

**ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 5**

Audit of Financial Statements

December 31, 2018



Contents

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

Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements	
Governmental Fund	
Balance Sheet	8
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balance	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	11
Notes to Financial Statements	12 - 25

Required Supplementary Information

Budgetary Comparison Schedule (Budgetary Basis) - General Fund	27
Note to Budgetary Comparison Schedule	28
Schedule of District's Proportionate Share of the Net Pension Liability	29
Schedule of District's Contributions	30

Other Supplementary Information

Schedule of Compensation, Benefits, and Other Payments to Agency Head	32
---	----

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33 - 34
---	---------

Schedule of Findings and Responses	35
------------------------------------	----

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 5
Folsom, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major and non-major funds of St. Tammany Parish Fire Protection District No. 5 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 and non-major funds of the District as of December 31, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the supplementary schedules required by Governmental Accounting Standards Board (GASB) Statement No. 68 on pages 27-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information 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 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019, on our consideration of St. Tammany Parish Fire Protection District No. 5'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.

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

A Professional Accounting Corporation

Covington, LA
May 15, 2019

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Statement of Net Position
December 31, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 259,089
Receivables - Ad Valorem Taxes, Net	736,933
Receivables - State Revenue Sharing	20,255
Capital Assets, Net of Accumulated Depreciation	<u>1,034,646</u>
Total Assets	<u>2,050,923</u>
Deferred Outflows of Resources	
Pensions	<u>139,846</u>
Liabilities	
Accounts Payable	15,260
Accrued Expenses	11,859
Accrued Interest	6,103
Noncurrent Liabilities	
Capital Leases	
Due in One Year	29,625
Due in More than One Year	273,326
Compensated Absences	35,019
Net Pension Liability	<u>385,964</u>
Total Liabilities	<u>757,156</u>
Deferred Inflows of Resources	
Pensions	<u>50,079</u>
Net Position	
Net Investment in Capital Assets	731,695
Restricted	19,712
Unrestricted	<u>632,127</u>
Total Net Position	<u><u>\$ 1,383,534</u></u>

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Statement of Activities
For the Year Ended December 31, 2018

Function/Program	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities				
Public Safety - Fire Protection	\$ 1,115,148	\$ 4,666	\$ 52,260	\$ (1,058,222)
Interest on Long-Term Debt	12,511	-	-	(12,511)
Total	\$ 1,127,659	\$ 4,666	\$ 52,260	(1,070,733)
General Revenues				
Ad Valorem Taxes				880,625
Intergovernmental Revenues				
State Revenue Sharing				30,763
Fire Insurance Premium Tax				28,211
Supplemental Pay				21,462
Other Income				17,415
Total General Revenues				978,476
Change in Net Position				(92,257)
Net Position, Beginning of the Year				1,475,791
Net Position, End of Year				\$ 1,383,534

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUND**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Non-Major Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 239,277	\$ 19,812	\$ 259,089
Receivables - Ad Valorem Taxes, Net	736,933	-	736,933
Receivables - State Revenue Sharing	20,255	-	20,255
Total Assets	\$ 996,465	\$ 19,812	\$ 1,016,277
Liabilities			
Accounts Payable	\$ 15,160	\$ 100	\$ 15,260
Accrued Expenses	11,859	-	11,859
Total Liabilities	27,019	100	27,119
Deferred Inflows of Resources			
Unavailable Ad Valorem Taxes	6,739	-	6,739
Total Deferred Inflows of Resources	6,739	-	6,739
Fund Balance			
Unassigned	962,707	-	962,707
Restricted	-	19,712	19,712
Total Fund Balance	962,707	19,712	982,419
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 996,465	\$ 19,812	\$ 1,016,277

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2018

Total Fund Balance	\$ 982,419
Amounts reported for governmental activities in the statements of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,034,646
Deferred inflows of resources - unavailable ad valorem taxes are not reported on government-wide financial statements.	6,739
Deferred inflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	(50,079)
Deferred outflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	139,846
Long-term liabilities, including certificates of indebtedness, capital leases, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Accrued Interest	(6,103)
Accrued Compensated Absences Payable	(35,019)
Capital Leases	(302,951)
Net Pension Liability	(385,964)
	<u> </u>
Net Position of Governmental Activities	<u>\$ 1,383,534</u>

