

**ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Annual Financial Statements

December 31, 2019



Contents

Independent Auditor's Report	1 - 3
------------------------------	-------

Required Supplementary Information (Part I) Management's Discussion and Analysis	5 - 6
---	-------

Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9

Fund Financial Statements

Governmental Funds	
Balance Sheet	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	13

Notes to Financial Statements	14 - 30
-------------------------------	---------

Required Supplementary Information (Part II)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	32
Schedule of District's Proportionate Share of the Net Pension Liability	33
Schedule of District's Contributions	34

Other Supplementary Information

Schedule of Governing Board	36
Schedules of Compensation, Benefits, and Other Payments to Agency Head	37

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38 - 39
--	---------

Schedule of Findings and Responses	40
------------------------------------	----

Schedule of Prior Audit Findings	41
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Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 2

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the schedules required by Governmental Accounting Standards Board (GASB) Statement No. 68 on pages 5 - 6, 32, and 33 - 34, respectively, 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 District's basic financial statements. The schedule of governing board and the schedule of compensation, benefits, and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of governing board and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A(3), are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of governing board and the schedule of compensation, benefits, and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2020, on our consideration of St. Tammany Parish Fire Protection District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of St. Tammany Parish Fire Protection District No. 2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA
June 10, 2020

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

Management's Discussion and Analysis For the Year Ended December 31, 2019

As management of St. Tammany Parish Fire Protection District No. 2 (the District), we offer this discussion and analysis of the District's financial activities for the year ended December 31, 2019.

As with other sections of this financial report, the information contained in this management's discussion and analysis (MD&A) should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other required supplementary information that are provided in addition to this MD&A.

This annual report consists of a series of financial statements. The statement of net position and the statement of activities on pages 8 and 9 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements begin on page 10. These statements tell how these services were financed in the short-term as well as what remains for future spending. The District is a component unit of St. Tammany Parish, Louisiana. Its operations are conducted through a general fund.

Financial Highlights

Assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources on December 31, 2019 by \$4,896,094 (net position). The District's net position increased by \$395,758, or 9%.

At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,287,082, which is a decrease of \$54,039 in comparison with the prior fiscal year. This amount includes \$9,165 in the Capital Projects Fund and \$44,721 in the 2016 Capital Projects Fund which are restricted for capital outlay. The remaining fund balance of \$6,233,196 is unassigned in the General Fund.

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

Summary Statements of Net Position

	2019	2018	Change
Assets			
Current Assets	\$ 6,618,869	\$ 6,652,544	\$ (33,675)
Capital Assets, Net of Accumulated Depreciation	6,176,003	5,778,439	397,564
Total Assets	12,794,872	12,430,983	363,889
Deferred Outflows of Resources	1,747,476	1,187,293	560,183
Liabilities			
Current Liabilities	625,350	593,648	31,702
Noncurrent Liabilities	8,448,079	7,907,411	540,668
Total Liabilities	9,073,429	8,501,059	572,370
Deferred Inflows of Resources	572,825	616,881	(44,056)
Net Position			
Net Investment in Capital Assets	2,369,081	1,642,159	726,922
Restricted	53,886	745,929	(692,043)
Unrestricted	2,473,127	2,112,248	360,879
Total Net Position	\$ 4,896,094	\$ 4,500,336	\$ 395,758

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

Management's Discussion and Analysis For the Year Ended December 31, 2019

Summary Statements of Activities

	2019	2018	Change
Revenues			
General Revenues			
Ad Valorem Taxes	\$ 4,603,035	\$ 4,303,159	\$ 299,876
Supplemental Pay	209,550	202,565	6,985
Rentals	77,625	96,579	(18,954)
Fire Insurance Tax	161,675	75,640	86,035
State Revenue Sharing	68,488	66,856	1,632
Other Income	54,283	53,599	684
Interest Income	71,746	45,837	25,909
Grant Income	7,795	-	7,795
Operating Contributions	209,977	185,580	24,397
Total Revenues	5,464,174	5,029,815	434,359
Expenses			
Fire Protection	4,964,471	3,432,588	1,531,883
Interest on Long-Term Debt	103,945	112,954	(9,009)
Total Expenses	5,068,416	3,545,542	1,522,874
Change in Net Position	\$ 395,758	\$ 1,484,273	\$ (1,088,515)

Capital Assets and Debt

In 2019, capital assets increased by \$397,564, which was the result of equipment purchases for the current period. Total debt decreased by \$329,358, which was the result of making the required principal payments on certificates of indebtedness and leases.

