Operating Budget was not in compliance with L.R.S. 39:1305(C)(1), setting forth the required budget message, and was also not in compliance with L.R.S. 39:1305(C)(2)(a), setting forth the required budget format.

Criteria:

L.R.S. 39:1305(C)(1) states that the budget document setting forth the proposed financial plan for the general fund shall include a budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features.

L.R.S. 39:1305(C)(2)(a) states that the budget document setting forth the proposed financial plan for the general fund shall include a statement for the general fund and each special revenue fund showing the estimated fund balances at the beginning of the year; estimates of all receipts and revenues to be received; revenues itemized by source; recommended expenditures itemized by agency, department, function, and character; other financing sources and uses by source and use; and the estimated fund balance at the end of the fiscal year. Such statements shall also include a clearly presented side-by-side detailed comparison of such information for the current year, including the fund balances at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

CURRENT YEAR FINDINGS: (Continued)

2019-02 BUDGET MESSAGE AND BUDGET FORMAT (Continued)

Criteria: (Continued)

and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balances as of the end of the fiscal year; and the percentage change for each item of information.

Cause:

The District published a copy of its proposed Operating Budget, but it contained only the proposed expenditures and proposed revenues for 2019.

Effect:

When budgets are not in the correct format as directed by state law, the budget information or lack thereof can be misleading to the public.

Recommendation:

We recommend that the District publish its adopted Operating Budget, in the correct format and including an appropriate budget message, in accordance with state law.

Management's Response:

The District intends to develop its future budgets in the required budget format as set forth by L.R.S. 39:1305(C)(2).

ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 12
SUMMARY OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF PRIOR YEAR FINDINGS:

2018-01 PUBLISHED APPROVED BUDGET

Finding:

The 2018 approved Budget was not published in accordance with L.R.S. 39:1307(D), which states that a political subdivision shall certify completion of public budget hearing by publishing a notice in the same manner as is required for the notice of availability of the proposed budget and public hearing. The District did publish a notice of its proposed budget as well as the date of the hearing; although, they did not publish a notice subsequent to its budget hearing indicating that the budget was approved. We recommend that the District publish the approved budget in accordance with state law.

Status:

See finding 2019-01.

2018-02 BUDGET FORMAT

Finding:

The 2018 budget was not in compliance with L.R.S. 39:1305(C)(2)(a), setting forth the required budget format. When budgets are not in the correct format as directed by State law; the budget information, or lack that of, can be misleading to the public. We recommend that the District publish the approved budget in accordance with state law.

Status:

See finding 2019-02.

ST. TAMMANY PARISH FIRE PROTECTION
DISTRICT NO. 12

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD JANUARY 1, 2019
THROUGH DECEMBER 31, 2019



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE PERIOD JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

June 26, 2020

To the Board of Commissioners of
St. Tammany Parish Fire Protection District No. 12
Covington, Louisiana 70433

We have performed the procedures enumerated below, which were agreed to by St. Tammany Parish Fire Protection District No. 12 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas in accordance with the requirements of Act 774 of the 2014 Regular Legislative Session for the period of January 1, 2019 through December 31, 2019. We are required to perform each procedure and report the results, including any exceptions. The District's management is responsible for those C/C areas identified in the Act 774 procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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Written Policies and Procedures

1. **Procedure**: Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to the entity’s operations):
 - 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. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - f. ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - g. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/ EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - h. ***Bank Reconciliations***, including (1) monthly bank statement reconciliations, (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 12 months from the statement closing date, if applicable.

Results: As a result of applying the agreed-upon procedures above, we noted that the District does not have written policies and procedures for Budgeting, Purchasing, Disbursements, Receipts/Collections, Contracting, Travel and Expense Reimbursement, Debt Service, Bank Reconciliations.

Management’s Response: Management has begun the process of developing written policies for all areas noted above.

Capital Assets

1. **Procedure**: Obtain and inspect the entity’s written policies and procedures over capital assets and observe that they address the process for tagging assets, performing an annual inventory, and disposing of assets.

Results: As a result of applying the agreed-upon procedure above, we noted that the District does not have written policies and procedures over capital assets.