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2018

	General Fund	Non-Major Fund	Total Governmental Funds
Revenues			
Ad Valorem Taxes	\$ 889,545	\$ -	\$ 889,545
Intergovernmental Revenues			
State Revenue Sharing	30,763	-	30,763
Fire Insurance Premium Tax	28,211	-	28,211
Supplemental Pay	21,462	-	21,462
Grant Revenue	4,666	52,260	56,926
Total Revenues	974,647	52,260	1,026,907
Expenditures			
Public Safety - Fire Protection			
Salaries and Benefits	656,546	-	656,546
Operations and Repairs	59,258	-	59,258
Equipment and Supplies	54,077	-	54,077
Insurance	37,062	-	37,062
Professional Fees	26,068	3,040	29,108
Dispatcher Fees	28,459	-	28,459
Utilities	27,966	-	27,966
Other	23,550	-	23,550
Training	8,551	-	8,551
Office Supplies	1,758	-	1,758
Capital Outlay	28,243	47,005	75,248
Debt Service - Principal	28,495	-	28,495
Debt Service - Interest	12,511	-	12,511
Total Expenditures	992,544	50,045	1,042,589
Net Change in Fund Balance	(17,897)	2,215	(15,682)
Fund Balance, Beginning of Year	980,604	17,497	998,101
Fund Balance, End of Year	\$ 962,707	\$ 19,712	\$ 982,419

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balance	\$ (15,682)
-----------------------------------	--------------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(69,223)
---	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Change in Unavailable Ad Valorem Taxes	(8,920)
--	---------

The issuance of long-term debt (e.g., certificates of indebtedness, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	28,495
---	--------

Governmental funds report retirement contributions as expenditures, but pension expense on the statement of activities includes the change in net pension liability as well as the change in deferred inflows and outflows of resources related to pensions.	(18,035)
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in Accrued Interest	500
Change in Compensated Absences Payable	<u>(9,392)</u>

Change in Net Position of Governmental Activities	<u>\$ (92,257)</u>
--	---------------------------

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The St. Tammany Parish Fire Protection District No. 5 (the District) was created by St. Tammany Parish (the Parish), as provided by Louisiana Revised Statute (LRS) 40:1492. The District was created to acquire, maintain, and operate buildings, machinery, equipment, water tanks, water hydrants, and water lines, and any other things necessary to provide proper fire prevention and control within the district limits. The administration of the District is governed by a Board of Commissioners consisting of five members. Two members are appointed by St. Tammany Parish and two by the governing body of the Town of Folsom. The fifth member is selected by the other four members and serves as chairman. Vacancies are filled by the bodies making the original appointments.

The District operates four fire stations; however, only two are manned with district personnel. The District provides fire protection and emergency medical services to an area covering approximately 90 square miles. Fire protection services are provided by volunteers and approximately three full-time paid firefighters, and one full-time fire chief.

Governmental Accounting Standards Board Statement No. 14, *The Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a component unit of St. Tammany Parish, which appoints two of the district board members and has the ability to impose its will on the Board. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63 in June 2011.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District's funds are classified as governmental-type activities.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain district functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The 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 the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Major Fund: The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Non-Major Fund: The Radio Grant Special Revenue Fund is used to account for grant funds used to purchase radio equipment for the District.

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

Cash and Cash Equivalents and Investments

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

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

Receivables

All receivables are reported net of estimated uncollectible amounts. The allowance for uncollectible amounts was \$37,034, which represents 4% of the total ad valorem tax receivable at December 31, 2018. This estimate is based on the District's history of collections within this revenue stream.

Capital Assets

Capital assets are reported in the governmental activity column in the government-wide financial statements. 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 \$5,000 or more for capitalizing capital assets.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

In the fund financial statements, capital assets used in the governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Description	Estimated Lives
Buildings	40 Years
Fire Trucks	15 Years
Firefighting Equipment	5 - 10 Years
Vehicles	5 Years
Furniture and Fixtures	5 Years

Total depreciation expense for the year ended December 31, 2018, was \$144,471.

Compensated Absences

The District's full-time employees shall be entitled to and given, with full pay, sick leave aggregating no less than fifty-two (52) weeks during a calendar year for any sickness or injury or incapacity not brought about by their own negligence or culpable indiscretion. Also, after having served one (1) year, full-time employees shall be entitled to an annual vacation of eighteen (18) calendar days with full pay. This vacation period shall be increased one day for each year of service over ten (10) years, up to a maximum vacation period of thirty (30) days, all of which shall be with full pay. Unused accumulated sick and vacation leave are paid only upon approval of the Board of Commissioners. At December 31, 2018, the District had compensated absences of \$35,019, which is reported as a liability on the statement of net position.

Long-Term Debt

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

In the fund financial statements, the face amount of any debt issued is reported as other financing sources. Expenditures for principal and interest payments for long-term obligations are recognized in the General Fund when paid.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions

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

Equity Classifications

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

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

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

1. *Unassigned Fund Balance* - All amounts not included in spendable classifications.

Budget Policies

The District adopts an annual budget for the General Fund on the cash basis of accounting. The budget is legally adopted and amended as necessary by the District. All budgeted amounts which are not expended or obligated through contracts lapse at year-end.

Estimates

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Policies

The GASB issued Statement No. 85, *Omnibus 2017*, in March 2017. The objective of GASB 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits - OPEB). This implementation did not significantly impact the financial statements or notes.

New Accounting Pronouncements

The GASB issued Statement No. 87, *Leases*, in June 2017. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Management is still evaluating the potential impact of adoption on the District's financial statements. This Statement will be effective for the District for the fiscal year ending December 31, 2020.

Note 2. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2018:

Non-Interest-Bearing Demand Deposits	<u>\$ 259,089</u>
--------------------------------------	-------------------

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018, \$22,042 of the District's bank balance was exposed to custodial credit risk. However, these deposits were secured from risk by the pledge of securities owned by the fiscal agent bank.

Note 3. Levied Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year. Taxes are levied by the District during the year and billed to taxpayers and become due in November. Billed taxes become delinquent on December 31st of each year. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when levied, to the extent that they are determined to be currently collectible. The St. Tammany Parish Sheriff bills and collects property taxes using the assessed value determined by the Tax Assessor of St. Tammany Parish.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 40,577	\$ -	\$ -	\$ 40,577
Capital Assets, Being Depreciated				
Buildings	655,533	-	-	655,533
Fire Trucks	1,170,003	-	-	1,170,003
Firefighting Equipment	649,979	47,005	-	696,984
Vehicles	111,350	28,243	-	139,593
Furniture and Fixtures	13,770	-	-	13,770
Total Capital Assets, Being Depreciated	2,600,635	75,248	-	2,675,883
Less Accumulated Depreciation for:				
Buildings	(322,108)	(16,723)	-	(338,831)
Fire Trucks	(683,234)	(65,688)	-	(748,922)
Firefighting Equipment	(411,077)	(56,921)	-	(467,998)
Vehicles	(107,154)	(5,139)	-	(112,293)
Furniture and Fixtures	(13,770)	-	-	(13,770)
Total Accumulated Depreciation	(1,537,343)	(144,471)	-	(1,681,814)
Total Capital Assets, Being Depreciated, Net	1,063,292	(69,223)	-	994,069
Total Capital Assets, Net	\$ 1,103,869	\$ (69,223)	\$ -	\$ 1,034,646

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 5. Capital Leases

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

Lease dated May 24, 2016 for the acquisition of two 2016 Class A pumper fire trucks maturing on May 20, 2028, with twelve annual payments of \$35,274 with interest.	\$ 292,169
Lease dated August 22, 2016 for the acquisition of an emergency rescue boat maturing on January 22, 2021, with annual payments of \$5,732 with interest.	<u>10,782</u>
	302,951
Less: Due in One Year	<u>(29,625)</u>
Capital Leases - Long-Term Portion	<u>\$ 273,326</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, are as follows:

Year Ending December 31,	Amount
2019	\$ 41,006
2020	41,006
2021	35,274
2022	35,274
2023	35,274
2024-2028	<u>176,375</u>
Total Minimum Lease Payments	364,209
Less: Amount Representing Interest	<u>(61,258)</u>
Present Value of Minimum Lease Payments	<u>\$ 302,951</u>

At December 31, 2018, the book value of the fire trucks was \$267,750 and the book value of the emergency rescue boat was \$11,679.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 6. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2018:

	Capital Lease	Net Pension Liability	Compensated Absences	Total
Payable at January 1, 2018	\$ 331,446	\$ 337,517	\$ 25,627	\$ 694,590
Additions	-	49,447	9,392	58,839
Retired	(28,495)	-	-	(28,495)
Payable at December 31, 2018	\$ 302,951	\$ 386,964	\$ 35,019	\$ 724,934

Note 7. Louisiana Firefighters' Retirement System Pension

Plan Description and Provisions

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

Eligibility Requirements

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 7. Louisiana Firefighters' Retirement System Pension (Continued)

Retirement Benefits

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

Deferred Retirement Option Plan

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

Initial Benefit Option Plan

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

Employer Contributions

Employer contributions are actuarially determined each year. For the plan year ended June 30, 2018, employer and employee contributions for members above the poverty line were 26.50% and 10.00%, respectively. For the plan year ending June 30, 2019, employer and employee contributions for members above the poverty line are 26.50% and 10.00%, respectively.

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

At December 31, 2018, the District reported a liability of \$385,964 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and was determined by actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all governments, actuarially determined. At June 30, 2018, the District's proportion was .067100%.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 7. Louisiana Firefighters' Retirement System Pension (Continued)

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

For the year ended December 31, 2018, the District recognized pension expense of \$63,865. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 29,376
Net Difference between Projected and Actual Earnings on Pension Plan Investments	25,097	-
Changes in Proportion	64,889	20,642
Changes in Assumptions	26,925	61
District Contributions Subsequent to the Measurement Date	22,935	-
Total	\$ 139,846	\$ 50,079

In the year ended December 31, 2019, \$22,935 reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date will be recognized. Other amounts reported as deferred inflows of resources and deferred outflows of resources will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2019	\$ 36,597
2020	21,917
2021	(6,597)
2022	5,079
2023	3,310
2024	6,526
Total	\$ 66,832

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 7. Louisiana Firefighters' Retirement System Pension (Continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining net pension liability as of December 31, 2018, are as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Lives	7 Years
Investment Return	7.30%
Inflation Rate	2.70%
Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Cost-of-Living Adjustments	Only those previously granted

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

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation, 2.75%. The long-term expected nominal rate of return was 8.09%, as of June 30, 2018.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 7. Louisiana Firefighters' Retirement System Pension (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Long-Term Target Asset Allocation	Expected Portfolio Real Rate of Return
Fixed Income	26%	1.76%
U.S. Equity	22%	6.14%
Non-U.S. Equity	22%	7.46%
Global Equity	10%	6.74%
Real Estate	6%	4.38%
Private Equity	4%	8.73%
Global Tactical Asset Allocation	5%	4.31%
Risk Parity	5%	4.89%
	100%	

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the District using the discount rate of 7.30% as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (6.30%) or one percentage point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
District's Proportionate Share of the Net Pension Liability	\$ 563,213	\$ 385,964	\$ 237,014

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5

Notes to Financial Statements

Note 8. Compensation Paid to Commission Members

The schedule of compensation paid is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Compensation paid to the Board of Commissioners of the District for the year ended December 31, 2018, was as follows:

Mike Sanders	\$	1,000
Shawn Williams		1,000
William Mehaffey		1,100
Ken Wilt		1,200
Alvin J. Roussel, Jr.		1,100
		<hr/>
Total	\$	5,400

Note 9. Litigation and Claims / 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 attempts to minimize risk from significant losses through the purchase of commercial insurance.

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

For the year ended December 31, 2018, the State of Louisiana made on-behalf payments in the form of supplemental pay to three of the District's firemen. In accordance with GASB 24, the District has recorded \$21,462 of on-behalf payments as revenue and as expense.

REQUIRED SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Budgetary Comparison Schedule (Budgetary Basis)
General Fund
For the Year Ended December 31, 2018

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 840,077	\$ 895,433	\$ 895,433	\$ -
Intergovernmental Revenues				
State Revenue Sharing	30,000	30,763	30,763	-
Fire Insurance Premium Tax	27,002	28,211	28,211	-
Supplemental Pay	-	-	21,462	21,462
Grant Revenue	-	4,666	4,666	-
Total Revenues	897,079	959,073	980,535	21,462
Expenditures				
Public Safety - Fire Protection				
Salaries and Benefits	561,100	637,934	659,397	(21,463)
Operations and Repairs	69,000	60,552	63,199	(2,647)
Equipment and Supplies	17,700	19,301	64,619	(45,318)
Insurance	44,216	47,291	47,291	-
Professional Fees	37,000	32,433	32,433	-
Dispatcher Fees	26,290	19,393	30,428	(11,035)
Utilities	16,000	17,160	27,966	(10,806)
Other	39,541	31,938	24,567	7,371
Training	8,000	8,551	8,551	-
Office Supplies	500	739	1,758	(1,019)
Capital Outlay	35,000	92,862	28,243	64,619
Debt Service - Principal	30,221	28,495	28,495	-
Debt Service - Interest	12,511	12,511	12,511	-
Total Expenditures	897,079	1,009,160	1,029,458	(20,298)
Net Change in Fund Balance	\$ -	\$ (50,087)	(48,923)	\$ 1,164
Fund Balance, Beginning of Year			288,200	
Fund Balance, End of Year			\$ 239,277	