General Fund Budgetary Highlights

In 2019, actual revenues exceeded budget by \$619,430 and actual expenditures fell short of budget by \$18,574.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Randy Hess, P.O. Box 795, Madisonville, Louisiana 70447.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Net Position
December 31, 2019

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 2,329,392
Receivables - Ad Valorem Taxes, Net	4,235,129
Receivables - State Revenue Sharing	45,659
Receivables - Other	7,803
Deposits	886
Capital Assets, Net of Accumulated Depreciation	<u>6,176,003</u>
Total Assets	<u>12,794,872</u>
Deferred Outflows of Resources	
Deferred Outflows on Pension Obligation	<u>1,747,476</u>
Liabilities	
Accounts Payable	86,398
Accrued Expenses	163,184
Accrued Interest	33,690
Noncurrent Liabilities	
Compensated Absences	78,450
Net Pension Liability	4,904,785
Certificate of Indebtedness	
Due Within One Year	265,000
Due in More than One Year	3,035,000
Capital Leases	
Due Within One Year	77,078
Due in More than One Year	<u>429,844</u>
Total Liabilities	<u>9,073,429</u>
Deferred Inflows of Resources	
Deferred Inflows on Pension Obligation	<u>572,825</u>
Net Position	
Net Investment in Capital Assets	2,369,081
Restricted	53,886
Unrestricted	<u>2,473,127</u>
Total Net Position	<u>\$ 4,896,094</u>

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position
		Capital Grants and Contributions	Operating Grants and Contributions	
Governmental Activities				
Public Safety - Fire Protection	\$ 4,964,471	\$ 7,795	\$ 209,977	\$ (4,746,699)
Interest on Long-Term Debt	103,945	-	-	(103,945)
Total Governmental Activities	<u>\$ 5,068,416</u>	<u>\$ 7,795</u>	<u>\$ 209,977</u>	<u>(4,850,644)</u>
General Revenues				
Ad Valorem Taxes				4,603,035
Supplemental Pay				209,550
Other Income				161,675
Rentals				77,625
State Revenue Sharing				68,488
Interest Income				71,746
Fire Insurance Tax				<u>54,283</u>
Total General Revenues				<u>5,246,402</u>
Change in Net Position				395,758
Net Position, Beginning of Year				<u>4,500,336</u>
Net Position, End of Year				<u>\$ 4,896,094</u>

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	Capital Projects Fund	2016 Capital Projects Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 2,196,104	\$ 2,169	\$ 131,119	\$ 2,329,392
Receivables - Ad Valorem Taxes, Net	4,235,129	-	-	4,235,129
Receivables - State Revenue Sharing	45,659	-	-	45,659
Receivables - Other	7,803	-	-	7,803
Due from Other Funds	-	6,110	-	6,110
Deposits	-	886	-	886
Total Assets	\$ 6,484,695	\$ 9,165	\$ 131,119	\$ 6,624,979
Liabilities				
Accounts Payable	\$ -	\$ -	\$ 86,398	\$ 86,398
Accrued Expenses	163,184	-	-	163,184
Due to Other Funds	6,110	-	-	6,110
Total Liabilities	169,294	-	86,398	255,692
Deferred Inflows of Resources				
Unavailable Ad Valorem Taxes	82,205	-	-	82,205
Fund Equity				
Fund Balance				
Restricted	-	9,165	44,721	53,886
Unassigned	6,233,196	-	-	6,233,196
Total Fund Equity	6,233,196	9,165	44,721	6,287,082
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	\$ 6,484,695	\$ 9,165	\$ 131,119	\$ 6,624,979

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position
December 31, 2019

Total Fund Equity	\$ 6,287,082
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,176,003
Accrued interest on long-term liabilities is not reported in the governmental funds.	(33,690)
Deferred inflows of resources - unavailable ad valorem taxes are not reported on government-wide financial statements.	82,205
Deferred inflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(572,825)
Deferred outflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,747,476
Long-term liabilities, including certificates of indebtedness, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net Pension Liability	(4,904,785)
Certificate of Indebtedness	(3,300,000)
Capital Leases	(506,922)
Compensated Absences	(78,450)
Net Position of Governmental Activities	<u>\$ 4,896,094</u>

