

**ANNUAL FINANCIAL REPORT**  
**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**AS OF AND FOR THE YEAR ENDED**  
**DECEMBER 31, 2018**



**ERICKSEN KRENTEL**<sup>LLP</sup>  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 1  
Slidell, Louisiana

### **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. 1 (the District), as of and for the year ended December 31, 2018, 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.

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

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

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



To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 1  
June 26, 2019

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the St. Tammany Parish Fire Protection District No. 1, as of December 31, 2018, 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, statement of revenues, expenditures, and changes in fund balance - budget to actual - governmental fund, schedule of proportionate share of the net pension liability, the schedule of contributions-retirement plan, and the related notes to the required supplementary information on pages 4 through 8 and 35 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Tammany Parish Fire Protection District No. 1's basic financial statements. The accompanying schedules of compensation paid to board members and compensation, benefits and other payments to agency head are presented to comply with the requirements issued by the State of Louisiana, and are not a required part of the basic financial statements.



To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 1  
June 26, 2019

The schedules of compensation paid to board members and compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of compensation paid to board members and compensation, benefits and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2019, on our consideration of St. Tammany Parish Fire Protection District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Tammany Parish Fire Protection District No. 1's internal control over financial reporting and compliance.

June 26, 2019  
Mandeville, Louisiana

A handwritten signature in black ink that reads "Erickson Krentel, LLP".

Certified Public Accountants

**REQUIRED SUPPLEMENTAL INFORMATION (PART I)**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

This section of the St. Tammany Parish Fire Protection District No. 1's (the District) annual financial report presents management's analysis of the District's financial performance for the year ended December 31, 2018. This analysis should be read in conjunction with the audited financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

1. The District's net position increased by \$1,653,121.
2. The general revenues of the District were \$23,532,995.
3. The total expenses of the District were \$21,879,874.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of two sections: Management's Discussion and Analysis and audited financial statements. The financial statements also include notes that provide additional detail of the information included in the financial statements.

**BASIC FINANCIAL STATEMENTS**

The financial statements of the District report information about the District using accounting methods similar to those used by private companies. These financial statements provide financial information about the activities of the District.

The Statement of Net Position presents information that includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities presents information on how the District's net position changed as a result of current period operations.

The following pages present condensed financial information of the District.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

**SUMMARY OF NET POSITION**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<u>ASSETS</u>		
Current assets	\$ 31,479,839	\$ 31,347,331
Capital assets, net of accumulated depreciation	<u>15,723,975</u>	<u>14,136,233</u>
Total assets	<u>47,203,814</u>	<u>45,483,564</u>
Deferred outflows of resources	<u>4,946,520</u>	<u>4,950,014</u>
<u>LIABILITIES</u>		
Current liabilities	1,165,939	1,188,823
Long-term liabilities	<u>23,239,496</u>	<u>23,692,297</u>
Total liabilities	<u>24,405,435</u>	<u>24,881,120</u>
Deferred inflows of resources	<u>2,073,633</u>	<u>1,534,313</u>
<u>NET POSITION</u>		
Net investment in capital assets	13,961,492	12,046,431
Unrestricted	11,709,774	11,566,600
Restricted for:		
Debt service	<u>-</u>	<u>405,114</u>
Total net position	<u>\$ 25,671,266</u>	<u>\$ 24,018,145</u>

Total assets increased by \$1,720,250 (3.8%) primarily due to construction and purchases of capital assets and net income in 2018. Total liabilities decreased by \$475,685 (1.9%) primarily due to a decrease in the District's net pension liability as reported in its pension plan's audited financial statements. The increase in deferred inflows of \$539,320 (35%) is primarily due to differences between expected and actual experiences. Net position increased by \$1,653,121 (6.9%) as a result of operations.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

**SUMMARY OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
General revenues	\$ 23,532,995	\$ 23,213,699
Expenditures/ expenses	<u>(21,879,874)</u>	<u>(21,010,210)</u>
Change in net position	<u>\$ 1,653,121</u>	<u>\$ 2,203,489</u>
Ending net position	<u>\$ 25,671,266</u>	<u>\$ 24,018,145</u>

The change in net position decreased by \$550,368 (24.9%), primarily due to increases in property taxes which were offset by increases in repairs and maintenance and personnel costs.

**CAPITAL ASSETS**

The following table presents the major categories of capital assets, net of accumulated depreciation:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Land	\$ 850,821	\$ 850,821
Buildings and improvements	6,158,414	6,123,256
Equipment	3,552,960	3,385,944
Computers	412,630	412,630
Vehicles	11,703,412	11,160,385
Construction in progress	<u>2,512,869</u>	<u>964,812</u>
	25,191,106	22,897,848
Less: accumulated depreciation	<u>(9,467,131)</u>	<u>(8,761,615)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 15,723,975</u>	<u>\$ 14,136,233</u>

The major additions to capital assets during 2018 consisted of the construction of a new station/headquarters, a new ladder truck, and various medical and firefighting tools. The District disposed of various firefighting equipment and vehicles during 2018.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

**LONG-TERM DEBT**

At December 31, 2018, the District had \$1,420,000 of long-term debt which consisted of bonds payable. Of that amount, \$330,000 will be repaid in 2018. Long-term debt decreased by \$325,000 due to scheduled principal payments.

**NET PENSION LIABILITY**

At December 31, 2018, the District reported \$21,670,706 for its proportionate share of net pension liability, \$4,946,520 for deferred outflow of resources and \$2,073,633 for deferred inflows of resources. See Note 8 to the basic financial statements for further discussion of the pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions.

**BUDGET**

The following table presents the variance between the final budget and the actual results for the fiscal year.

	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance</u>
Revenues:			
Ad valorem taxes	\$ 19,625,678	\$ 17,549,424	\$ (2,076,254)
Parcel fees	1,337,211	1,059,265	(277,946)
State revenue sharing	475,000	499,002	24,002
Other	<u>653,104</u>	<u>766,658</u>	<u>113,554</u>
Total	<u>\$ 22,090,993</u>	<u>\$ 19,874,349</u>	<u>\$ (2,216,644)</u>
Expenditures:			
Fire protection and prevention	\$ 18,357,507	\$ 17,813,222	\$ 544,285
Capital outlay	3,464,761	2,716,767	747,944
Debt service	<u>365,928</u>	<u>374,217</u>	<u>(8,289)</u>
Total	<u>\$ 22,188,196</u>	<u>\$ 20,904,206</u>	<u>\$ 1,283,990</u>

**ECONOMIC FACTORS AND A LOOK AT NEXT YEAR**

St. Tammany Fire District No. 1 expects revenues from taxes to rise again in 2018; however, personnel costs are expected to continue to rise causing worries that the District may operate at a deficit in the future. With aging fleet costs rising, the District is implementing an aggressive equipment replacement program which will help offset some of the high maintenance costs. Additionally, the District may seek a future tax certificate to help fund a capital improvement program.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

The District is proud to be distinguished with a Property Insurance Association of Louisiana (PIAL) rating of Class 2. The District is committed to keeping insurance rates low for all of its citizens and providing the highest level of hazard emergency response services. While being the only internationally accredited fire department in the State of Louisiana, the District is committed to being completely transparent, demonstrating fiscal responsibility, and maintaining the trust of its citizens.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This report is designed to provide a general overview of the District and to demonstrate the District's accountability for its finances. If you have any questions about this report or need additional information, please contact Chief Chris Kaufmann, St. Tammany Parish Fire Protection District No. 1, 1358 Corporate Square Drive, Slidell, Louisiana 70458.

## **BASIC FINANCIAL STATEMENTS**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
DECEMBER 31, 2018

	<u>Governmental Activities</u>
<b><u>ASSETS:</u></b>	
Cash	\$ 13,023,415
Taxes receivable, net of allowance for uncollectible taxes of \$1,382,355	16,758,446
Parcel fee receivable, net of allowance for uncollectible fees of \$65,528	1,098,682
Other receivables	488,940
Prepayments	110,356
Capital assets, net of accumulated depreciation	<u>15,723,975</u>
Total assets	<u>47,203,814</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>	
Pensions	<u>4,946,520</u>
Total deferred outflows of resources	<u>4,946,520</u>
<b><u>LIABILITIES:</u></b>	
Contractor payable	82,238
Retainage payable	115,514
Pension deduction payable	625,704
Accrued interest	12,483
Compensated absences	148,790
Net pension liability	21,670,706
Long-term liabilities:	
Due within one year	330,000
Due after one year	<u>1,420,000</u>
Total liabilities	<u>24,405,435</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>	
Pensions	<u>2,073,633</u>
Total deferred inflows of resources	<u>2,073,633</u>
<b><u>NET POSITION:</u></b>	
Net investment in capital assets	13,961,492
Unrestricted	<u>11,709,774</u>
Total net position	<u><u>\$ 25,671,266</u></u>

**The accompanying notes are an integral part of this statement**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED DECEMBER 31, 2018

**FUNCTIONS/PROGRAMS****GOVERNMENTAL ACTIVITIES:**

Public safety - fire protection	\$ 21,879,874
Total (expense) from governmental activities	<u>(21,879,874)</u>

**GENERAL REVENUES & EXPENSES:**

Property taxes	19,223,290
Parcel fee	1,199,033
Fire insurance rebate	373,673
State revenue sharing	499,002
State supplemental pay	923,234
Grant income	968,291
Interest income	254,582
Loss on disposal of assets	(40,923)
Miscellaneous	<u>132,813</u>
Total general revenues	<u>23,532,995</u>
Change in net position	1,653,121

**NET POSITION:**

Beginning of the year	<u>24,018,145</u>
End of the year	<u>\$ 25,671,266</u>

**The accompanying notes are an integral part of this statement**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**BALANCE SHEET**  
DECEMBER 31, 2018

	<u>General Fund</u>
<b><u>ASSETS</u></b>	
<b><u>ASSETS:</u></b>	
Cash	\$ 13,023,415
Taxes receivable, net of allowance for uncollectible taxes of \$1,382,355	16,758,446
Parcel fee receivable, net of allowance for uncollectible fees of \$65,528	1,098,682
Other receivables	488,940
Prepayments	110,356
Total assets	\$ 31,479,839
<b><u>LIABILITIES:</u></b>	
Contractor payable	82,238
Retainage payable	115,514
Pension deduction payable	625,704
Total liabilities	823,456
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>	
Unavailable revenue - property taxes and parcel fees	1,221,646
Total deferred inflows of resources	1,221,646
<b><u>FUND BALANCE:</u></b>	
Unrestricted	16,408,735
Nonspendable:	
Prepaid expenses	110,356
Committed to:	
Rolling stock, facilities and equipment	6,079,429
Disaster	2,000,000
Emergencies	4,836,217
Total fund balance	29,434,737
Total liabilities, deferred inflows of resources and fund balances	\$ 31,479,839

**The accompanying notes are an integral part of this statement**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Fund balance - total governmental funds	\$ 29,434,737
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	15,723,975
Deferred outflows of resources related to pensions are not reported in governmental funds	4,946,520
Deferred inflows of resources related to pensions are not reported in governmental funds	(2,073,633)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. All liabilities (both current and long-term), including the related accrued interest are reported in the Statement of Net Position:	
Accrued interest	(12,483)
Compensated absences	(148,790)
Long-term liabilities	(1,750,000)
Net pension liability	(21,670,706)
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds.	<u>1,221,646</u>
Net position of governmental activities	<u>\$ 25,671,266</u>

**The accompanying notes are an integral part of this statement**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>
<b><u>GENERAL REVENUES:</u></b>	
Property taxes	\$ 19,189,922
Parcel fee	1,178,331
Fire insurance rebate	373,673
State revenue sharing	499,002
State supplemental pay	923,234
Investment earnings	254,582
Grant income	5,590
Miscellaneous	132,813
Total general revenues	22,557,147
<b><u>EXPENDITURES/EXPENSES:</u></b>	
Current for fire protection:	
Salaries and related expenses	15,255,291
Repairs and maintenance	1,169,895
Deduction from ad valorem taxes for pension	625,704
Fire fighting equipment, supplies and related expenses	842,300
Legal and professional services	431,668
Insurance	456,952
Office supplies	110,870
Telephone and utilities	167,527
Training expenses	223,598
Miscellaneous	78,355
Total current fire protection expenditures/expenses	19,362,160
Capital outlay	2,716,767
Debt service:	
Principal	325,000
Interest	49,217
Total debt service expenditures/expenses	374,217
Total expenditures/expenses	22,453,144
Net change in fund balance	104,003
<b><u>FUND BALANCE:</u></b>	
Beginning of the year	29,330,734
End of the year	\$ 29,434,737

**The accompanying notes are an integral part of this statement**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Net change in fund balance - governmental fund \$ 104,003

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

Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that depreciation expense of \$1,088,102 exceeded capital outlays of \$2,716,767 in the current period. 1,628,665

Repayments of note principal are reported as financing used in governmental funds and thus contribute to the reduction in fund balance. In the Statement of Net Position, however, repayment of debt decreases the long-term liabilities and does not affect the Statement of Activities. 325,000

Property tax revenues in the government-wide Statement of Activities include economic resources that are not reported as revenues in the governmental fund operating statement. This is the amount by which prior year deferred inflows of resources in the governmental funds of \$1,167,576 exceeded current year deferred inflows of resources in the governmental funds of \$1,221,646 54,070

Interest accrued on the government-wide financial statements are not expensed until paid under the modified accrual basis used in the governmental funds. 2,319

Loss on sale of assets in the Statement of Activities reflects the gross proceeds received from the sale less the net book value of the capital assets. Governmental funds report only the gross proceeds received when the assets are disposed of.  
Net book value of assets at sale (40,923)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:

Accrued annual leave - The change in the amount by which current year accrued annual leave recognized of \$148,790 was exceeded by prior accrued annual leave recognized of \$140,974. (7,816)  
Pensions (1,374,898)  
Non-employer contributions for pensions 962,701

Change in net position \$ 1,653,121

**The accompanying notes are an integral part of this statement**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Reporting Entity**

The St. Tammany Parish Fire Protection District No. 1 (the District) was created by the St. Tammany Parish Council as provided by Louisiana Revised Statute 40:1492. The District is responsible for fire protection in the City of Slidell and the immediate surrounding area. The administration of the District is governed by a board of commissioners consisting of five members. Two members are appointed by the parish governing authority and two by the governing body of the municipal corporation in the District. The fifth member is selected by the other four members and serves as chairman. Vacancies are filled by the governing bodies making the original appointments. Board members serve three-year terms without compensation. The District operates eight fire stations within the district and provides fire protection services in an area covering approximately 120 square miles. In addition to fire protection service, the District also provides fire prevention service to the public.

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

Governmental Accounting Standards Board Statement No. 14, as amended by Statement No. 39, established criteria for determining which component units should be considered part of the Parish for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

- a) Appointing a voting majority of an organization's governing body, and the ability of the Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burden on the organization.
- b) Organizations for which the Council does not appoint a voting majority but are fiscally dependent on the Council, along with a financial benefit or burden relationship.
- c) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

The District was determined to be a component unit of the Parish, the reporting entity, because the reporting entity's financial statements would be misleading if data of the District was not included due to the significance of the relationship and scope of public services. The accompanying financial statements present information only on funds maintained by the District and do not present information on the Parish, the general government services provided by the Parish, or other governmental units that comprise the financial reporting entity.

**Basis of Presentation**

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's fire protection activities and related general administrative services are classified as governmental activities. The District does not have any business-type activities.

**Basic Financial Statements - Government-Wide Financial Statements (GWFS)**

In the government-wide Statement of Net Position (Exhibit A), the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and liabilities, as well as long-term debt and obligations. The District's net position is reported in two parts – net investment in capital assets and unrestricted.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**Basic Financial Statements - Government-Wide Financial Statements (GWFS)**  
**(Continued)**

The government-wide Statement of Activities (Exhibit B) reports both gross and net cost of the District's function. The function is supported by general government revenues (ad valorem tax). Any program revenues and operating grants received would reduce gross expenses in the Statement of Activities.

This government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from current year's activities.

**Basic Financial Statements – Fund Financial Statements (FFS)**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflow of resources, liabilities, deferred inflow of resources, reserves, fund equity, revenues and expenditures. The District's current operations require the use of only the following fund type:

Governmental Fund:

The focus of the governmental fund's measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. In general, fund balance represents the accumulated expendable resources, which may be used to finance future operations of the District.

General Fund

The General Fund is the principal fund of the District and is used to account for the operations of the District. General revenues are accounted for in this fund. General operating expenditures are paid from this fund.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (continued)**

Accrual

The governmental activities in the government-wide financial are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The District records are maintained on the cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Property taxes, parcel fees, state revenue sharing, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual, subject to availability, and so have been recognized as revenue of the current fiscal period. Interest income on investments is recorded when the investments have matured and income is available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deposits and Investments (continued)**

Louisiana revised statutes authorize the District to invest in (1) United States bonds, treasury notes or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana, an investment as stipulated in LSA-R.S. 39:1271, or any other federally insured investments or (2) in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. Government or its agencies.

Investments are reported at fair value when the difference between cost and market is considered material.

**Receivables and Payables**

Property tax and parcel fee receivables are shown net of 7% and 5% allowances, for uncollectibles, respectively. The allowance is based on prior years' experience.

Property taxes are levied on a calendar year basis, become due on December 31 and are considered delinquent on January 1. The District authorized and levied a 35.00 mill ad valorem tax for operations and maintenance for the year ended December 31, 2018. Additionally, the District authorized and levied a \$39 parcel fee for the year ended December 31, 2018.

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

	<u>Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Central LA Electric Co.	\$ 16,899,550	2.28%
Fremaux Town Center SPE LLC	6,002,190	0.81%
Atmos Energy Corporation	5,247,610	0.71%
Bell South Communications	3,417,536	0.46%
JP Morgan Chase Bank	2,797,320	0.38%
Wal-Mart Real Estate Business	2,708,405	0.37%
Continental 294 Fund LLC	2,551,161	0.34%
Matt Bowers Chevrolet LLC	2,278,420	0.31%
Capital One, N.A.	2,263,570	0.31%
Pelican Pointe NE Limited	<u>1,872,788</u>	<u>0.25%</u>
	<u>\$ 46,038,550</u>	<u>6.21%</u>

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables and Payables (continued)**

St. Tammany Parish negotiates tax abatement agreements on the District's behalf on an individual basis. The agreements are negotiated under a special exemption through St. Tammany Parish Development District for a variety of economic development purposes, including business relocation, retention, and expansion. The abatements may be granted to any business located within the Parish for promising to relocate to the Parish's geographic area.

The Parish has not made any commitments as part of the agreements other than to reduce taxes. The District is not subject to any tax abatement agreements entered into by other governmental entities other than the Parish. The District does not have quantitative information for its tax abatement agreements at this time, but they are not expected to be material to the financial statements.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide statements. Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold of \$3,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and building improvements	40 Years
Vehicles	10 - 20 Years
Equipment	10 - 40 Years

**Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows and Inflows of Resources (continued)**

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. Currently, the District has two items that qualify for reporting in this category, deferred amounts related to pensions and property tax revenues.

**Compensated Absences**

Employees of the District are entitled to 18 to 30 days of annual leave each year, depending on length of service. Sick leave is granted to each regular employee for a period of not more than 52 weeks. The cost of current leave privileges, computed in accordance with GASB Codification C60, is recognized as a current-year expense when leave is actually taken. Annual and sick leave cannot be carried over; therefore, there are no accumulated leave benefits required to be reported in accordance with GASB Codification C60 for these types of leave. Employees can also earn annual leave by having perfect attendance during any three consecutive calendar months. Employees can earn no more than four such days per year and can accrue up to a maximum of six such days. Since this earned annual leave may be carried over, it is recorded as a liability in the Statement of Net Position. At December 31, 2018, compensated absences of \$148,790 have been recognized in the Statement of Net Position.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, 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.

**Pensions**

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity Classifications**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of state, local or federal awards or externally imposed conditions by grantors or creditors.
- c. Committed – amounts that can be used for specific purposes determined by formal action by an ordinance or resolution.
- d. Assigned – amounts that are designated by the formal action of the government's highest level of decision making authority.
- e. Unassigned – amounts not included in other classifications.

The Board of Commissioners, as the highest level of decision-making authority, can establish, modify or rescind a fund balance commitment by formal vote at a public board meeting. For assigned fund balance the Board of Commissioners authorizes management to assign amounts for a specific purpose.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity Classifications (continued)**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated through June 26, 2019 which is the date the financial statements were available to be issued.

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The District published the proposed budget for the General Fund in the St. Tammany Farmer on November 1, 2017. A public hearing was held on November 21, 2017 and the board adopted the budget on November 21, 2017. The budget is prepared using the cash basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is employed as a management control device during the year. The board also reviews budget versus actual reports on a monthly basis. Changes or amendments are made upon approval of the board.

The actual on budgetary basis amounts reflect the modified cash basis of accounting, and state supplemental pay (\$923,234 in 2018) to fire fighters is not treated as budgeted revenues and expenditures of the General Fund.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(3) CASH AND CASH EQUIVALENTS**

At December 31, 2018, the District has cash and cash equivalents (book balances) totaling \$13,023,415 as follows:

Major Apparatus and Facilities account	\$ 6,079,429
Operating	54,723
Disaster account	2,000,000
Clearing account	52,946
Debt service account	-
Contingency account	4,836,217
Other	<u>100</u>
	<u>\$ 13,023,415</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent, in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the District's name, and deposits which are uninsured or uncollateralized.

At December 31, 2018, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

	Bank Balances Category			Bank Balance
	1	2	3	
Cash	\$ 250,000	\$ 13,012,279	\$ -	\$ 13,262,279

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(4) RECEIVABLES**

The receivables of \$18,346,068 at December 31, 2018 are as follows:

Class of Receivable	Amount
Taxes – ad valorem, net	\$ 16,758,446
Parcel fees, net	1,098,682
Intergovernmental – grants – state	479,659
Other	9,281
	<b>\$ 18,346,068</b>

**(5) CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 850,821	\$ -	\$ -	\$ 850,821
Construction in progress	964,812	1,548,057	-	2,512,869
Total capital assets not being depreciated	1,815,633	1,548,057	-	3,363,690
Capital assets, being depreciated:				
Buildings	6,123,256	35,158	-	6,158,414
Equipment and furniture	14,958,959	1,133,552	(423,509)	15,669,002
Total capital assets being depreciated	21,082,215	1,168,710	(423,509)	21,827,416
Less accumulated depreciation	(8,761,615)	(1,088,102)	382,586	(9,467,131)
Total capital assets being depreciated, net	12,320,600	80,608	(40,923)	12,360,285
Total capital assets, net	<b>\$ 14,136,233</b>	<b>\$ 1,628,665</b>	<b>\$ (40,923)</b>	<b>\$ 15,723,975</b>

Depreciation expense of \$1,088,102 for the year ended December 31, 2018, was charged to fire protection.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(6) ACCOUNTS AND OTHER PAYABLES**

At December 31, 2018, the payables totaled \$823,456 and are listed as follows:

Contractor payable	\$	82,238
Retainage payable		115,514
Sheriff's pension payable		<u>625,704</u>
	\$	<u>823,456</u>

**(7) LONG-TERM DEBT**

	<u>Balance at</u> <u>12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/18</u>	<u>Due Within</u> <u>One Year</u>
Limited tax certificates of indebtedness Series 2014, interest rate at 2.14%, maturing on March 1, 2023.	\$ 2,075,000	\$ -	\$ 325,000	\$ 1,750,000	\$ 330,000
Total debt	<u>\$ 2,075,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 1,750,000</u>	<u>\$ 330,000</u>

Following is a summary of future principal and interest requirements:

	<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2019	\$ 330,000	\$ 33,919	\$ 363,919
	2020	340,000	26,750	366,750
	2021	350,000	19,367	369,367
	2022	360,000	11,770	371,770
	2023	<u>370,000</u>	<u>3,959</u>	<u>373,959</u>
		<u>\$ 1,750,000</u>	<u>\$ 95,765</u>	<u>\$ 1,845,765</u>

Interest costs incurred and charged to expense for the year ended December 31, 2018 was \$40,928.

**(8) PENSION PLAN**

All full-time employees of the District are members of the Louisiana Firefighters' Retirement System (the System), a cost-sharing, multiple-employer defined benefit plan administered by a separate board of trustees.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(8) PENSION PLAN (CONTINUED)**

Membership in the System is mandatory for all full-time firefighters employed by a municipality, parish or fire district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit payable monthly for life, equal to three and one-third percent of their final average salary for each year of creditable service, not to exceed 100 percent of their final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service stated above and do not withdraw their employee contributions may retire at or after age 55 (or at or after 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination.

The system also provides death and disability benefits. Benefits are established by state statute. 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, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling, (225) 925-4060.

Funding Policy

For the twelve months ended December 31, 2018, members of the System are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. At December 31, 2018, the employer contribution rate was 26.50% above poverty and 28.50% below poverty.

The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Contributions

According to state statute, for the System, contribution requirements for all employees are actuarially determined each year. State statute requires covered employees to contribute a percentage of their salaries to the System. The actual employer contribution rate and the actuarially determined employer contribution differ due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

The amount of the District's employer contributions to the System for the year ended December 31, 2018 was \$2,428,720. The District's covered payroll for the System for the year ended December 31, 2018 was \$9,164,982.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(8) PENSION PLAN (CONTINUED)**

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

At December 31, 2018, the District reported a liability totaling \$21,670,706 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Liability was based on the District's historical contributions to the Plan relative to the historical contributions of all participating employers. At June 30, 2018, the District's proportion was 3.767457% for the System, which was a decrease of 0.036084% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the District recognized pension expense for the System totaling \$3,855,614. Added to pension expense is the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions totaling \$170,963 for the System.

For the year ended December 31, 2018, the District recognized revenue from ad valorem taxes and revenue sharing funds received by the System. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities totaling \$962,701.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the System:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,649,384
Change in assumptions	1,511,747	3,433
Net difference between projected and actual earnings on pension plan investments	1,409,133	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	731,929	420,816
Employer contributions subsequent to the measurement date	1,293,711	-
Total	\$ 4,946,520	\$ 2,073,633

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(8) PENSION PLAN (CONTINUED)**

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

Employer contributions subsequent to the measurement date totaling \$1,293,711 and reported as deferred outflows of resources will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2019	\$	1,401,272
2020		577,043
2021		(521,000)
2022		73,207
2023		66,959
2024		<u>(18,305)</u>
 Total	 \$	 <u>1,579,176</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation for the System was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Estimated Remaining Service Life	7 years, closed period
Investment Rate of Return	7.30% per annum (net of fees)
Inflation Rate	2.700% per annum
Salary increases	Vary from 15.0% in the first years of service to 4.75% after 25 years
Cost of Living Adjustments	Only those previously granted

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(8) PENSION PLAN (CONTINUED)**

Mortality Rate

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

Long-term Expected Real Rate of Return

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected nominal rate of return was 8.09% as of June 30, 2018.

Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	26.0%	1.76%
U.S. equity	22.0%	6.14%
Non-U.S. equity	22.0%	7.46%
Global equity	10.0%	6.74%
Real estate	6.0%	4.38%
Private equity	4.0%	8.73%
Global tactical asset allocation	5.0%	4.31%
Risk parity	<u>5.0%</u>	<u>4.89%</u>
Totals	<u>100.0%</u>	<u>5.55%</u>
Inflation		2.75%
Expected arithmetic nominal return		8.09%

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(8) PENSION PLAN (CONTINUED)**

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the Net Pension Liability using the discount rate of 7.30%, 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, or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.30%</u>	<u>7.30%</u>	<u>8.30%</u>
District's proportionate share of the Net Pension Liability	\$ 31,622,684	\$ 21,670,706	\$ 13,307,620

Retirement System Audit Report

Firefighters' Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2018. Access to the audit report can be found on the System's website: [www.lafirefightersret.com](http://www.lafirefightersret.com) or on the Office of Louisiana Legislative Auditor's official website: [www.lla.state.la.us](http://www.lla.state.la.us).

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(9) CONSTRUCTION COMMITMENT**

On May 11, 2017, the District entered into a \$2,845,678 contract for construction of a new headquarters and fire station. As of December 31, 2018, \$2,310,284 of the contract was completed. Payables outstanding related to the contract were \$198,891 at December 31, 2017, including \$115,514 of retainage payables. As of December 31, 2018, the balance to finish the project including retainage was \$501,711. Additionally, during 2018 the project was discovered to have not been constructed up to acceptable industry standards. The District filed a dispute with the contractor who was terminated as of August 2018. The contract was then assumed by the contractor's bonding company who put the remaining project to bid and selected a contractor. The District does not expect to incur additional charges beyond the remaining balance of the original contract with the estimated completion date in mid to late 2019.

**(10) OTHER POSTEMPLOYMENT BENEFITS**

The District provides group major medical, group dental and group life insurance coverage to its retirees under the provisions of a defined contribution plan adopted as a resolution of its Board of Commissioners during 2008. The plan can be amended by a resolution of the Board of Commissioners. Under the provisions of the plan, the Fire District limits its contribution for the premium for these policies to \$3,000 annually per retiree who elects to participate in the group plan, paid in monthly installments of \$250. The retiree is responsible for the remaining premium. For the years ended December 31, 2018, contributions made by plan members totaled \$215,636 and contributions made by the District totaled \$114,250.

**(11) RISK MANAGEMENT**

The District is exposed to all common perils associated with fire protection. To minimize loss occurrence and transfer risk, the district carries various commercial insurance policies including property, casualty, employee dishonesty, public official's liability, business auto and other miscellaneous policies. These policies are reviewed for adequacy by management annually.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(12) NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued Statement No. 85, “*Omnibus 2017*.” The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This Statement did not have a material effect on the District’s financial statements upon implementation.

The GASB has issued Statement No. 86, “*Certain Debt Extinguishment Issues*.” The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This Statement did not have a material effect on the District’s financial statements upon implementation.

The GASB has issued Statement No. 87, “*Leases*.” The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.” The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District plans to adopt this Statement as applicable by the effective date.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(11) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

The GASB has issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period.*” The primary objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 90, “Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61.” The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District plans to adopt this Statement as applicable by the effective date.

**REQUIRED SUPPLEMENTAL INFORMATION (PART II)**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund					
	Budgeted Amounts	Amended Amounts	Actual Amounts	Adjustments to Budgetary Basis	Non-GAAP Budgetary Basis	Variance Favorable (Unfavorable)
<b><u>GENERAL REVENUES:</u></b>						
Property taxes	\$ 18,018,548	\$ 19,625,678	\$ 19,189,922	\$ (1,640,498)	\$ 17,549,424	\$ (2,076,254)
Parcel fee	1,190,865	1,337,211	1,178,331	(119,066)	1,059,265	(277,946)
Fire insurance rebate	400,000	400,000	373,673	-	373,673	(26,327)
State revenue sharing	475,000	475,000	499,002	-	499,002	24,002
State supplemental pay	-	-	923,234	(923,234)	-	-
Grant income	-	-	5,590	-	5,590	5,590
Interest income	200,000	200,000	254,582	-	254,582	54,582
Miscellaneous	53,104	53,104	132,813	-	132,813	79,709
Total general revenues	<u>20,337,517</u>	<u>22,090,993</u>	<u>22,557,147</u>	<u>(2,682,798)</u>	<u>19,874,349</u>	<u>(2,216,644)</u>
<b><u>EXPENDITURES/EXPENSES:</u></b>						
Current for fire protection:						
Salaries and related expenses	15,050,921	15,050,921	15,255,291	(923,234)	14,332,057	718,864
Repairs and maintenance	1,121,900	1,121,900	1,169,895	-	1,169,895	(47,995)
Deduction from ad valorem taxes for pension	-	-	625,704	(625,704)	-	-
Fire fighting equipment, supplies and related expenses	666,050	666,050	842,300	-	842,300	(176,250)
Legal and professional services	473,382	473,382	431,668	-	431,668	41,714
Insurance	401,521	401,521	456,952	-	456,952	(55,431)
Office supplies	80,000	80,000	110,870	-	110,870	(30,870)
Telephone and utilities	192,000	192,000	167,527	-	167,527	24,473
Training expenses	338,733	338,733	223,598	-	223,598	115,135
Miscellaneous	33,000	33,000	78,355	-	78,355	(45,355)
Total current fire protection expenditures/expenses	<u>18,357,507</u>	<u>18,357,507</u>	<u>19,362,160</u>	<u>(1,548,938)</u>	<u>17,813,222</u>	<u>544,285</u>
Capital outlay	3,464,761	3,464,761	2,716,767	-	2,716,767	747,994
Debt service:						
Principal	315,000	315,000	325,000	-	325,000	(10,000)
Interest	50,928	50,928	49,217	-	49,217	1,711
Total debt service expenditures/expenses	<u>365,928</u>	<u>365,928</u>	<u>374,217</u>	<u>-</u>	<u>374,217</u>	<u>(8,289)</u>
Total expenditures/expenses	<u>22,188,196</u>	<u>22,188,196</u>	<u>22,453,144</u>	<u>(1,548,938)</u>	<u>20,904,206</u>	<u>1,283,990</u>
Net change in fund balance	(1,850,679)	(97,203)	104,003	(1,133,860)	(1,029,857)	932,654
Beginning of the year	<u>29,330,734</u>	<u>29,330,734</u>	<u>29,330,734</u>	<u>-</u>	<u>29,330,734</u>	
End of the year	<u>\$ 27,480,055</u>	<u>\$ 29,233,531</u>	<u>\$ 29,434,737</u>	<u>\$ (1,133,860)</u>	<u>\$ 28,300,877</u>	

(See Independent Auditors' Report)

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

The District published the proposed budget for the General Fund in the St. Tammany Farmer on November 1, 2017. A public hearing was held on November 21, 2017 and the board adopted the budget on November 21, 2017. The budget is prepared using the cash basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is employed as a management control device during the year. The board also reviews budget versus actual reports on a monthly basis. Changes or amendments are made upon approval of the board.

The Actual on Budgetary Basis amounts reflect the modified accrual basis of accounting, except that state supplemental pay for fire fighters (\$923,234) is not treated as budgeted revenues and expenditures in the General Fund.