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Note to Budgetary Comparison Schedule
For the Year Ended December 31, 2018

Note A. Reconciliation of Budgetary Basis to GAAP Basis

The District maintains its accounting records and prepares and adopts its budget under the cash basis of accounting. Accounting principles generally accepted in the United States of America (GAAP) require the statement of revenues, expenditures, and changes in fund balance for the General Fund to be reported using the modified accrual basis of accounting. The budgetary comparison schedule is presented using the cash basis, which is the same as the legally adopted budget. Reconciliation to the GAAP basis has been provided below:

	Actual Amounts (Budgetary Basis)	Budget to GAAP Differences Over (Under)	Actual Amounts (GAAP Basis)
Revenues			
Ad Valorem Taxes	\$ 895,433	\$ (5,888)	\$ 889,545
Intergovernmental Revenues			
State Revenue Sharing	30,763	-	30,763
Fire Insurance Premium Tax	28,211	-	28,211
Supplemental Pay	21,462	-	21,462
Grant Revenue	4,666	-	4,666
Total Revenues	980,535	(5,888)	974,647
Expenditures			
Public Safety - Fire Protection			
Salaries and Benefits	659,397	2,851	656,546
Operations and Repairs	63,199	3,941	59,258
Equipment and Supplies	64,619	10,542	54,077
Insurance	47,291	10,229	37,062
Professional Fees	32,433	6,365	26,068
Dispatcher Fees	30,428	1,969	28,459
Utilities	27,966	-	27,966
Other	24,567	1,017	23,550
Training	8,551	-	8,551
Office Supplies	1,758	-	1,758
Capital Outlay	28,243	-	28,243
Debt Service - Principal	28,495	-	28,495
Debt Service - Interest	12,511	-	12,511
Total Expenditures	1,029,458	36,914	992,544
Excess (Deficiency) of Revenues Over Expenditures	(48,923)	31,026	(17,897)
Net Change in Fund Balance	(48,923)	31,026	(17,897)
Fund Balance, Beginning of Year	288,200	692,404	980,604
Fund Balance, End of Year	\$ 239,277	\$ 723,430	\$ 962,707

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Schedule of District's Proportionate Share of the
Net Pension Liability
For the Year Ended December 31, 2018

	2018	2017	2016	2015
District's Portion of the Net Pension Liability	0.067100%	0.058710%	0.064296%	0.063507%
District's Proportionate Share of the Net Pension Liability	\$ 385,964	\$ 337,517	\$ 421,554	\$ 342,754
District's Covered-Employee Payroll	\$ 159,754	\$ 140,601	\$ 144,991	\$ 134,965
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	241.60%	240.05%	312.30%	249.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.76%	73.55%	68.15%	72.45%

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

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Schedule of District's Contributions
For the Year Ended December 31, 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 44,337	\$ 38,769	\$ 37,039	\$ 38,703
Contributions in Relation to the Contractually Required Contribution	<u>(44,337)</u>	<u>(38,769)</u>	<u>(37,039)</u>	<u>(38,703)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 167,310	\$ 149,630	\$ 134,983	\$ 137,447
Contributions as a Percentage of Covered-Employee Payroll				
January 1, 2018 to June 30, 2018	26.50%	25.25%	27.25%	29.25%
July 1, 2018 to December 31, 2018	26.50%	26.50%	25.25%	27.25%

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2018

Agency Head
Chief James D. Pittman

Purpose	Amount
Salary *	\$95,030
Benefits - Insurance	\$420
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

* This amount includes the State Supplemental Pay of \$6,000 YTD.

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 5
Folsom, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and the major fund of St. Tammany Parish Fire Protection District No. 5 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 15, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

A Professional Accounting Corporation

Covington, LA
May 15, 2019

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 5
Schedule of Findings and Responses
For the Year Ended December 31, 2018

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| c. Noncompliance material to the financial statements? | No |
| d. Other matters identified? | No |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

Part III - Compliance and Other Matters

None.

AGREED-UPON PROCEDURES REPORT

St. Tammany Parish Fire Protection District No. 5

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period of January 1, 2018 - December 31, 2018

To the Management of
St. Tammany Parish Fire Protection District No. 5
and the Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the St. Tammany Parish Fire Protection District No. 5 (the District) and the Louisiana Legislative Auditor (the specified parties) on the District's internal controls and compliance with certain laws and regulations as selected by the Louisiana Legislative Auditor in accordance with Act 774 of the 2014 Regular Legislative Session. The District's management is responsible for its financial records, its internal control, and compliance with applicable laws and regulations. The sufficiency of these procedures is solely the responsibility specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose.

