

**FIRE PROTECTION DISTRICT NO. 3
OF THE PARISH OF ST. MARY**

Amelia, Louisiana

Year Ended September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Fire Protection District No. 3 of the Parish of St. Mary
Amelia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Fire Protection District No. 3 of the Parish of St. Mary (hereinafter, the "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of September 30, 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.

Emphasis of Matter

As described in Note 4 to the financial statements, capital assets reported at historical costs may not be completely recoverable. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information and schedules for employer's share of net pension liability and employer pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison schedule on page 30, schedule of employer's share of net pension liability on page 31, schedule of employer contributions on page 32, or notes to required supplementary information page 33 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
June 3, 2020

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Net Position
September 30, 2019

	Governmental Activities
ASSETS	
Cash	\$ 393,711
Receivables	15,728
Prepaid expenses	108,213
Deposits	1,489
Capital assets	
Land	477,508
Other, net of accumulated depreciation	<u>1,646,862</u>
Total assets	<u>2,643,511</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to net pension liability	<u>176,230</u>
LIABILITIES	
Accounts and other payables	21,530
Long term liabilities:	
Due within one year	
Capital lease payable	83,365
Due in more than one year	
Capital lease payable	264,955
Net pension liability	<u>527,052</u>
Total liabilities	<u>896,902</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	<u>175,870</u>
NET POSITION	
Net investment in capital assets	1,776,050
Unrestricted (deficit)	<u>(29,081)</u>
Total net position	<u>\$ 1,746,969</u>

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

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Activities
Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Public safety - fire protection	\$ 756,544	\$ 40,563	\$ (715,981)
Interest on long-term debt	<u>22,661</u>	<u>-</u>	<u>(22,661)</u>
Total governmental activities	<u>\$ 779,205</u>	<u>\$ 40,563</u>	<u>\$ (738,642)</u>
General revenues:			
Taxes-			
Property taxes, operations and maintenance			684,504
Interest and investment earnings			2,839
Insurance dividends			<u>23,065</u>
Total general revenues			<u>710,408</u>
Change in net position			(28,234)
Net position - October 1, 2018			<u>1,775,203</u>
Net position - September 30, 2019			<u>\$ 1,746,969</u>

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

FUND FINANCIAL STATEMENTS

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Balance Sheet
Governmental Fund
September 30, 2019

	General Fund
ASSETS	
Current assets:	
Cash	\$ 393,711
Accounts receivable	15,728
Prepaid expenditures	108,213
Total current assets	517,652
Other assets:	
Deposits	1,489
Total assets	\$ 519,141
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 5,327
Retirement payable	1,758
Payroll taxes payable	4,295
Total liabilities	11,380
Fund balance:	
Nonspendable	108,213
Unassigned	399,548
Total fund balance	507,761
Total liabilities and fund balance	\$ 519,141

(continued)

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Balance Sheet (continued)
Governmental Fund
September 30, 2019

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total fund balance for governmental funds at September 30, 2019		\$ 507,761
Cost of capital assets:		
Land	\$ 477,508	
Capital assets, net of accumulated depreciation	<u>1,646,862</u>	2,124,370
Deferred outflows of resources related to net pension liability		176,230
Net pension liability		(527,052)
Deferred inflows of resources related to net pension liability		(175,870)
Long-term liabilities		(348,320)
Accrued interest payable		<u>(10,150)</u>
Net position at September 30, 2019		<u>\$ 1,746,969</u>

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

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended September 30, 2019

	General Fund
Revenues:	
Ad valorem taxes	\$ 684,504
Interest income	2,839
Insurance dividends	23,065
Intergovernmental	18,000
Total revenues	728,408
Expenditures:	
Current -	
Ad valorem tax deductions	22,284
Amelia Volunteer Fire Department	180,000
Commissioner per diem	1,740
Insurance	36,011
Professional fees	22,063
Salaries and benefits	265,612
Miscellaneous	26,471
Debt service -	
Principal	81,004
Interest	12,511
Capital outlay	52,295
Total expenditures	699,991
Net change in fund balance	28,417
Fund balance, beginning	479,344
Fund balance, ending	\$ 507,761

(continued)

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)
Governmental Fund
Year Ended September 30, 2019

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities

Total net changes in fund balance for the year ended September 30, 2019 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 28,417
Cost of capital assets	52,295
Depreciation expense	(185,087)
Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability:	
Increase in pension expense	(17,277)
Nonemployer pension contribution revenue	22,564
Principal payment	81,004
Change in accrued interest	<u>(10,150)</u>
Total changes in net position for the year ended September 30, 2019 per Statement of Activities	<u>\$ (28,234)</u>

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

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements

Fire Protection District No. 3 of the Parish of St. Mary (the "District"), was created by Ordinance No. 1044 of the St. Mary Parish Council on July 27, 1988 for the purpose of providing fire protection, medical assistance, and extrication rescue. The District encompasses Ward Nine of the Parish of St. Mary.

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the audit and accounting guide, *Audits of State and Local Governmental Units*.