**(See Independent Auditors' Report)**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE FIVE YEARS ENDING DECEMBER 31, 2018\***

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
<b><u>Louisiana Firefighters' Retirement System</u></b>					
District's Proportion of the Net Pension Liability	3.767457%	3.803541%	3.753668%	3.838968%	3.693880%
District's Proportionate Share of the Net Pension Liability	\$ 21,670,706	\$ 21,801,323	\$ 24,552,382	\$ 20,719,342	\$ 16,437,446
District's Covered-Employee Payroll	\$ 8,961,973	\$ 8,875,186	\$ 8,476,204	\$ 8,162,706	\$ 7,614,345
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	241.81%	245.64%	289.66%	253.83%	215.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.76%	73.55%	68.16%	72.45%	76.02%

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

*\*The amounts presented have a measurement date of June 30, 2018, 2017, 2016, 2015, and 2014, respectively.*

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SCHEDULE OF CONTRIBUTIONS - RETIREMENT PLAN**  
**FOR THE FIVE YEARS ENDING DECEMBER 31, 2018**

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
<b><u>Louisiana Firefighters' Retirement System</u></b>					
Contractually Required Contribution	\$ 2,428,720	\$ 2,309,511	\$ 2,278,318	\$ 2,338,762	\$ 2,302,838
Contributions in Relation to the Contractually Required Contribution	<u>(2,428,720)</u>	<u>(2,309,511)</u>	<u>(2,277,038)</u>	<u>(2,337,342)</u>	<u>(2,302,812)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,280</u>	<u>\$ 1,420</u>	<u>\$ 26</u>
District's Covered-Employee Payroll	\$ 9,164,982	\$ 8,927,750	\$ 8,681,369	\$ 8,280,390	\$ 8,008,458
Contributions as a Percentage of Covered-Employee Payroll	26.50%	25.87%	26.23%	28.23%	28.75%

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**DECEMBER 31, 2018**

**(1) PENSION PLAN SCHEDULES**

**Changes of Benefit Terms**

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

**Changes of Assumptions**

For the year ended December 31, 2018 (measurement date of June 30, 2018), the Firefighter's Retirement System inflation rate assumption was lowered from 2.775% to 2.700% annually, and the real investment rate of return was lowered from 7.40% to 7.30%.

For the year ended December 31, 2017, the Firefighter's Retirement System's inflation rate assumption was lowered to 2.775%, and the discount rate, or investment rate of return, assumption was lowered from 7.50% to 7.40%.

There were no changes of assumptions during 2016.

For the year ended December 31, 2015, the Firefighter's Retirement System inflation rate assumption was lowered from 3% to 2.875% annually, and the salary increase range assumption was lowered from 5.5% - 15.0% to 4.75% - 15.0%.

**OTHER SUPPLEMENTAL INFORMATION**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Board members serve without compensation

**(See Independent Auditors' Report)**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Chief Chris Kaufmann</u>
Salary	\$ 132,850
Benefits - insurance (health, life, and dental)	518
Benefits - retirement FFRS	3,521
Travel and conferences	-
Cell phone allowance	929
Reimbursements	125
Membership dues	<u>364</u>
 Total compensation, benefits, and other payments	 <u>\$ 138,307</u>



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

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 1  
Slidell, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 1 (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the St. Tammany Parish Fire Protection District No. 1's basic financial statements, and have issued our report thereon dated June 26, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Tammany Parish Fire Protection District No. 1'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Tammany Parish Fire Protection District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Tammany Parish Fire Protection District No. 1's internal control.

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

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



To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 1  
June 26, 2019

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether St. Tammany Parish Fire Protection District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

June 26, 2019  
Mandeville, Louisiana

A handwritten signature in black ink that reads "Erickson Krentel, LLP".

Certified Public Accountants

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**SECTION I SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the St. Tammany Parish Fire Protection District No. 1.
2. No significant deficiencies in internal control relating to the audit of the financial statements were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the St. Tammany Parish Fire Protection District No. 1 were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. No management letter was issued for the year ended December 31, 2018.

**SECTION II FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements for the year ended December 31, 2018.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**SECTION II FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements for the year ended December 31, 2017.

**ST. TAMMANY PARISH FIRE**  
**PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2018**



**ERICKSEN KRENTEL**<sup>LLP</sup>  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



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

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 1  
Slidell, Louisiana

We have performed the procedures enumerated below, which were agreed to by the St. Tammany Parish Fire Protection District No. 1 and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the St. Tammany Parish Fire Protection District No. 1's compliance with certain laws and regulations during the period of January 1, 2018 to December 31, 2018, in accordance with Act 774 of 2014 Regular Legislative Session. Management of the St. Tammany Parish Fire Protection District No. 1 is responsible for its financial records, establishing internal controls over financial reporting, compliance with applicable laws and regulations, and providing a corrective action plan that addresses all exceptions noted. The sufficiency of these procedures is solely the responsibility of those parties specified in the 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.

Our procedures and findings are detailed in Schedule "1".

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the St. Tammany Parish Fire Protection District No. 1 and the Legislative Auditor, State of Louisiana, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 25, 2019  
Mandeville, Louisiana

*Ericksen Krentel, LLP*

Certified Public Accountants

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1  
AGREED-UPON PROCEDURES  
JANUARY 1, 2018 TO DECEMBER 31, 2018

**Bank Reconciliations**

1. **Procedures:** Obtain and inspect the entity's written policies and procedures over bank reconciliations and observe that they address (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:** The District's written policies and procedures address monthly bank reconciliations and the review of all bank reconciliations. They do not specifically address the process for addressing items outstanding for more than 12 months.