Management’s Response: Management has begun the process of developing policies over capital assets.

2. **Procedure**: Obtain a listing of capital assets and obtain management’s representation that the listing is complete.

Results: No findings were noted as a result of applying the procedure above.

3. **Procedure**: Select 10 capital assets in two physical locations (if entity has at least two physical locations) that meet the asset capitalization threshold (e.g., vehicles, office furniture, lawn mowers). Observe that each asset is tagged and trace to the listing from #2 above. Observe that each asset is included on the listing and agree the information on the listing to the location, description, manufacturer, model, and serial number of the asset.

Results: No findings were noted as a result of applying the procedure above.

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

1. **Procedure**: 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.

Results: No findings were noted as a result of applying the procedure above.

2. **Procedure**: 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 monthly 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 (or electronically approved), by someone other than the authorized card holder.

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)

b. Observe that finance charges and late fees were not assessed on the selected statements.

Results: Upon applying the agreed-upon procedure above, we noted that the credit card statement tested had a finance charge included in the outstanding balance.

Management's Response: Management will be more diligent in paying the credit card statement balances timely to avoid future finance charges.

3. **Procedure:** Using the monthly statements or combined statements selected under #2 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address the missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No findings were noted as a result of applying the procedure above.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

1. **Procedure:** 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).

Results: No findings were noted as a result of applying the procedure above.

2. **Procedure:** For each location selected under #1 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. 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.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases) (Continued)

- c. At least two employees are involved in processing and approving payments to vendors.
- 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.

Results: No findings were noted as a result of applying the procedure above.

- 3. **Procedure:** For each location selected under #1 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 (to include at least one part or repair charge for a vehicle/fire truck), 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 #2, as applicable.
- c. Observe that the selected parts or repair transactions for a vehicle/fire truck trace to a vehicle/fire truck owned by the department.

Results: No findings were noted as a result of applying the procedure above.

Bank Reconciliations

- 1. **Procedure:** Obtain a listing of client bank accounts for the fiscal period 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 (or all accounts is less than 5). 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);
- 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.

Bank Reconciliations (Continued)

Results: Upon applying the agreed-upon procedures above, we noted that the bank reconciliations do not have evidence that they were reviewed and approved by management or a member of the board.

Management's Response: Bank reconciliations are prepared by an independent company who is not involved in handing cash for the District. The bank reconciliations are sent to the District Chief each month for review and presented to the Board who approves the reconciliations with the financial report at each month's meeting.

Information Technology Disaster Recovery/Business Continuity

1. **Procedure:** Obtain and inspect the entity's written policies and procedures over information technology disaster recovery/business continuity (or the equivalent contractual terms if IT services are outsourced) and observe that they address (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.

Results: Upon applying the agreed-upon procedures above, we noted that the District does not have a written policy for Information Technology Disaster Recovery/Business Continuity.

Management's Response: Management has begun the process of developing written policies for Information Technology Disaster Recovery/Business Continuity.

2. **Procedure:** Perform the following sub-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 active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e., up-to-date).

Information Technology Disaster Recovery/Business Continuity (Continued)

Results: No findings were noted as a result of applying the procedure above.

Sexual Harassment

1. **Procedure:** Observe and inspect the entity’s written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

Results: No findings were noted as a result of applying the procedure above.

2. **Procedure:** Obtain a listing of employees/elected officials/board members employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year.

Results: Upon applying the agreed-upon procedure above, we noted that the District’s employees did not have sexual harassment training during the fiscal period.

Management’s Response: Employees of the District have had sexual harassment training required for the subsequent fiscal period and have signed documentation noting that they have completed the training.

3. **Procedure:** Observe that 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).

Results: Upon applying the agreed-upon procedure above, we noted that the District does not have its sexual harassment policy and complaint procedure on its website.

Management’s Response: Management will have the sexual harassment policy and complaint procedure posted to the District’s website.

4. **Procedure:** 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 that it includes the applicable requirements of R.S. 42:344.

Results: No findings were noted as a result of applying the procedure above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in Act 774 of the 2014 Regular Legislative Session from the Louisiana Legislative Auditor's office. Accordingly, we do not express such an opinion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in Act 774, 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.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana