

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

ANNUAL FINANCIAL REPORT

**As of and for the year ended
September 30, 2019**

(With Accountant's Report Thereon)

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Annual Financial Report
As of and for the year ended
September 30, 2019
With Supplemental Information Schedule

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. George Fire Protection District No. 2
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and fund information of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise of St. George Fire Protection District No. 2 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, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 of the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant ant accounting estimates made by management, as well as evaluation the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of St George Fire Protection District No. 2 a component unit of the City of Baton Rouge, East Baton Rouge Parish, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis and budgetary comparison, schedule of changes in the districts total OPEB liability and related ratios, Schedule of Districts Proportionate Share of Net Pension Liability, the Schedule of Districts Contributions, the Notes to Required Supplementary Information 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the St. George Fire Protection District No. 2 basis financial statements. The individual schedule of compensation, benefits and other payments to agency head, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to agency head is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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 Audit Standards*, I have also issued my report dated February 11, 2020, on my consideration of St George Fire Protection District No. 2 internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. George Fire Protection District No. 2 internal control over financial reporting and compliance.



Michael K Glover APAC
Baton Rouge, LA
February 11, 2020

**St. George Fire Protection District No. 2
Baton Rouge, Louisiana
Management's Discussion and Analysis
For the Year Ended September 30, 2019**

The District provides emergency services to a 70 square mile area of East Baton Rouge Parish. The District is located in the southern portion of East Baton Rouge Parish. It includes East Baton Rouge Parish outside of the city limits of Baton Rouge with the parish line being the boundary on the eastern, western and southern ends and Harrell's Ferry Road being the northern boundary. The population of the District is approximately 106,500 and there are approximately 30,000 structures. The District is a separate government body and is governed by an appointed board of five citizens. This section of the District's financial report represents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2019.

The District has a total staff of 200 employees that provide fire protection and related services. This includes nine employees that provide administrative and office services.

The District continues to evaluate the fire protection needs in the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the St. George Fire Protection District No. 2's basic financial statements. The District's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplemental information. Please read it in conjunction with the District's financial statements which begin on page 7.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the St. George Fire Protection District No. 2's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the St. George Fire Protection District No. 2's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the St. George Fire Protection District No. 2 is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, the revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused sick leave).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The St. George Fire Protection District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information concerning the St. George Fire Protection District No. 2's performance and statistical information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's liabilities exceeded its assets by \$22,534,601 (net position), which represents an 8.8% decrease from September 30, 2018. The decrease in net position was mainly due to an increase in net pension liability. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The largest portion of the St. George Fire Protection District No. 2's net position reflects its investment in capital assets.

Capital assets of \$18,587,676 included eight fire stations and administrative building and campus, as of September 30, 2018, improvements, firefighting and other equipment and furniture and fixtures, net of accumulated depreciation.

The following provides a summary of the net position:

	<u>2019</u>	<u>2018</u>
Current and other assets	13,504,180	2,720,490
Capital Assets	<u>18,587,676</u>	<u>17,599,701</u>
Total Assets	32,309,607	25,366,991
Deferred outflows-Resources	9,973,866	5,046,800
Long-term Liabilities	57,637,479	39,915,272
Other liabilities	<u>3,569,162</u>	<u>3,398,854</u>
Total liabilities	\$61,206,641	\$46,062,752
Deferred inflows-Resources	3,611,433	2,748,626
Net Position:		
Invested in capital assets, net		
Of related debt	17,404,912	17,599,701
Committed	11,569,632	0
Unrestricted	<u>(51,509,145)</u>	<u>(38,295,462)</u>
Total net position	<u>\$ (22,534,601)</u>	<u>\$ (20,695,767)</u>
Revenues:		
Property taxes	\$ 20,917,404	\$ 20,407,929
Service charges	1,226,772	1,202,910
Intergovernmental revenues	714,263	1,284,015
Other revenues	<u>3,482,614</u>	<u>2,358,818</u>
Total	<u>\$ 25,154,871</u>	<u>\$ 25,204,654</u>

The District receives a millage of 12 mills for general operation, 1.25 mills for salary and benefits, 1.25 mills for capital improvements and debt service, and 1.50 mills for capital improvements and debt service. These taxes, which represent 83.1% of total revenue, increased by \$455,613 or approximately 2.2% from the period ending September 30, 2018

The following provides a summary of the changes in net position:

	<u>2019</u>	<u>2018</u>
Expenses	28,179,893	24,373,394
Increase (Decrease) in net position	(1,838,840)	842,143
Beginning net position	<u>(20,695,761)</u>	<u>(20,695,761)</u>
Ending net position	<u>\$ (22,534,601)</u>	<u>\$ (20,695,761)</u>

Some of the differences in revenues and expenditures between the current year and the prior year are as follows:

1. Property taxes increased by \$455,613 and service charges increased by \$23,862 primarily due to growth in the district.
2. Public safety-fire protection expenses increased by \$3,806,499 due to inflationary cost increases, staff raises, increased cost of healthcare, capital outlay projects, and the purchase of equipment.
3. Interest Income Increased by \$191,622 as well as an increase in interest expense of \$167,196 due to the construction bond draws.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Financial analysis of the changes in fund balance-governmental funds reflects the following highlights:

	<u>2019</u>	<u>2018</u>
Revenues		
Ad Valorem Taxes	\$20,917,404	\$20,351,413
Expenditures		
Personnel services and related benefits	\$18,760,617	\$17,070,981
Capital Outlay	\$ 2,212,894	\$ 1,277,752

BUDGETARY HIGHLIGHTS

The original budget was not revised during the year.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final Positive/(Negative)</u>
Revenues	\$26,021,179	\$25,073,338	\$25,154,871	\$ 81,533
Expenses	23,681,929	24,206,329	27,059,558	2,853,230
Other Sources of income (expense)	0	0	12,813,631	12,813,631
Excess (Deficiency) of revenues over expenditures	2,339,250	867,009	(1,904,687)	(2,771,697)

Original to Final Budget

Ad valorem taxes and service charges were less than budget by \$762,266 due to a decrease in expected millage value for the District.

Training exceeded Original budget by \$92,376 due to additional conferences and a program to cross train staff to familiarize them with additional procedures performed by other staff members.

Supplies exceeded Original budget by \$122,305 because of an increase in work force as well as the development of our medical program.

Capital outlay exceeded Original budget by \$235,000 due to the beginning of construction projects.

Final to Actual Budget

Training exceeded Final budget by \$83,322 due to additional conferences and a program to cross train staff to familiarize them with additional procedures performed by other staff members.

Supplies exceeded Final budget by \$121,009 because of an increase in work force as well as the development of our medical program.

Contractual Services exceeded Final budget by \$196,666 due to an increase in contracting services including auditing, accounting, and legal.

Capital outlay exceeded Final budget by \$1,977,895 due to the beginning of capital construction projects.

Loan proceeds exceeded Final budget by \$12,813,631 because the department does not budget loan proceeds.

CAPITAL ASSETS

At September 30, 2019, the District had \$18,587,676 of capital assets, net of accumulated depreciation. These assets are comprised of land, buildings, firefighting equipment, office furniture and equipment, etc.

LONG-TERM DEBT

Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions", was adopted during the year ended September 30, 2009. This standard establishes accounting standards for Post-Retirement Benefits Other Than Pensions (OPEB). The standards require accrual basis accounting for the OPEB obligation rather than the pay-as-you-go method. There was an increase in the net OPEB obligation of \$96,973 in the current year. More detailed information is available in the notes to the financial statements.

The District has capital lease with Motorola with a balance of \$813,631. The District also has a construction loan with a committed amount of \$16,500,000. The District received \$12,000,000 of this committed amount during the fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Gerard C. Tarleton, Fire Chief, St. George Fire Protection District located at 14100 Airline Highway, Baton Rouge, La. 70817.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
Governmental Fund Balance Sheet/Statement of Net Position
SEPTEMBER 30, 2019

Statement A

	Government Funds Balance Sheet	Adjustments*	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 13,135,078	369,102 (3)	\$ 13,504,180
Receivable	44,781		44,781
Deposits	57,526		57,526
Capital assets - net of accumulated depreciation		18,587,676 (1)	18,587,676
Prepaid expenses		115,444 (4)	115,444
Total Assets	13,237,385	19,072,222	32,309,607
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB		2,866,299	2,866,299
Related to net pension liability	-	7,107,567	7,107,567
Total Assets	\$ 13,237,385	9,973,866	9,973,866
LIABILITIES			
Accounts payable	\$ 302,579		302,579
Salary benefits payable	262,632		262,632
Accrued interest		158,352 (5)	158,352
Non-current liabilities:			
Due within one year		2,845,599 (3)	2,845,599
Due after one year		13,450,942 (3)	13,450,942
Net pension obligation		28,103,306 (3)	28,103,306
Other postemployment benefits payable.		16,083,231 (3)	16,083,231
Total Liabilities	565,211	60,641,430	61,206,641
DEFERRED INFLOWS OF RESOURCES			
Related to other post retirement benefits		956,851 (2)	956,851
Related to net pension liability		2,654,582 (2)	2,654,582
TOTAL DEFERRED INFLOWS OF RESOURCES	-	3,611,433	3,611,433
FUND BALANCE/NET POSITION			
Committed	11,569,632		11,569,632
Unassigned	1,102,542		
TOTAL FUND BALANCE	12,672,174		
TOTAL LIABILITIES, TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 13,237,385		
Net investment in capital assets net of related debt		17,404,912	17,404,912
Unrestricted		(39,939,513)	(51,509,145)
Total Net Position		\$ (22,534,601)	\$ (22,534,601)

*Explanations

- (1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the government funds.
- (2) Deferred inflows and outflows of resources relating to pensions and OPEB are not available to pay for current-period expenditures and, therefore are not reported in the governmental funds,
- (3) Long-term liabilities are not due and payable in the current period and, therefore, are to reported in the governmental funds.
- (4) Some expense required the use of current financial resources and therefore are not reported as an prepaid in the statement of net positions
- (8) Accrued interest on long-term debt is accrued in the statement of net position and expended in the government fund.

The notes and the independent auditor's report are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
Governmental Fund Revenues, Expenditures and Changes in
Fund Balance/Statement of Activities
For the year ended September 30, 2019

Statement B

	<u>Governmental Fund Revenue Expenditures and Changes in Fund Balance</u>	<u>Adjustments*</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Telecommunications	\$ 225,048		\$ 225,048
Personnel services and related benefits	18,760,617	3,837,646 (1)	22,598,263
Office supplies	25,929		25,929
Supplies	719,914		719,914
Utilities	150,335		150,335
Insurance	433,625	(109,344) (3)	324,281
Repairs and maintenance	562,212		562,212
Rental	166,719	4,700 (7)	171,419
Training	297,698		297,698
Legal and professional	270,212		270,212
Contractual services	1,219,001	14,060 (7)	1,233,061
Debt service	2,015,354	(2,015,354) (2)	-
Capital outlay	2,212,894	(2,212,895) (5)	(1)
Bad debt		53,862 (4)	53,862
Interest		322,739 (2)	322,739
Depreciation		1,224,921 (5)	1,224,921
Total expenditures/expenses	<u>27,059,558</u>		<u>28,179,893</u>
PROGRAM REVENUES			
Service charges	1,226,772		1,226,772
Operating grants and contributions	1,682,831		1,682,831
Capital grants and contributions	327,735		327,735
Total program revenues	<u>3,237,338</u>		<u>3,237,338</u>
NET PROGRAM EXPENSES			<u>24,942,555</u>
GENERAL REVENUES			
Ad valorem taxes	20,917,404		20,917,404
Non-employer retirement contributions		1,186,182 (6)	1,186,182
Intergovernmental revenues:			
State revenue sharing	330,992		330,992
Fire insurance tax	383,271		383,271
Interest income	264,787		264,787
Miscellaneous	21,079		21,079
Total general revenues	<u>21,917,533</u>		<u>23,103,715</u>
Excess (deficiency) of revenues over expenditure	(1,904,687)		NONE
Other sources of income (expenses):			
Loan proceeds	12,813,631	(12,813,631) (2)	-
	<u>12,813,631</u>		<u>-</u>
	10,908,944		
CHANGES IN NET POSITION	NONE		(1,838,840)
FUND BALANCE/NET POSITION			
Beginning of the year	1,763,230		(20,695,761)
End of the year	<u>\$ 12,672,174</u>		<u>(22,534,601)</u>

The notes and the independent auditor's report are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
Governmental Fund Revenues, Expenditures and Changes in
Fund Balance/Statement of Activities
For the year ended September 30, 2019

Statement B

*** Explanations**

- (1) Expenses of long-term obligations for compensated absences, pension plans and other post employment benefits reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.
- (2) Proceeds from borrowing provides current financial resources in the governmental funds while the payment of interest consumes the current resources and is recognized in the Statement of Activities.
- (3) Expenses were paid using current financial resources are expensed in the government funds.
- (4) Revenues previous considered collectible are considered a bad debt in the Statement of Activities.
- (5) The governmental funds reports capital outlays as expenditure while the Statement of Activities allocates the cost of those assets over their estimated useful lives as depreciation expense.
- (6) Revenues reported in the statement of activities that are not available to pay current obligations are not reported in the governmental funds.
- (7) Some expenses reported in the statement of activates do not require the use of current financial resources and therefore are not reported as expenditures in the government funds.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to Financial Statements
As of and for the Year ended September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. INTRODUCTION

On December 31, 1993, the Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge (City/Parish) created the Advisory Board as a Board of Commissioners that will govern the St. George Fire Protection District pursuant to Louisiana Revised Statutes 40:1491-1508 effective January 1, 1994. Article VI, Sections 15 and 19 of the Louisiana Constitution of 1974, authorized the Metropolitan Council to appoint 5 members to the Board of Commissions.

The St. George Fire Protection District No. 2 presently has eight stations to provide fire protection within their district. The District has approximately 201 employees.

B. Reporting Entity

As the governing authority of the parish, for reporting purposes, the City of Baton Rouge is the financial reporting entity for the Parish of East Baton Rouge. GASB Statement No. 14 established criteria for determining which component units should be considered part of the City of Baton Rouge and East Baton Rouge Parish for financial reporting purposes. The basis criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria includes:

1. Appointing a voting majority of an organizations governing body, and
 - a. The ability of the Metropolitan Council of the Parish of East Baton Rouge to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Metropolitan Council.
2. Organizations for which the Metropolitan Council does not appoint a voting majority but are fiscally dependent on the metropolitan council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significant of the relationship.

Because the Metropolitan Council appoints the members of the Board of Commissions, the District was determined to be a component unit of the City of Baton Rouge and East Baton Rouge Parish, 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 City of Baton Rouge and East Baton Rouge Parish, the general governmental units that comprise the financial reporting entity.

C. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange or exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions should be recognized in accordance with the requirements of GASB Codification Section N50.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation – Cont.

Government-Wide Financial Statements

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to the specific function. Program revenues include (a) supplemental wages paid by the State of Louisiana for qualified firefighters as per RS 40:1666 and (b) grants that are restricted to meeting operational or capital requirements of a specific program. Revenues that are not classified as program revenues, including all taxes, interest income and miscellaneous revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements provide reports on its financial condition and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Funds of the District are classified as governmental funds. Governmental funds account for districts general activities, including the collection and disbursement of specific or legally restricted monies. Governmental funds of the district include:

General Fund—the general fund is the operating fund of the District and accounts for all financial resources.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements (GWFS) use the economic resources measurement focus and the accrual basis of accounting in the preparation of The Statement of Net Position and the Statement of Activities. Revenues are recorded using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (FFS) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in the governmental fund only if the claims are due and payable.

D. Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Position except for the net residual amounts due between governmental and business-type activities. There are no internal activities.

E. Accounts Receivable and Payables

An allowance for uncollectable is not being determined to record accounts receivable. Instead, it has been determined by management that recording the collections of taxes and service charges that are made three months subsequent to year end is a reasonable amount based on historical collections, while accounts payables include purchase from various vendors for operating expenses.

F. Capitalizing Assets

Assets used in operations with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, leasehold improvements, and buildings are depreciated over their estimated useful lives. Depreciation is not calculated on land, land improvements or construction in progress. Accumulated depreciation is recorded at net of depreciable assets in the Statement of Net Position.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
Baton Rouge, Louisiana
Notes to Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Cont.

G. Use of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

H. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits that mature within 90 days after year end and other investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or under the laws of the United States.

Under state law, the districts 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.

Sinking Fund – is a separate cash account required by a lending institution. Monthly payments of \$32,500 are being made by the District and placed in this account to cover the loan payments due in November and May of each year. The May payment is an interest only payment while the payment for November is for principle and interest. All loan payments are deducted from this account.

I. Deferred Outflows/Inflows of Resources

The statement of net position reports in a separate section deferred inflows and outflows of resources. Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period while deferred inflows of resources is an acquisition of net assets by the government that is applicable to the future reporting period.

J. Compensated Absences

Employees of this fire district earn from 1.5 to 2.5 days of annual leave each month and from 7.5 to 11 hours of sick leave each work period, depending on their length of service; however, before vacation time can be used, a waiting period of 360 calendar days must be completed. Every fireman employed by the fire protection district, shall be entitled to full pay during sickness or incapacity not brought about by his own negligence or culpable indiscretion for a period of not less than fifty-two weeks. Upon termination of employment, employees are paid for accrued annual leave up to the maximum accrual authorized. The plan assets remain the property of the fire district until paid or made available to participants, subject only to claims of the employer's general creditors.

The cost of leave privileges is recognized as a current-year expenditure in the General Fund as leave is taken. The cost of leave privileges not requiring current resources is recorded as a long-term debt as a governmental activity.

K. Revenues

Property taxes and the service charge are assessed each calendar and are recorded on the modified accrual basis and, therefore, recorded when they are both measurable and available. These revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The calendar of events for the 2018, ad valorem tax roll was as follows:

	Service charges
	And
	<u>Ad valorem taxes</u>
Levy date	January 1, 2020
Due date	December 31, 2019
Lien date	January 1, 2020
Collection date	December 3, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Revenues (Con't)

State revenue sharing revenues and the 2% fire insurance tax protection rebate are recorded when the district is entitled to the funds.

Program Revenues

The Statement of Activities presents three categories of program revenues - (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. Charges for services - are revenues from exchanges or exchange like transactions with external parties that purchase, use or directly benefit from the programs goods, services, or privileges. These revenues include fees charged for specific services, and operating special assessment, and include payments from exchange transactions with other governments.

Grants and contributions - whether operating or capital in nature, are revenues arising from receipts that are reserved for a specific use.

M. Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Compensated absences are recognized as expenditures when leave is actually taken or when the employees (or heirs) are paid for accrued leave upon termination or death, while the cost of leave privileges not requiring current resources are recorded as a long-term debt.

N. Other Financing Sources (Uses)

Proceeds from the sale of fixed assets and debt acquired for the construction and purchase of fixed assets are accounted for as other financing sources and are recognized when received. Fixed assets acquired through capital leases are recorded as expenditures and other financing sources at the time of acquisition.

O. Capital Assets

Capital assets purchased in excess of \$500 are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Estimated useful life is managements estimate of how long the asset is estimated to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings	40 years
Furniture	5-7 years
Equipment	5-10 years
Vehicles	5 years

P. Budget Practices

The proposed budget for 2018 - 2019 was made available for public inspection on August 31, 2018. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal at least (10) days prior to the public hearing, which was held at the St. George Fire Station on 14100 Airline Highway on September 27, 2018, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments, if any.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Equity Classifications

Government-Wide Statements:

1. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balance of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.
2. Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions can be imposed by either external organization such as creditors (such as debt covenants), grants, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows of resource related to the restricted assets.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Financial Statements:

GASB 54 Statement No. 54 establishes standards for five fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in government funds. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned,

Restricted Fund Balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board – the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual requirements. The committed funds are for the construction of a maintenance building, a training center and the construction of a new station.

Assigned Fund Balance – These are amounts that are constrained by the Board’s *intent* to be used for specific purposes, but are neither restricted nor committed. The board’s management has the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance – This fund balance is the residual classification for the general fund. This represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When both restricted and unrestricted resources are available for use, it is the board’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

R. Post-Employment Health Care and Dental Insurance Benefits

The District provides certain continuing health care and dental benefits for its retired employees. The District recognized the cost of providing these retiree benefits as expenditure when paid during the year.

S. Pension

The District is a participating employer in a cost-sharing multiple-employer defined benefit pension plan as described in Note 8. 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 (FRS) and the Employee Retirement System (ERS) and additions to/deductions from FRS's and ERS's fiduciary net position have been determined on the same basis as they are reported by FRS and ERS. 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 in the plan.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposits. All deposits are carried at cost plus accrued interest. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The depository bank places approved pledged securities for safekeeping and trust with the District's in an amount sufficient to protect Districts funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposits Insurance Corporation (FDIC) Insurance.

<u>Depository Account</u>	<u>Amount</u>
Insured	\$ 500,000
Collateralized	
Uncollateralized	
Collateralized with securities held by the pledging financial institution	13,148,528
Collateralized with securities held by the pledging financial institutions trust department	124,974
Total deposits	<u>\$ 13,773,502</u>
Total bank balances	<u>\$ 13,684,075</u>

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of September 30, 2019, the District's deposits were secured from risk by federal deposit insurance and pledged securities. As of September 30, 2019, the District's bank balance was not exposed to custodial credit risk.

3. LEVIED TAXES AND CHARGES

	<u>Authorized Millage/Rate</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Ad valorem taxes			
Property taxes	4.00	4.00	2023
Property taxes	6.00	6.00	2027
Property taxes	2.00	2.00	2034
For salaries and related benefits	1.25	1.25	2021
Capital improvements	1.25	1.25	2034
Capital improvements and debt service	1.50	1.50	2021
Service charge (maximum rate)	\$ 32.00	N/A	2021

The above millage rates are as of the 2018 assessment roll.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to the Financial Statements, (Continued)

4. RECEIVABLES

An allowance for uncollectable is not being determined to record accounts receivable. Instead, it has been determined by management that recording the collections of taxes and service charges that are made three months subsequent to year end is a reasonable amount based on historical collections. The balance of accounts receivable for the year ended is \$44,781.

5. CAPITAL ASSETS

Capital assets as of September 30, 2019 are as follows:

	Beginning				Ending
	Balance	Adjustments	Additions	Deletions	Balance
Land	\$ 2,382,730	-	-	-	2,382,730
Building	11,525,436	-	379,385	-	11,904,821
Construction in progress	539,539	-	106,360	-	645,899
Furniture and appliances	262,229	-	33,668	-	295,897
Vehicle	484,233	396,295	3,403	-	883,931
Equipment	11,481,820	(396,295)	1,690,078	-	12,775,603
	<u>26,675,987</u>	<u>-</u>	<u>2,212,894</u>	<u>-</u>	<u>28,888,881</u>

Accumulated depreciation:

	Beginning				Ending
	Balance	Adjustments	Additions	Deletions	Balance
Building	2,430,379	-	292,738	-	2,723,117
Furniture and appliances	211,186	-	14,090	-	225,276
Vehicle	197,866	357,449	90,840	-	645,955
Equipment	6,236,855	(357,449)	827,451	-	6,706,857
	<u>9,076,286</u>	<u>-</u>	<u>1,224,919</u>	<u>-</u>	<u>10,301,205</u>
Capital assets, net	\$ <u>17,599,701</u>				<u>18,587,676</u>

6. LONG-TERM LIABILITIES

The following is a summary of the long-term obligations during the year ended September 30, 2019:

	Beginning			Ending	Amounts due
	Balance	Additions	Deletions	Balance	Within
					One Year
<u>Fund Activity</u>					
Note payable	\$ -	8,000,000	8,000,000	-	-
<u>Government Activities</u>					
Compensated absences	\$ 2,128,865	1,356,576	1,167,549	2,317,892	1,150,000
Retirement payoff loan	808,902	-	13,015	795,887	13,827
Bank Note - Series 2012	780,000	-	390,000	390,000	390,000
	-	-	-	-	-
Construction Loan		12,000,000		12,000,000	780,000
Equipment leases:					
Motorola Software & equip		813,631	261,547	552,084	271,094
Motorola Radio Tower	585,464		585,464	-	-
Motorola Building	226,533		112,152	114,381	114,381
Pumpers	113,671		113,671	-	-
2-Aerial Mounted Ferrara Igniter	214,561		214,561	-	-
2013 Rescue & Tanker	248,258		121,961	126,297	126,297
	<u>\$ 5,106,254</u>	<u>14,170,207</u>	<u>2,979,920</u>	<u>16,296,541</u>	<u>2,845,599</u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to the Financial Statements (Continued)

6. LONG-TERM LIABILITIES – Con't

	Beginning Balance	Additions	Deletions	Ending Balance
Other long-term liabilities				
OPEB	\$ 13,178,422	2,904,809		16,083,231
Net Pension Liability	24,481,419	3,621,887		28,103,306
	<u>\$ 37,659,841</u>	<u>6,526,696</u>	-	<u>44,186,537</u>

Note payable obligations

The short-term loan in the fund activities was used for operational requirements during the year.