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 2019

	General Fund	Capital Projects Fund	2016 Capital Projects Fund	Total Governmental Funds
Revenues				
Ad Valorem Taxes	\$ 4,604,685	\$ -	\$ -	\$ 4,604,685
Supplemental Pay	209,550	-	-	209,550
Other Income	161,675	-	-	161,675
Rentals	77,625	-	-	77,625
Interest Income	61,998	29	9,719	71,746
State Revenue Sharing	68,488	-	-	68,488
Fire Insurance Tax	54,283	-	-	54,283
Grant Income	7,795	-	-	7,795
Total Revenues	5,246,099	29	9,719	5,255,847
Expenditures				
Public Safety - Fire Protection				
Salaries and Benefits	2,776,300	-	-	2,776,300
Insurance	671,255	-	-	671,255
Repairs and Maintenance	100,368	-	-	100,368
Emergency Equipment	95,119	-	-	95,119
Communications	91,591	-	-	91,591
Education and Training	70,077	-	-	70,077
Professional Services	53,617	-	-	53,617
Miscellaneous	47,490	120	20	47,630
Utilities	32,126	-	-	32,126
Fuel	29,811	-	-	29,811
Operating Supplies	20,377	-	-	20,377
Uniforms	15,766	-	-	15,766
Office Supplies	11,338	-	-	11,338
Fire Prevention Expenses	9,767	-	-	9,767
Travel	8,380	-	-	8,380
Advertising	929	-	-	929
Drug Testing	814	-	-	814
Postage	626	-	-	626
Capital Outlay	136,009	-	701,651	837,660
Debt Service				
Principal	329,358	-	-	329,358
Interest	106,977	-	-	106,977
Total Expenditures	4,608,095	120	701,671	5,309,886
Net Change in Fund Balance	638,004	(91)	(691,952)	(54,039)
Fund Balance, Beginning of Year	5,595,192	9,256	736,673	6,341,121
Fund Balance, End of Year	\$ 6,233,196	\$ 9,165	\$ 44,721	\$ 6,287,082

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2019

Net Change in Fund Balance - Total Governmental Funds	\$ (54,039)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	398,433
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(869)
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The issuance of long-term debt (e.g., certificates of indebtedness, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	329,358
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in Unavailable Ad Valorem Taxes	(1,650)
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Governmental funds report retirement contributions as expenditures, but pension expense on the statement of activities includes the change in net pension liability as well as the change in deferred inflows and outflows of resources related to pensions.	(245,895)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in Compensated Absences Payable	(32,612)
Change in Accrued Interest Payable	3,032

Change in Net Position of Governmental Activities	<u>\$ 395,758</u>
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The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of St. Tammany Parish Fire Protection District No. 2 (the District) conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies:

Reporting Entity

The District was created by St. Tammany Parish (the Parish) on January 15, 1953. The District serves the area of Ward 1 of St. Tammany Parish. The District is governed by a Board of Commissioners. Two Commissioners are appointed by the Parish and two are appointed by the Town of Madisonville. The fifth member is selected by the other appointed members and serves as board chairman.

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

Section 2100 of the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* established criteria for determining which component units should be considered part of St. Tammany Parish for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because the Parish appoints members of the District and because the Parish has determined that it would be misleading to not include the District in the Parish's Comprehensive Annual Financial Report (CAFR). The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish, the general government services provided by the Parish, or the governmental units that comprise the financial reporting entity.

Basis of Presentation

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for the governmental funds.

Fund Financial Statements

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

The District reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

Capital Projects Fund

The Capital Projects Fund accounts for the proceeds of Series 2009 Certificate of Indebtedness which was used to renovate the Oak Park and Weldon Poole Memorial Fire Stations and to purchase a ladder truck.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

2016 Capital Projects Fund

The 2016 Capital Projects Fund accounts for the remaining proceeds of Series 2016 Certificate of Indebtedness which will be used to build two new fire stations, Station 21 and Station 24, to purchase a ladder truck, and to purchase new equipment.

Measurement Focus/Basis of Accounting

The amounts reflected in the governmental fund financial statements are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when payment is due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income and changes in net financial position.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows.