(1) Summary of Significant Accounting Policies

The following is a summary of certain significant accounting policies.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. 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 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.

Governmental Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the St. Mary Parish Government 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. This criteria includes:

- Appointing a voting majority of an organization's governing body, and the ability of the Parish 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 burdens on the Parish Council.
- Organizations for which the Parish Council does not appoint a voting majority but are fiscally dependent on the Parish Council.
- 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.

Because the Parish Council appoints the governing body and has the ability to significantly impose its will, the District is a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

B. 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 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all the financial activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities presents a comparison between direct expenses and program revenues for the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The District uses fund accounting 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 emphasis on 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 its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The District’s General Fund is its only fund and is considered to be the major fund as described below:

Governmental Fund –

General Fund – this fund is the primary operating fund of the District and it accounts for the operations of the District’s office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy. The general fund is always classified as a major fund.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

C. Capital Assets

Capital assets are capitalized 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 level of \$500 or more for capitalizing capital assets.

Capital assets are recorded in the statement of net position. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Leasehold improvements	20 – 40 years
Equipment	5 – 12 years
Furniture	5 – 7 years

D. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used by all governmental fund types. 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 be used to pay liabilities of the current period. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. The District uses the following practices in recording certain revenues and expenditures:

Revenues

Intergovernmental revenues are recorded when approved for payment by the payer or governing body.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

E. Cash

Cash includes amounts in demand deposits and interest-bearing demand deposits.

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.

F. Investments

Under state law, the District may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

G. Prepaid Items

Payments made to vendors that will benefit periods beyond the current period are recorded as prepaid items.

H. Deferred Outflows of Resources and Deferred Inflows of Resources

The District reports decreases (increases) in net position that relate to future periods as deferred outflows (inflows) of resources in separate sections of its government-wide statement of net position. The District reports deferred outflows of resources and deferred inflows of resources related to its net pension liability.

I. Equity Classifications

In the government-wide 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 that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – consists of net position with constraints 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 – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

Fund balance for the District's governmental fund is displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form (such as prepaid amounts) 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 constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through formal actions of the Board of Commissioners.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Board of Commissioners may assign amounts for specific purposes.
- e. Unassigned – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners has provided otherwise in its commitment of assignment actions.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firefighters' Retirement System (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.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(2) Cash

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2019, the District has cash and interest-bearing deposits (book balances) totaling \$393,711 as follows:

Demand deposits	\$ 146,047
Time deposits	<u>247,664</u>
Total	<u>\$ 393,711</u>

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security 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. Deposits (bank balances) at September 30, 2019 totaled \$410,490.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered, or the District will not be able to recover collateral securities that are in the possession of an outside party. The District has not formally adopted policies that limit allowable deposits or investments and address the specific type of risk to which the District is exposed, or a policy to monitor or attempt to reduce exposure to custodial credit risk. As of September 30, 2019, all of the District's deposits are covered by federal deposit insurance and not subject to custodial credit risk.

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area as of January 1 of each year. Taxes are levied by the District in September or October and are billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects the District's property taxes using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed. For the year ended September 30, 2019, the District levied a property tax of 10.0 mills for maintenance and operations on property with assessed valuations totaling \$69,260,056. The total taxes collected were \$684,504.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(4) Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 477,508	\$ -	\$ -	\$ 477,508
Capital assets, being depreciated:				
Buildings	884,150	-	-	884,150
Equipment	1,786,356	52,295	-	1,838,651
Improvements	79,422	-	-	79,422
Total capital assets, being depreciated	2,749,928	52,295	-	2,802,223
Less: accumulated depreciation				
Buildings	247,137	26,160	-	273,297
Equipment	684,599	154,428	-	839,027
Improvements	38,538	4,499	-	43,037
Total accumulated depreciation	970,274	185,087	-	1,155,361
Net capital assets, being depreciated	1,779,654	(132,792)	-	1,646,862
Net capital assets	\$2,257,162	\$(132,792)	\$ -	\$2,124,370

Depreciation expense in the amount of \$185,087 was charged to public safety, \$20,870 of which relates to the District's capital lease.

The capital asset recorded under the District's capital lease pertains to the acquisition of a fire apparatus. The gross amount carried in equipment category is \$429,325 and accumulated amortization expense totaled \$56,647 at September 30, 2019. The amortization expense for the capital lease is included in depreciation.

Capital assets, not being depreciated, are recorded at historical costs of \$477,508. Of the amount reported, \$470,176 accounts for the acquisition of a 4.7972 acre tract of land purchased in a prior period. The property was purchased without appraisal, which may have been in violation of state statutes. During the year ended September 30, 2019, the District provided for a retrospective appraisal which valued the property at \$131,900 as of the approximate date of acquisition, March 24, 2014, and a value of \$179,900 as of the date of the appraisal, April 30, 2019. Since the appraised values are not due to a significant and unexpected decline in the service utility of the property, the property is not considered impaired and continues to be reported at historical cost.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(5) Retirement Plan

Firefighters' Retirement System (System)

Plan Description: The Firefighters' Retirement System is a cost-sharing multiple-employer defined benefit pension plan established by Act 434 of 1979 to provide retirement, disability and survivor benefits to firefighters in Louisiana.

Eligibility Requirements: Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980, shall become a member as a condition of employment. Members in the System consist of full-time firefighters, eligible employees of the retirement system, or any person in a position as defined in the municipal fire and police civil service system that earns at least \$375 per month, excluding state supplemental pay, and is employed by a fire department of any municipality, parish, or fire district of the state of Louisiana, except for Orleans Parish and the City of Baton Rouge.

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 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 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 with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3.333% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions.

Benefits are payable over the retirees' lives in the form of a monthly annuity. A member may elect an unreduced benefit or any of seven options at retirement.

See R.S. 11 :2256(A) for additional details on retirement benefits.

Disability Benefits: A member who acquires a disability, and who files for disability benefits while in service, and who upon medical examination and certification as provided for in Title 11, is found to have a total disability solely as the result of injuries sustained in the performance of his official duties, or for any cause, provided the member has at least five years of creditable service and provided that the disability was incurred while the member was an active contributing member in active service, shall be entitled to disability benefits under the provisions of R.S. 11 :2258(B).

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

Death Benefits: Benefits shall be payable to the surviving eligible spouse or designated beneficiary of a deceased member as specified in R.S. 11 :2256(B) & (C).

Deferred Retirement Option Plan (DROP): After completing 20 years of creditable service and attaining the age of 50 years, 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 member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are 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 withdrawals 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.

Cost of Living Adjustments (COLAs): Under the provisions of R.S. 11:246 and 11 :2260(A)(7), the board of trustees is authorized to grant retired members and widows of members who have retired an annual cost of living increase of up to 3% of their current benefit, and all retired members and widows who are 65 years of age and older a 2% increase in their original benefit. In order for the board to grant either of these increases, the System must meet certain criteria detailed in the statute related to funding status and interest earnings (R.S. 11:243). In lieu of these COLAs, pursuant to R.S. 11:241, the board may also grant an increase based on a formula equal to up to \$1 times the total number of years of credited service accrued at retirement or at death of the member or retiree plus the number of years since retirement or since death of the member or retiree to the System's fiscal year end preceding the payment of the benefit increase. If there are not sufficient funds to fund the benefit at the rate of one dollar per year for such total number of years, then the rate shall be reduced in proportion to the amount of funds that are available to fund the cost-of living adjustment.

Contributions: Contribution requirements for employers, non-employer contributing entities, and employees are established and may be amended in accordance with Title 11 and Title 22 of the Louisiana Revised Statutes.

Employer Contributions: According to state statute, employer contributions are actuarially-determined each year. For the year ended June 30, 2019, employer and employee contribution rates for members above the poverty line were 26.50% and 10.00%, respectively. The employer and employee contribution rates for those members below the poverty line were 28.50% and 8.00%, respectively.

Non-Employer Contributions: According to state statute, the System receives insurance premium assessments from the state of Louisiana. The assessment is considered support from a non-employer

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

contribution entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2019 and were excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At September 30, 2019, The District reported liabilities in its government-wide financial statements of \$527,052 in its governmental activities for its proportionate share of the net pension liabilities of the System. The net pension liabilities were measured as of June 30, 2019 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportional share of the System was 0.084168%, which was a decrease of 0.014629% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the District recognized pension expense of \$72,837 in its governmental activities related to its participation in the System.

At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 38,019
Changes in Assumption	47,949	38
Net difference between projected and actual earnings on pension plan investments	35,443	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	78,205	137,813
Employer contributions subsequent to the measurement date	14,633	-
	\$ 176,230	\$ 175,870

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

Deferred outflows of resources of \$14,633 related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension liability in the following fiscal year. 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	
2020	\$ (10,305)
2021	(18,029)
2022	10,087
2023	19,504
2024	(5,992)
2025	(9,538)
	\$ (14,273)

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

In February of 2017, the Board of Trustees adopted a recommendation to reduce the long-term rate of return assumption. The recommendation was formed after an analysis of the System's portfolio along with expected long-term rates of return, standard deviations of return, and correlations between asset classes collected from a number of investment consulting firms in addition to the System's investment consultants, New England Pension Consultants. Based on this analysis and after discussions with the Board, a plan was approved to reduce the 7.50% valuation interest rate in effect for the fiscal year 2016 actuarial valuation to 7.00% over the coming five actuarial valuations with reductions of 0.10% each year.

The fiscal year 2019 actuarial valuation was scheduled to be run at a 7.20% valuation interest rate. However, prior to the completion of this valuation, a review of the valuation interest rate for fiscal year 2019 was performed based upon an update to the G. S. Curran & Company Consultant Average Capital Market Assumptions for 2019 and an update to the actuary's reasonable range for the assumed rate of return. To determine the reasonable range, the actuary computed an expected long-term portfolio return and standard deviation based upon the system's target asset allocation and a thirty-year time horizon. Based upon the results of this study, ten thousand stochastic trials were run to determine a reasonable range around the plan's expected long-term portfolio rate of return. The review found that the scheduled rate of 7.20% was no longer inside the reasonable range. Therefore, the assumed rate of return for the fiscal year 2019 valuation was further reduced to 7.15%, which was found to lie within the actuary's reasonable range.

The System's reductions in the valuation interest have been in part based upon a reduction in the expected long-term inflation rate. Therefore, the assumed long-term inflation rate has also been reduced over the same period. For fiscal year 2019, an assumed rate of inflation of 2.50% was implicit in the assumed rate of return. After reviewing the cumulative reductions in the valuation interest rate over the past three years (i.e. 0.35%) and considering the recommendation that the fiscal year 2019 actuarial valuation be run at a valuation interest rate lower than the Board's original reduction schedule, a decision

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

was made to perform an interim review of the plan's salary scale assumption. Based upon this review, it was determined that it would be appropriate, to reduce the plan's salary scale by 0.25% at each duration until a complete review is performed in the System's next experience study scheduled for the upcoming fiscal year. The remaining actuarial assumptions utilized for this report are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, unless otherwise specified in this report. Additional details are given in the actuary's complete Experience Report for fiscal years 2010 through 2014.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

	Firefighters' Retirement System
Valuation Date	June 30, 2019
Actuarial cost method	Entry Age Normal
Actuarial cost assumptions:	
Expected remaining service lives	7 years
Investment rate of return	7.15% per annum (net of investment expenses, including inflation)
Inflation rate	2.500% per annum
Projected salary increases	Vary from 14.75% in the first two years of service to 4.50% with 25 or more year of service; includes inflation and merit increases
Cost of Living Adjustments (COLAs)	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.

The investment rate of return was 7.15%, which was a .15% decrease from the rate used as of June 30, 2018.

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. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables, projected to 2031 using Scale AA, were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and set back three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
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Notes to Financial Statements (continued)

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, 2.75%. The resulting long term expected arithmetic nominal rate of return was 7.94% as of June 30, 2019. 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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rates of Return</u>
Equity:		
U.S. Equity	21.50%	5.98%
Non-U.S. Equity	17.50%	7.52%
Global Equity	10.00%	6.59%
Fixed Income	31.00%	2.17%
Alternatives:		
Real Estate	6.00%	4.14%
Private Equity	4.00%	10.52%
Multi-Asset Strategies:		
Global Tactical Asset Alloc	5.00%	4.37%
Risk Parity	<u>5.00%</u>	4.67%
	<u>100.00%</u>	

The discount rate used to measure the total pension liability was 7.15%, which was a .15% decrease from the rate used as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates, and that contributions from participating employers and non-employer contributing entities will be made at the actuarially-determined rates approved by the Board of Trustees and by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on these 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 to Changes in Discount Rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 7.15%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.15% or one percentage point higher 8.15% than the current rate as of June 30, 2019.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

	Changes in Discount Rate:		
	Firefighters' Retirement System		
	1%	Current	1%
	Decrease	Discount	Increase
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
Net Pension Liability	<u>\$ 763,208</u>	<u>\$ 527,052</u>	<u>\$ 328,842</u>

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended September 30, 2019, the District recognized revenue as a result of support received from the non-employer contributing entities of \$22,563 for its participation in the System.

Payables to the Pension Plan: The District recorded accrued liabilities to the System for the year ended September 30, 2019, primarily due to the accrual of accounts payable at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accounts and other payables. The balance due to the System as of September 30, 2019 is \$4,878.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the System available at www.lafirefightersret.com.

(6) 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. The District is named insured on commercial insurance policies, purchased through the market, by the Amelia Volunteer Fire Department, which covers its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended September 30, 2019. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

(7) Long-term Liabilities

During the year ended September 30, 2019, the following changes occurred in long-term liabilities:

	<u>10/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2019</u>	<u>One Year</u>
Capital Lease	<u>\$ 429,324</u>	<u>\$ -</u>	<u>\$ (81,004)</u>	<u>\$ 348,320</u>	<u>\$ 83,365</u>

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

During the fiscal year ended September 30, 2018, the District entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to finance the acquisition of a fire apparatus. The terms of the agreement include an interest rate of 2.914% with annual lease payments due on October 1 of each year, beginning October 1, 2018, and final payment due on October 1, 2022. The lease payments are determined based on a five-year term at the stated interest rate. The renewal of the agreement is contingent upon budget appropriations adopted by the District as provided by a nonappropriation clause in the terms of the lease agreement. On the last day of the lease term, the District has the option to purchase, upon payment in full of the lease payments, plus payment of one (1) dollar.

Debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	83,365	10,150	93,515
2021	85,794	7,721	93,515
2022	88,294	5,221	93,515
2023	<u>90,867</u>	<u>2,648</u>	<u>93,515</u>
Totals	<u>\$ 348,320</u>	<u>\$ 25,740</u>	<u>\$ 374,060</u>

(8) Net Position

Net position is classified as net investment in capital assets, restricted and/or unrestricted. The unrestricted deficit presented in the government-wide statement of net position is significantly affected by the recognition of net pension liability in accordance with GASB 68. At September 30, 2019, the District reported liabilities on its government-wide financial statements of \$527,052 for its proportionate share of the net pension liabilities. The recordation of net pension liability on the District's government-wide financial statements resulted in a deficit of unrestricted net position of \$29,081.

(9) On-Behalf Payments for Salaries

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires the District to report on-behalf payments made by the State of Louisiana (State) to the District's employees. The basis for recognizing the revenues and expenditure payments is that the actual contribution is made by the State and not by the District. During the year ended September 30, 2019, the State paid supplemental compensation in accordance with R.S. 40:1666.1 directly to the District's employees. On-behalf payments recorded as revenue and expenditures for the year ended September 30, 2019 totaled \$18,000.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(10) Compensation Paid to Board Members

A detail of compensation paid to the Board of Commissioners for the period ended September 30, 2019 follows:

	Per Diem Received
Errol Tabor, Chairman	330
Larry Aucoin, Vice-chairman	360
Bonnie Duhon	390
Clint Abshire	330
Tom Nguyen	300
Total	\$ 1,710

Act 706 of the 2014 Legislative Session amended RS 24:513A requires additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. With the exception of per diem, no other payments which would require disclosure were made to the District's chief officer. During the year ended September 30, 2019, Errol Tabor received \$330.

(11) Tax Abatements

The District is subject to certain property tax abatements granted by the Louisiana Board of Commerce and Industry ("LBCI"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the City may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). For the year ended September 30, 2019, the District incurred abatements of ad valorem taxes through ITEP.

ITEP is authorized by Article 7, Section 21(F) of the Louisiana Constitution. Companies qualifying as manufacturers can apply to the LBCI for a property tax exemption on all new property, as defined, used in the manufacturing process. Under ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of \$5 million. The exemptions are granted for a 5 year term and are renewable for an additional 5 year term upon approval by LBCI. These state-granted abatements have resulted in reductions of property taxes, which is administered as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. The local government may recapture abated taxes if a company fails to expand facilities or otherwise fail to fulfill its commitments under the agreement. For the year ended September 30, 2019, \$88,852 of the District's ad valorem tax revenues were abated by the state of Louisiana through ITEP.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(12) New Accounting Pronouncements Scheduled to be Implemented

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements:

GASB Statement No. 87, Leases (June 2017)

The Statement increased 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 fundamental principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement No. 87 are effective for fiscal years beginning after December 15, 2019. The effects of implementation or its applicability on the District's financial statements has not yet been determined.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance (May 2020)

The Statement postpones effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The Statement postponed GASB Statement No. 87, Leases, by 18 months.

REQUIRED SUPPLEMENTARY INFORMATION

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Amended</u>		Favorable <u>(Unfavorable)</u>
Revenues:				
Ad valorem taxes	\$ 578,995	\$ 578,995	\$ 684,504	\$ 105,509
Interest income	1,300	1,300	2,839	1,539
Insurance dividends	-	-	23,065	23,065
Intergovernmental	-	-	18,000	18,000
Total revenues	<u>580,295</u>	<u>580,295</u>	<u>728,408</u>	<u>148,113</u>
Expenditures:				
Current -				
Ad valorem tax deductions	-	-	22,284	(22,284)
Amelia Volunteer Fire Department	180,000	180,000	180,000	-
Commissioner per diem	1,800	1,800	1,740	60
Insurance	-	-	36,011	(36,011)
Professional fees	-	17,500	22,063	(4,563)
Salaries and benefits	256,300	275,000	265,612	9,388
Miscellaneous	2,000	7,500	26,471	(18,971)
Debt service -				
Principal	-	-	81,004	(81,004)
Interest	-	-	12,511	(12,511)
Capital outlay	660,000	617,500	52,295	565,205
Total expenditures	<u>1,100,100</u>	<u>1,099,300</u>	<u>699,991</u>	<u>399,309</u>
Net change in fund balance	(519,805)	(519,005)	28,417	547,422
Fund balance, beginning	<u>1,107,967</u>	<u>1,107,967</u>	<u>479,344</u>	<u>(628,623)</u>
Fund balance, ending	<u>\$ 588,162</u>	<u>\$ 588,962</u>	<u>\$ 507,761</u>	<u>\$ (81,201)</u>

See notes to required supplementary information.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Schedule of Employer's Share of Net Pension Liability
Year Ended September 30, 2019

Plan Year Ended June 30	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.088403%	\$ 477,121	159,738	298.69%	72.45%
2016	0.072803%	\$ 476,197	164,154	290.09%	68.16%
2017	0.094377%	\$ 540,955	220,378	245.47%	73.55%
2018	0.098797%	\$ 568,288	235,357	241.46%	74.76%
2019	0.084168%	\$ 527,052	203,424	259.09%	73.96%

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

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Schedule of Employer Contributions
Year Ended September 30, 2019

Fiscal Year Ended Sept 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 46,337	\$ 46,337	\$ -	\$ 161,172	28.75%
2016	\$ 46,500	\$ 46,500	\$ -	\$ 172,845	26.90%
2017	\$ 58,649	\$ 58,649	\$ -	\$ 229,384	25.57%
2018	\$ 59,888	\$ 59,888	\$ -	\$ 225,992	26.50%
2019	\$ 55,560	\$ 55,560	\$ -	\$ 207,174	26.82%

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

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Required Supplementary Information
Year Ended September 30, 2019

(1) Basis of Accounting

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

(2) Budgetary Practices

The District prepares and adopts a budget in accordance with RS 39:1301 et seq. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by the fund.

Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device. However, periodic comparisons of budget and actual amounts are performed.

(3) Firefighters' Retirement System

Changes of benefit terms – There were no changes of benefit terms.

Changes of assumptions –

Plan Year ended June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.500%	7.500%	2.875%	7	4.75% - 15.0%
2016	7.500%	7.500%	2.875%	7	4.75% - 15.0%
2017	7.400%	7.400%	2.775%	7	4.75% - 15.0%
2018	7.300%	7.300%	2.700%	7	4.75% - 15.0%
2019	7.150%	7.150%	2.500%	7	4.5% - 14.75%

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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

The Board of Commissioners
Fire Protection District No. 3 of the Parish of St. Mary
Amelia, Louisiana

Report on the Financial Statements

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 the major fund of Fire Protection District No. 3 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 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 3, 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 circumstance 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of audit results and findings as items 2019-001 and 2019-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit results and findings as items 2019-003 and 2019-004.

District's Response to Findings

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

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. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
June 3, 2020

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019

A. Internal Control

2018-001 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2019-001.

2018-002 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings item 2019-002.

B. Compliance

2018-003 Titling of Capital Assets

CONDITION: During the fiscal year ended September 30, 2018, the District acquired two fire apparatuses totaling \$858,650. However, the District failed to title either fire truck in the name of the District, rather the assets are titled to the Amelia Volunteer Fire Department (AVFD). During the fiscal year ended September 30, 2014, the District purchased immovable property in the amount of \$470,176, which is also titled in the name of AVFD. Although there is a cooperative endeavor in place, which requires, upon the AVFD's dissolution, transfer of assets titled to the AVFD, but paid with funds of the District, the agreement does not consider, or preclude, the District from potential liens or other liabilities to which the District could be subject, at no fault of the District, since the assets are titled to the AVFD. Furthermore, one of the fire trucks acquired during the fiscal year ended September 30, 2018 was financed in the name of the District, but titled to the AVFD, and the lease agreement constitutes a capital lease in which the District failed to record.

RECOMMENDATION: We recommend the District, with the assistance of legal counsel, update the terms and conditions of the cooperative endeavor agreement with AVFD. We also recommend the District, with the assistance of legal counsel and the Louisiana Attorney General, determine whether the holding of title for capital items purchased with public funds by the AVFD is appropriate. The District should also implement policies and procedures to ensure accounting records reflect activities.

CURRENT STATUS: See schedule of audit results and findings item 2019-003.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2019

Part I. Summary of auditor's results:

Financial Statements

1. Type of auditor's report issued on financial statements:

Opinion Unit	Type of Opinion
Governmental activities	Unmodified
Major fund- General	Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified?	✓	yes	_____	no
Significant deficiency(ies) identified?	_____	yes	_____	✓ none reported

3. Noncompliance material to the financial statements?

_____ ✓ yes _____ no

Other

4. Management letter issued?

_____ yes _____ ✓ no

Part II. Findings relating to an audit in accordance with *Government Auditing Standards*:

A. Internal Control

2019-001 Segregation of Duties

Year Initially Occurring: Unknown

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The District's internal control over financial reporting includes those policies and procedures that pertain to the District's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the condition is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2019

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

2019-002 Financial Reporting

Year Initially Occurring: Unknown

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

CRITERIA: The District's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the auditor as part of the internal control process.

EFFECT: Financial statements and related notes may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance

2019-003 Titling of Capital Assets

Year Initially Occurring: 2014

CONDITION: During the fiscal year ended September 30, 2018, the District acquired two fire apparatuses totaling \$858,650. However, the District failed to title either purchase in the name of the District, rather the assets are titled to the Amelia Volunteer Fire Department (AVFD). During the fiscal year ended September 30, 2014, the District purchased immovable property in the amount of \$470,176, which is also titled in the name of AVFD. Although there is a cooperative endeavor in place, which requires, upon the AVFD's dissolution, the transfer of assets titled to the AVFD, but paid with funds of the District, the agreement does not consider, preclude, or hold the District harmless from potential claims, judgments, liens or other liabilities to which the District could be subject, at no fault of the District, since the assets are titled to the AVFD. The District maintains other assets which are also titled in the name of AVFD.

CRITERIA: Article VII, Section 14(a) of the Louisiana Constitution of 1974 states, in part, "[E]xcept as otherwise provided in the Constitution, the funds, credit, property, or things of

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2019

value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private”.