2. **Procedures:** 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 if less than 5). Randomly select one month from the fiscal period, obtain and inspect corresponding bank statement and reconciliation for 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); and
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Results:** Obtained listing of client bank accounts and management's representation that the listing is complete. We noted that bank reconciliations do not include evidence that a member of management/board member has reviewed the reconciliation, however all reconciliations are approved by the Fire Chief and the Board of Commissioners.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1  
AGREED-UPON PROCEDURES (CONTINUED)  
JANUARY 1, 2018 TO DECEMBER 31, 2018

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

1. **Procedures:** Obtain and inspect the entity's written policies and procedures over credit cards, bank debit cards, fuel cards, and P-cards (cards) and observe that they address the following:
  - a) How cards are to be controlled, including procedures for lost cards, authorized users, removal of signatory authorization upon employment termination, and approval required to open an account);
  - b) Allowable business uses, including a prohibition on cash advances;
  - c) Documentation requirements, including a prohibition on cash advances
  - d) Required approvers of statements; and
  - e) Monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

**Results:** The entity's written policies and procedures over credit cards address the processes for controls over cards, allowable business uses, documentation requirements, required approvers of statements, and card monitoring.

2. **Procedures:** 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:** Obtained listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) and management's assertion that the listing is complete.

3. **Procedures:** Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**AGREED-UPON PROCEDURES (CONTINUED)**  
**JANUARY 1, 2018 TO DECEMBER 31, 2018**

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
  
- b) Observe that finance charges and late fees were not assessed on the selected statements.

**Results:** Not all monthly statements had written evidence of approval on them. However, all statements were supported by a P.O., invoice, or receiving report, which were marked as approved by the Fire Chief. The Chief reviewed and approved all statements/supporting documentation. All disbursements require at least one Board signature and supporting documentation is reviewed before disbursements are authorized. No finance charges/late fees were assessed on selected statements.

4. **Procedures:** Using the monthly statements or combined statements selected under #3 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).

**Results:** All transactions were supported by an itemized receipt identifying what was purchased, all transactions had evidence of business/public purpose, and, if applicable, all meal charge transactions had documentation of the individuals participating in meal.

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AGREED-UPON PROCEDURES (CONTINUED)  
JANUARY 1, 2018 TO DECEMBER 31, 2018

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

1. **Procedures:** Obtain and inspect the entity's written policies and procedures over purchasing and non-payroll disbursements and observe that they address (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; (5) documentation required to be maintained for all bids and price quotes, and (6) the processing, reviewing, and approving of disbursements.

**Results:** The District's written policies and procedures over purchasing and non-payroll disbursements address purchase initiations, adding vendors to vendor list, the preparation and approval of purchase requisitions/orders, controls to ensure compliance with public bid law, documentation to be required for all bids and price quotes, and processing, reviewing, and approving disbursements.

2. **Procedures:** 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:** Obtained listing of locations that process payments and management's representation that the listing is complete.

3. **Procedures:** For each location selected under #2 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.

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- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

**Results:** No exceptions noted during testing.

- 4. **Procedures:** For each location selected under #2 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 observe that the disbursement matched the related original invoice/billing statement.

**Results:** Obtained population of District's non-payroll disbursement transactions and management's representation that the population is complete.

- 5. **Procedures:** Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #3, as applicable.

**Results:** We observed that some disbursements did not include evidence of segregation of duties.

- 6. **Procedures:** Observe that selected parts or repair transactions for a vehicle/fire truck tie to a vehicle/fire truck owned by the district.

**Results:** No exceptions noted.

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AGREED-UPON PROCEDURES (CONTINUED)  
JANUARY 1, 2018 TO DECEMBER 31, 2018

Fueling Station (excluding fuel cards)

1. **Procedures:** Obtain and inspect the entity's written policies and procedures over fuel and fuel transactions and observe that they address (1) individuals authorized to dispense fuel; (2) documentation requirements; (3) required approvers and form submission; (4) security of keys to fuel tanks, and (5) restrictions on filling small gas cans to operate equipment.

**Results:** The District's written policies and procedures over fuel and fuel transactions address individuals authorized to dispense fuel, documentation requirements, required approvers and form submission, security of keys to fuel tanks, and restrictions on filling small gas cans to operate equipment.

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

**Results:** Observed that all employees have signed the written attestation adhering to fuel policies implemented by the District.

3. **Procedures:** Obtain a listing of all active fueling stations and obtain management's representation that the listing is complete. Randomly select one month for each fueling station, obtain the supporting documentation for that month, and observe that there is written documentation of supervisory review. If there is written documentation of supervisory review, observe that the review documentation includes the following:

- a) Analysis of the reasonableness of fuel dispensed per vehicle or miscellaneous small equipment;
- b) An examination of records or exception reports for after hours or off-duty fueling from non-emergency staff that do not normally work during these hours;
- c) A comparison of the reasonableness and frequency of small equipment fill ups based on historic or pre-determined parameters;
- d) An inventory and reconciliation of fuel purchased to fuel dispensed, including research and documentation of variances.

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AGREED-UPON PROCEDURES (CONTINUED)  
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**Results:** No exceptions noted during testing.

4. **Procedures:** Observe that the entity maintains a log book for each vehicle to track odometer readings between fill-ups.
  - a) Randomly select one log book and observe that the log book included indications of management's evaluation of the reasonableness of the quantity of fuel pumped per vehicle.

**Results:** The District does not maintain a log book for each vehicle, but the mileage is tracked in the Voyager Fuel System and each truck is checked daily.

5. **Procedures:** For each fueling station identified in #3 above, randomly select 5 fueling transactions from the entity's records, obtain supporting documentation, the identity of the employee associated with the fueling, and the employee's timesheet related to the time of the fueling. Observe that the employee only accessed fueling during hours in which he or she worked.

**Results:** We noted one instance where an employee associated with a fueling transaction was not on duty on the day of the fueling, according to the employee's timesheet but management has documentation of the employee being called in to work overtime on the day the transaction took place in order to prepare special equipment in advance of a hurricane that was to hit the area.