The procedures and associated results are as follows:

Payroll and Personnel (follow-up)

1. Obtain a listing of employees with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees, obtain their personnel files, and:
 - a) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: We obtained a listing of employees with their related salaries, and obtained management's representation that the listing is complete. We randomly selected 5 employees, obtained their personnel files, and noted no exceptions in our testing of 1a.

Bank Reconciliations

1. Obtain and inspect the entity's written policies and procedures over bank reconciliations and observe that they address (1) monthly bank statement reconciliations, (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 12 months from the statement closing date, if applicable.

Results: We obtained the District's written policies and procedures over bank reconciliations and noted the written policies and procedures did not address (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 12 months from the statement closing date.

2. 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 each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: We obtained a listing of the District's bank accounts for the fiscal period and management's representation that the listing is complete. We selected the District's main operating account and 3 additional accounts, which comprise all bank accounts utilized by the District.

For the 4 accounts tested under procedure 2b, we did not note on the bank reconciliations that a member of management/ board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

For the 4 accounts tested under procedure 2c, we noted only 1 account that was applicable for testing this procedure. For the 1 applicable account we tested, we did not note documentation that management has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

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

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

Results: We obtained and inspected the entity's written policies and procedures over purchasing and non-payroll disbursements and noted the policies and procedures did not address 1) how purchases are initiated; (2) how vendors are added to the vendor list; and (3) the preparation and approval process of purchase requisitions and purchase orders.

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

Results: We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. We selected the only location for testing.

3. For each location selected under #2 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: We obtained a listing of employees involved with non-payroll purchasing and payment functions. We obtained policies and procedures relating to employee job duties.

We noted no exceptions for procedures 3a, 3b, and 3d.

For procedure 3c, the District's written policies did not reference 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.

4. For each location selected under #2 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and observe that the disbursement matched the related original invoice/billing statement.

Results: We obtained the District's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and management's representation that the population is complete. Out of the 5 disbursements selected for testing, no exceptions were noted.

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

Results: Out of the 5 disbursements selected for testing from procedure #4, we noted no exceptions in our testing in relation to the segregation of duties tested under #3.

Ethics

1. Obtain and inspect the entity's written policies and procedures over ethics and observe that they address each of the following:
 - a) The prohibitions as defined in Louisiana Revised Statute 42:1111-1121;
 - b) Actions to be taken if an ethics violation takes place;
 - c) System to monitor possible ethics violations; and
 - d) Requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Results: We obtained and inspected the written policies and procedures over ethics and noted no exceptions in our testing.

2. Obtain a listing of employees (and elected officials) and obtain management's representation that the listing is complete. Randomly select five employees/officials, 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; and
 - 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.

Results: We obtained a listing of employees and elected officials and management's representation that the listing is complete. We randomly selected 5 employees for testing.

Out of the 5 employees tested for procedure 2a, ethics training documents could not be located for 2 employees.

Out of the 5 employees tested for procedure 2b, signature verification that the employees have read the ethics policy could not be located for the 5 employees.

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

This report is intended solely for the information and use of management of the St. Tammany Parish Fire Protection District No. 5 of St. Tammany Parish and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA
June 3, 2019

Mr. Daryl Purpera
Louisiana Legislative Auditor
1600 N 3rd St.
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Act 774 Agreed-upon Procedures

The management of the St. Tammany Parish Fire District No. 5 wishes to provide the following responses relative to the results of the 2018 Act 774 agreed-upon procedures engagement:

1. Bank reconciliations – The District will amend our policies and procedures over bank reconciliations to address items (2) and (3).
2. Bank reconciliations - The District will institute a procedure where a board member reviews and signs each bank reconciliation on a monthly basis. The District will also institute a procedure where items outstanding for more than 12 months are researched.
1. Non-Payroll Disbursements – The District will amend our policies and procedures to address items (1), (2), and (3).
2. Non-Payroll Disbursements – The District will amend our policies and procedures to address item c).
1. Ethics – The District will ensure that ethics training certificates are maintained in personnel file for each employee.
2. Ethics – The District will institute a procedure requiring all employees to verify by signature each year that they have read the ethics policy.

Sincerely,

David Pittman Chief

David Pittman
Chief