Ad valorem taxes and state revenue sharing associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The District considers ad valorem taxes to be available when collected by the St. Tammany Parish Sheriff. All other revenue items are considered to be measurable and available only when cash is received by the District.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budget and Budgetary Accounting

The Board of Commissioners adopted a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the Board. Budgeted amounts included in the accompanying financial statements include all amendments. All budgeted amounts which are not expended or obligated through contracts lapse at year-end. The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The State supplemental pay is excluded from the budget schedule since this amount is not part of the District's budgeted expense. The General Fund's actual expenditures were under budgeted expenditures by \$18,574.

Compensated Absences

The District's policy is to allow employees vacation pay based on length of service. Sick leave is provided for by the District but is noncumulative and the employee's right to unused sick leave does not vest. Vacation pay is cumulative with any unpaid amounts paid to employees upon separation from the District's service. At December 31, 2019, the District had compensated absences of \$78,450, which is reported as a liability on the statement of net position.

Cash, Cash Equivalents, and Investments

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

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

Receivables

Ad valorem tax receivable is reported net of estimated uncollectible amounts. The allowance for uncollectible amounts was \$142,471, which represents 3% of the total ad valorem tax receivable at December 31, 2019. This estimate is based on the District's history of collections within this revenue stream.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Capital Assets

All capital assets are recorded at historical cost in the government-wide financial statements. Depreciation of all exhaustible capital assets is charged as an expense against operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District capitalizes equipment in excess of \$2,500. In the fund financial statements, capital assets are accounted for as capital outlay expenditures upon acquisition.

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

Buildings and Improvements	15 - 40 Years	Straight-Line
Vehicles	5 - 15 Years	Straight-Line
Machinery and Equipment	5 - 10 Years	Straight-Line
Office Equipment	5 - 10 Years	Straight-Line

Depreciation expense amounted to \$439,228 for the year ended December 31, 2019.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firefighters' Retirement System of Louisiana (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

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 assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted Net Position* - Consists of net position with constraints placed on its use by either external groups or law.
- c. *Unrestricted Net Position* - Consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

In the governmental fund financial statements, fund balances are classified as follows:

1. *Restricted Fund Balance* - Amounts that can be spent only for specific purposes because of the District's bond resolution, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.
2. *Unassigned Fund Balance* - All amounts not included in other spendable classifications.

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

Estimates

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

New Upcoming Accounting Pronouncements

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of GASB 83 is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 83 to reporting periods beginning after June 15, 2019.

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purpose and how those activities should be reported. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 84 to reporting periods beginning after December 15, 2019.

The GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 87 to reporting periods beginning after June 15, 2021.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt*. This Statement defines debt for purposes of disclosure in notes to the financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 88 to reporting periods beginning after June 15, 2019.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 89 to reporting periods beginning after December 15, 2020.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2019:

Demand Deposits	<u>\$ 2,329,392</u>
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These deposits are stated at cost, which approximates market.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, the District had \$2,421,302 in deposits (collected bank balances) of which \$2,171,302 was exposed to custodial credit risk. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2019, the District's balances were fully collateralized.

Note 3. Ad Valorem Taxes

Ad valorem taxes for the operations of the District are levied each November 1st on the assessed value listed as of the prior January 1st for all real property, merchandise, and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed in 2016.

Note 4. 2% Fire Insurance Tax

The District is eligible for and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas it serves. In accordance with Louisiana Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection, as the District shall direct.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 5. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 758,250	\$ 80,830	\$ -	\$ 839,080
Construction in Progress	7,410	697,725	-	705,135
Total Capital Assets Not Being Depreciated	765,660	778,555	-	1,544,215
Capital Assets Being Depreciated				
Buildings and Improvements	3,707,054	-	-	3,707,054
Vehicles	2,852,979	50,919	-	2,903,898
Machinery and Equipment	559,516	-	(97,535)	461,981
Office Equipment	49,129	8,187	-	57,316
Total Capital Assets Being Depreciated	7,168,678	59,106	(97,535)	7,130,249
Less Accumulated Depreciation for:				
Buildings and Improvements	(613,227)	(95,370)	-	(708,597)
Vehicles	(1,148,323)	(289,883)	-	(1,438,206)
Machinery and Equipment	(348,431)	(44,231)	96,666	(295,996)
Office Equipment	(45,918)	(9,744)	-	(55,662)
Total Accumulated Depreciation	(2,155,899)	(439,228)	96,666	(2,498,461)
Total Capital Assets Being Depreciated, Net	5,012,779	(380,122)	(869)	4,631,788
Capital Assets, Net	\$ 5,778,439	\$ 398,433	\$ (869)	\$ 6,176,003