CAUSE: The condition results from lack of clarity and legality of content within the cooperative endeavor causing the District’s failure to title assets in the name of the District.

EFFECT: Certain assets of the District are not titled as such, exposing the District to potential liabilities related to the actions of the AVFD.

RECOMMENDATION: The District, with the assistance of legal counsel, should update the terms and conditions of the cooperative endeavor agreement with AVFD. We also recommend the District, with the assistance of legal counsel and the Louisiana Attorney General, determine whether the holding of title for capital items purchased with public funds by the AVFD is appropriate.

2019-004 Appraisal of Immovable Property

Year Initially Occurring: 2014

CONDITION: During the year ended September 30, 2014, the District acquired immovable property in the amount of \$470,176 but did not obtain an appraisal of the property prior to the acquisition. An appraisal performed during the year ended September 30, 2019 provided a retrospective value of \$131,900 as of the approximate date of acquisition, March 24, 2014. The property value as of the date of the appraisal, April 30, 2019, was \$179,000.

CRITERIA: RS 33:4712.10 states, in pertinent part, “no political subdivision shall purchase immovable property with a value greater than three thousand dollars unless prior to such purchase the property has been appraised by a qualified appraiser.” Further, Article VII, Section 14(a) of the Louisiana Constitution of 1974 states, in part, “[E]xcept as otherwise provided in the Constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private”.

CAUSE: The condition results from a failure to comply with applicable statutory and constitutional provisions.

EFFECT: The District may have violated RS 33:4712.10 and Article VII, Section 14(a) of the Louisiana Constitution of 1974.

RECOMMENDATION: The District should consult with legal counsel regarding appropriate action. The District should also comply with the provisions of state statutes and the Louisiana Constitution of 1974 regarding future purchases of immovable property.

Part III. Findings and questioned costs reported in accordance with the Uniform Guidance:

The requirements of the Uniform Guidance are not applicable.

CORRECTIVE ACTION PLAN FOR CURRENT AUDIT FINDINGS

APPENDIX A

St. Mary Parish Fire Protection District No. 3
P.O. Box 921
Amelia, LA 70340

June 3, 2020

Kolder, Slaven & Company, LLC
1201 David Drive
Morgan City, LA 70380

The following is in response to the findings resulting from the St. Mary Parish Fire Protection District No. 3's audit for the fiscal year ended September 30, 2019:

2019-001 Segregation of Duties

Accounting and financial functions are not adequately segregated.

Management's Response

Corrective Action Plan: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties. We were advised that a response to this issue is not required.

Name of contact person responsible for corrective action: As described above, corrective action is not considered necessary.

Anticipated completion date for the corrective action: As described above, corrective action is not considered necessary.

2019-002 Financial Reporting

Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

Management's Response

Corrective Action Plan: The Board of Commissioner's has determined that it would be more cost effective to outsource the preparation of the District's financial statement to its independent auditors rather than incur the costs to employ someone with the appropriate skill and expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Name of the person responsible for corrective action: As described above, corrective action is not considered necessary.

Anticipated completion date for the corrective action: As described above, corrective action is not considered necessary.

2019-003 Titling of Capital Assets

During the fiscal year ended September 30, 2018, the District acquired two fire apparatuses totaling \$858,650. However, the District failed to title either purchase in the name of the District, rather the assets are titled to the Amelia Volunteer Fire Department (AVFD). During the fiscal year ended September 30, 2014, the District purchased immovable property in the amount of \$470,176, which is also titled in the name of AVFD. Although there is a cooperative endeavor in place, which requires, upon the AVFD's dissolution, the transfer of assets titled to the AVFD, but paid with funds of the District, the agreement does not consider, preclude, or hold the District harmless from potential claims, judgments, liens or other liabilities to which the District could be subject, at no fault of the District, since the assets are titled to the AVFD. The District maintains other assets which are also titled in the name of AVFD.

Management's Response

Corrective Action Plan: We will, with the assistance of legal counsel, will update the terms and conditions of the cooperative endeavor agreement with AVFD. We will also, with the assistance of legal counsel and the Louisiana Attorney General, determine whether the holding of title for capital items purchased with public funds by the AVFD is appropriate.

Name of contact person responsible for corrective action: Bonnie Duhon, Vice-Chairwoman

Anticipated completion date for the corrective action : September 30, 2020

2019-004 Appraisal of Immovable Property

During the year ended September 30, 2014, the District acquired immovable property in the amount of \$470,176 but did not obtain an appraisal of the property prior to the acquisition. An appraisal performed during the year ended September 30, 2019 provided a retrospective value of \$131,900 as of the approximate date of acquisition, March 24, 2014. The property value as of the date of the appraisal, April 30, 2019, was \$179,000.

Corrective Action: We will consult with legal counsel regarding appropriate action. We will also comply with the provisions of state statutes and the Louisiana Constitution of 1974 regarding future purchases of immovable property.

Name of contact person responsible for corrective action: Bonnie Duhon, Vice-Chairwoman

Anticipated completion date for the corrective action: September 30, 2020

Sincerely, *Bonnie Duhon*

**FIRE PROTECTION DISTRICT NO. 3
OF THE PARISH OF ST. MARY**

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2018 through September 30, 2019

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES TO CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

To the Board of Commissioners
Fire Protection District No. 3 of the Parish of St. Mary, and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Fire Protection District No. 3 of the Parish of St. Mary (hereinafter "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019, as required by the *Louisiana Governmental Audit Guide*. The District's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the provisions of *Government Auditing Standards*, issued by the Comptroller General of the United States, applicable to attestation engagements. The sufficiency of these procedures is solely the responsibility of the District and the LLA. 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 exceptions are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

Written policies and procedures were obtained and address the functions noted above, with the exception of budget preparation.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Written policies and procedures were obtained but do not specifically address the functions noted above, with the exception of (5) documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving.

Written policies and procedures were obtained but do not specifically address any of the functions noted above.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Written policies and procedures were obtained but do not specifically address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained but do not specifically address the functions noted above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Written policies and procedures were obtained but do not specifically address the functions noted above, with the exception of (3) legal review.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

The District does not maintain any type of credit cards; therefore, no written policies and procedures have been adopted.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Written policies and procedures were obtained and expressly state that reimbursement for travel and related expenses are not permitted.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Written policies and procedures were obtained but do not specifically address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were obtained but do not specifically address the functions noted above.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Written policies and procedures could not be obtained.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were found as a result of this procedure.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Minutes do not reference or include monthly budget-to-actual comparisons or monthly financial statements.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Obtained and reviewed prior year audit report noting that the ending unassigned fund balance in the general fund was not negative.

Bank Reconciliations

3. 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 the corresponding bank statement and reconciliation for selected each account, and observe that:

Obtained a listing of client bank accounts from management, which identified the District's main operating account, and management's representation that the listing is complete. Selected the District's main operating account, the only account that is part of the District's daily business operations.

- 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);

Unable to determine. Bank reconciliations did not evidence date of preparation.

- 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

Bank reconciliations did not evidence review by a member of management/board member who does not handle cash, post ledgers, or issue checks.

- 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.

No reconciling items that have been outstanding for more than twelve (12) months identified.

Collections (excluding EFTs)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Selected the District's one (1) deposit site.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies and procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Obtained a listing of collection locations for the District's deposit site and management's representation that the listing is complete. Selected the District's one (1) collection location.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions found as a result of this procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The employee responsible for preparing/making bank deposits is also responsible for collecting cash with no other employee/official responsible for reconciling collection documentation to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions found as a result of this procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions found as a result of this procedure.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions found as a result of this procedure

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

Randomly selected two (2) deposit dates and obtained supporting documentation for the two (2) deposits.

- a) Observe that receipts are sequentially pre-numbered.

Not applicable to the District's operations.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions found as a result of this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions found as a result of this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Collection documentation for one (1) of the two (2) deposits selected did not evidence date of collection. Therefore, timeliness of deposit could not be determined. No other exceptions found as a result of this procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions found as a result of this procedure.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Obtained a listing of locations that process payments and management's representation that the listing is complete. Selected the District's one (1) location where payments are processed.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Obtained a listing of employees involved with non-payroll purchasing and payment functions and inquired of employees about their job duties.

- a) At least two employees are involved in initiating a purchase request, approving a purchase and placing an order/making the purchase.

No exceptions found as a result of this procedures, with the exception of routine purchases which do not require more than one employee be involved in initiating, approving or placing an order/making the purchase.

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

No exceptions found as a result of this procedure.

- 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.

The District does not maintain 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.

The employee responsible for processing payments is also responsible for mailing payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Obtained the District's disbursement transaction population and management's representation that the population is complete. Randomly selected five (5) disbursements for the District's one (1) location and obtained supporting documentation.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions found as a result of this procedure.

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

No exceptions found as a result of this procedure.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Obtained management's representation that the District maintains no credit cards, bank debit cards, fuel cards, or P-cards. Therefore, the procedures described below are not applicable.

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

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

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

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Obtained management's representation that no travel or travel-related expense reimbursements were disbursed during the fiscal period. Such expenditures are not permitted under the District's adopted policies and procedures. Therefore, the procedures described below are not applicable.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained a listing of employees employed during the fiscal period and management's representation that the listing is complete. Selected the District's four (4) employees and agreed paid salaries to authorized salaries in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

The District's employees are salaried firefighters whose duties include a rotation of 24-hour "on-call" time. Therefore, daily attendance is not documented. Leave records were properly maintained.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions found as a result of this procedure, as applicable to the District.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions found as a result of this procedure.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Obtained management's representation that no termination payments were disbursed during the fiscal period.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions were found as a result of this procedure.

Ethics

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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

Other

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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

Management's Response

The District concurs with the exceptions and is working to address the deficiencies identified.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. This report is intended solely for the information of and use by the District's management and the LLA and should not be used by anyone other than those specified parties. Accordingly, this report is not suitable for any other purpose 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 LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
June 3, 2020