Included in construction in progress is the cost of a ladder truck that is currently being constructed that will be completed and placed in service some time in 2020.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 6. Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 2019:

	Certificate of Indebtedness
January 1, 2019	\$ 3,555,000
Issued	-
Retired	<u>(255,000)</u>
Total	3,300,000
Less: Current Maturities	<u>(265,000)</u>
Total Long-Term Portion	<u>\$ 3,035,000</u>

Long-term debt consisted of the following at December 31, 2019:

\$4,050,000 Certificate of Indebtedness dated April 25, 2016, payable in annual principal installments of \$245,000 - \$340,000, plus semi-annual interest at 2.50%, through March 1, 2030, secured by ad valorem tax revenues.	<u>\$ 3,300,000</u>
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The following is a schedule of future principal debt service requirements:

Year Ending December 31,	Certificate of Indebtedness	
	Principal	Interest
2020	\$ 265,000	\$ 79,188
2021	270,000	72,500
2022	280,000	65,625
2023	285,000	58,562
2024	290,000	51,375
2025-2029	1,570,000	142,500
2030	<u>340,000</u>	<u>4,250</u>
Total	<u>\$ 3,300,000</u>	<u>\$ 474,000</u>

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 7. Capital Leases

During the years ended December 31, 2015 and 2016, the District entered into two lease agreements for the acquisition of fire protection equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The lease agreements are described as follows:

Lease dated August 21, 2015 for the acquisition of a Saber FR Pumper maturing on August 21, 2025, with ten annual payments of \$88,870 including interest.	\$ 472,624
Lease dated May 13, 2016 for the acquisition of an upgrade to the Saber FR Pumper maturing on August 21, 2025, with ten annual payments of \$6,776 including interest.	34,298
	506,922
Less: Due in One Year	(77,078)
Capital Leases - Long-Term Portion	<u>\$ 429,844</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019 are as follows:

Year Ending December 31,	Amount
2020	\$ 95,647
2021	95,647
2022	95,647
2023	95,647
2024	95,647
Thereafter	95,647
Total Minimum Lease Payments	573,882
Less: Amount Representing Interest	(66,960)
Present Value of Minimum Lease Payments	<u>\$ 506,922</u>

At December 31, 2019, the book value of the leased equipment was \$501,283.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension

Plan Description and Provisions

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

Eligibility Requirements

Any person who becomes an employee as defined in LRS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. No person who has attained age 50 or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of 50. No person who has not attained the age of 18 years shall become a member of the System. Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies, or political subdivisions, and who is receiving retirement benefits therefrom may become a member of the System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with the System, or for any other purpose in order to attain eligibility or increase the amount of service credit in the System.

Retirement Benefits

Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

Deferred Retirement Option Plan

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

Initial Benefit Option Plan

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

Employer Contributions

Employer contributions are actuarially determined each year. For the plan year ended June 30, 2019, employer and employee contributions for members above the poverty line were 26.50% and 10.0%, respectively. For the plan year ending June 30, 2020, employer and employee contributions for members above the poverty line are 27.75% and 10.0%, respectively.

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

At December 31, 2019, the District reported a liability of \$4,904,785 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and was determined by actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all governments, actuarially determined. At June 30, 2019, the District's proportion was .783273%.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

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

For the year ended December 31, 2019, the District recognized pension expense of \$455,872. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 353,803
Net Difference between Projected and Actual Earnings on Pension Plan Investments	329,833	-
Changes in Proportion	685,641	218,665
Changes in Assumptions	446,216	357
District Contributions Subsequent to the Measurement Date	285,786	-
Total	\$ 1,747,476	\$ 572,825

In the year ending December 31, 2020, \$285,786 reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date will be recognized. Other amounts reported as deferred inflows of resources and deferred outflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 219,604
2021	28,023
2022	197,424
2023	235,963
2024	130,501
2025	77,350
Total	\$ 888,865

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining net pension liability as of December 31, 2019, are as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Lives	7 Years
Investment Return	7.15%
Inflation Rate	2.50%
Salary Increases	Vary from 14.75% in the first years of service to 4.50% after 25 years
Cost-of-Living Adjustments	Only those previously granted

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.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation, 2.75%. The long-term expected nominal rate of return was 7.94% as of June 30, 2019.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

Actuarial Assumptions (Continued)

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Expected Portfolio Real Rate of Return
Fixed Income	31.0%	2.17%
U.S. Equity	21.5%	5.98%
Non-U.S. Equity	17.5%	7.52%
Global Equity	10.0%	6.59%
Real Estate	6.0%	4.14%
Private Equity	4.0%	10.52%
Global Tactical Asset Allocation	5.0%	4.37%
Risk Parity	5.0%	4.67%
	<u>100.0%</u>	

Sensitivity to Changes in Discount Rate

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's Proportionate Share of the Net Pension Liability	<u>\$ 7,102,461</u>	<u>\$ 4,904,785</u>	<u>\$ 3,060,224</u>

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2019, the District carried insurance through various commercial carriers to cover all risks of loss. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 10. On-Behalf Payments by the State of Louisiana

For the year ended December 31, 2019, the State of Louisiana made on-behalf payments in the form of supplemental pay to thirty-five District firemen. In accordance with GASB Statement No. 24, the District has recorded \$209,550 of on-behalf payments as revenue and as salary expense.

Note 10. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. It is unknown how long these conditions will last and what the complete financial effect will be to the District.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2019

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 4,173,810	\$ 4,203,810	\$ 4,604,685	\$ 400,875
Other Income	60,000	60,000	169,470	109,470
Rentals	59,309	59,309	77,625	18,316
Interest Income	-	-	61,998	61,998
State Revenue Sharing	67,000	67,000	68,488	1,488
Fire Insurance Tax	57,000	57,000	54,283	(2,717)
Total Revenues	4,417,119	4,447,119	5,036,549	589,430
Expenditures				
Public Safety - Fire Protection				
Salaries and Benefits	2,554,700	2,584,700	2,566,750	17,950
Insurance	679,098	679,098	671,255	7,843
Repairs and Maintenance	145,750	145,750	100,368	45,382
Emergency Equipment	104,000	104,000	95,119	8,881
Communications	66,000	66,000	91,591	(25,591)
Education and Training	65,000	65,000	70,077	(5,077)
Professional Services	68,500	68,500	53,617	14,883
Miscellaneous	43,887	43,887	47,490	(3,603)
Utilities	54,000	54,000	32,126	21,874
Fuel	43,290	43,290	29,811	13,479
Operating Supplies	29,591	29,591	20,377	9,214
Uniforms	22,895	22,895	15,766	7,129
Office Supplies	16,465	16,465	11,338	5,127
Fire Prevention Expenses	12,000	12,000	9,767	2,233
Travel	12,169	12,169	8,380	3,789
Advertising	1,349	1,349	929	420
Drug Testing	1,182	1,182	814	368
Postage	908	908	626	282
Capital Outlay	60,000	60,000	136,009	(76,009)
Debt Service				
Principal	329,358	329,358	329,358	-
Interest	106,977	106,977	106,977	-
Total Expenditures	4,417,119	4,447,119	4,398,545	48,574
Net Change in Fund Balance	\$ -	\$ -	638,004	\$ 638,004
Fund Balance, Beginning of Year			<u>5,595,192</u>	
Fund Balance, End of Year			<u>\$ 6,233,196</u>	

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of District's Proportionate Share of the
Net Pension Liability
For the Year Ended December 31, 2019

	2019	2018	2017	2016
District's Portion of the Net Pension Liability	0.783273%	0.704902%	0.637457%	0.615279%
District's Proportionate Share of the Net Pension Liability	\$ 4,904,785	\$ 4,054,651	\$ 3,653,807	\$ 4,024,481
District's Covered Payroll	\$ 1,739,515	\$ 1,770,991	\$ 1,440,171	\$ 1,385,586
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	281.96%	228.95%	253.71%	290.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.96%	74.76%	73.55%	68.16%

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

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of District's Contributions
For the Year Ended December 31, 2019

	2019	2018	2017	2016
Contractually Required Contribution	\$ 538,436	\$ 490,640	\$ 404,163	\$ 363,953
Contributions in Relation to the Contractually Required Contribution	(538,436)	(490,640)	(404,163)	(363,953)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,983,049	\$ 1,851,472	\$ 1,581,412	\$ 1,385,586
Contributions as a Percentage of Covered Payroll	27.15%	26.50%	25.56%	26.27%

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Governing Board
December 31, 2019

<u>Governing Board</u>	<u>Compensation</u>
Rosalie Boudreaux 201 Hawthorne Hollow Drive Madisonville, LA 70447	\$ -
Myron Bourg P. O. Box 607 Madisonville, LA 70447	\$ -
Dale Shows 602 Pine Street Madisonville, LA 70447	\$ 950
Mike Murphy 176 Coquille Drive Madisonville, LA 70447	\$ -
Keith Dennis 161 River Lane Madisonville, LA 70447	\$ -

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2019

Agency Head
Chief Randy Hess

Purpose	Amount
Salary	\$115,363 *
Benefits - Insurance	\$14,297 **
Benefits - Retirement	\$31,297 ***
Benefits - Other	\$743
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$150
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

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

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

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

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 2

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 10, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script, appearing to read "LaPorte".

A Professional Accounting Corporation

Covington, LA
June 10, 2020

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2019

Part I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

Part III - Compliance and Other Matters

None.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Prior Audit Findings
For the Year Ended December 31, 2019

None.

AGREED-UPON PROCEDURES REPORT

St. Tammany Parish Fire Protection District No. 2

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period of January 1, 2019 - December 31, 2019

To the Management of
St. Tammany Parish Fire Protection District No. 2
and the Louisiana Legislative Auditor:

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

Management of the St. Tammany Parish Fire Protection District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the District's compliance with certain laws and regulations during the period of January 1, 2019 through December 31, 2019, in accordance with Act 774 of 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the District and the Legislative Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Bank Reconciliations

1. Obtain and inspect the entity's written policies and procedures over bank reconciliations and observe that they address the process for addressing items outstanding for more than 12 months from the statement closing date, if applicable.

Results: We obtained and inspected the District's written policies and procedures over bank reconciliations and noted the policies and procedures addressed the process for addressing items outstanding for more than 12 months from the statement closing date.

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

1. 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: We obtained the entity's written policies and procedures over purchasing and non-payroll disbursements and noted that they addressed all components listed above.

2. 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 a listing of locations that processed payments for the fiscal period and management's representation that the listing was complete. We selected the one location where payments are processed for testing.

3. 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.
 - 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: Obtained a listing of employees involved with non-payroll purchasing and payment functions and inquired of employees about policies and procedures related to their job duties. We noted that all job duties were properly segregated so that all components were met.

4. 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:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #3, as applicable.

- c) Observe that the selected parts or repair transactions for a vehicle/fire truck trace to a vehicle/fire truck owned by the department.

Results: For the one location that processes payments, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and management's representation that the population was complete. We randomly selected 5 disbursements, including one repair charge for a vehicle/fire truck, obtained supporting documentation for each transaction, and noted that attributes a), b), and c), if applicable, were met for all selected transactions.

Information Technology Disaster Recovery/Business Continuity

1. Obtain and inspect the entity's written policies and procedures over information technology disaster recovery/business continuity (or the equivalent contractual terms if IT services are outsourced) and observe that they address (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: We obtained the entity's written policies and procedures over information technology disaster recovery/business continuity) and observed that they addressed components (1) through (6) without exception.

2. Perform the following sub-procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Results: We performed the preceding procedure without exception, and discussed the results with management.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Results: We performed the preceding procedure without exception, and discussed the results with management.

- c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e., up-to-date).

Results: We obtained a complete listing of the entity's computers currently in use, along with their related locations, and obtained management's representation that the listing is complete. We performed the preceding procedure without exception, and discussed the results with management.

Sexual Harassment

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

Results: We obtained the entity's written sexual harassment policies and procedures and observed that they addressed all requirements of the Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions, annual employee training, and annual reporting requirements.

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

Results: We obtained a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing was complete. We randomly selected 5 employees/elected officials/board members and obtained documentation supporting that each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year. All selected employees met the requirement.

3. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Results: We observed that the entity has its sexual harassment policy and complaint procedure posted on its website.

4. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344.

Results: We obtained the entity's annual sexual harassment report for the current fiscal period, observed that it was dated on or before February 1, and observed that it included the applicable requirements of R.S. 42:344.

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

This report is intended solely for the use of management of St. Tammany Parish Fire Protection District No. 2 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

Covington, Louisiana
June 10, 2020