A loan that will total \$16,500,000 was obtained on September 28, 2018, for the construction and equipping a fire station, a special service building, a training facility, and a communications center on Airline Highway and the construction and equipping a fire station on Bluebonnet Boulevard with an interest rate of 3.6% that matures November 1, 2034. The remaining \$4,500,000 will be deposited in December 2019 and April 2020 of the next fiscal year. There will be annual payment on November 1 of each year starting in 2019 with graduated principal payments starting at \$780,000 in 2019 and \$1,325,000 in 2034, plus interest. Security for this loan are all revenues of the two (2) mills ad valorem tax levied on May 2, 2015 and renewed on April 28, 2018 by the votes for a 10 year period up to and including the year 2034.

A Note payable-Series 2012 was issued September 26, 2013, with an original balance of \$2,730,000 with a maturity date of November 2019, with an interest rate of 1.7063% for the purchase of paying off two other notes are secured by and payable from a pledge and dedication of the excess of annual revenues sufficient for the payment of this loan in principal and interest as they shall respectively become due and payable. Annual payments are made against principal of \$390,000. The lending institution requires the District to make monthly payments of \$32,500 that are being placed in a separate account labeled as a sinking fund. Payments are due on this loan May 1 and November 1 of each year payable from the sinking fund. The balance at year end of the sinking fund was \$368,444.

The retirement payoff loan was created by Act 365 of the 2013 Regular Louisiana Legislative Session created an upgrade of accrual rate applied to transfer service for certain firefighters from the St. George Fire Department into the Firefighters' Retirement System (FRS) as of December 1, 2013. The Actuary has determined that St. George will pay the amount of \$961,141 payable over a 30 year period with annual payment of \$73,628.21 due July 1 of each year. These payments are for the total increase of present value of future benefits of certain employees of St. George whose increased benefit accrual rate is treated as being merged into FRS, as of December 1, 2013.

Capital lease obligations

An equipment lease was obtained on June 1, 2018 to purchase radio equipment in the amount of \$813,631 with 3 annual payments of \$291,245 starting June 1, 2019 with an interest rate of 3.65%.

An equipment lease was obtained on March 1, 2017 to construct a building for the tower in the amount of \$336,500 with 3 annual payment of \$116,653 starting March 1, 2019.

An equipment lease was obtained on June 1, 2016, in the amount of \$1,795,235 which includes imputed interest of \$60,509 with 3 annual payments being made starting 1/1/2019 in the amount of \$598,411 for a tower and communication equipment.

An equipment lease was originally issued October 17, 2012, with an original balance of \$1,415,851 payable over a 7 year period bearing interest at a rate of 2.48% for the purpose of purchasing fire- fighting equipment. Payment of \$219,880 is made annually.

An equipment lease was originally issued June 28, 2013, with an original balance of \$804,553 payable over a 7 year period bearing interest at a rate of 3.478% for the purpose of purchasing fire-fighting equipment. Payment of approximately \$134,500 is made annually.

An equipment lease was originally issued September 12, 2012, with an original balance of \$747,289 payable over a 5 year period bearing interest at a rate of 2.54% for the purpose of purchasing fire-fighting equipment. Payments of \$116,561.95 are made annually.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to the Financial Statements (Continued)

6. LONG-TERM LIABILITIES – Con't

The annual principle and interest payments on loans and capital leases outstanding at September 30, 2019, are as follows:

Year Ending	Principle Payments			Interest			Total
	Loans	Capital Leases	Total	Loans	Capital Leases	Total	
2020	1,183,827	511,782	1,695,609	504,319	26,781	531,100	2,226,709
2021	825,028	280,990	1,106,018	582,820	10,256	593,076	1,699,094
2022	856,155		856,155	541,819		541,819	1,397,974
2023	887,366		887,366	509,913		509,913	1,397,279
2024	918,518		918,518	476,989		476,989	1,395,507
2025-2029	5,121,359		5,121,359	1,844,126		1,844,126	6,965,485
2030-2034	6,137,192	-	6,137,192	810,622	-	810,622	6,947,814
2035-2039	1,565,026	-	1,565,026	134,217	-	134,217	1,699,243
2040-2042	191,406	-	191,406	29,387	-	29,387	220,793
	<u>\$ 17,685,877</u>	<u>792,772</u>	<u>18,478,649</u>	<u>5,434,212</u>	<u>37,038</u>	<u>5,471,250</u>	<u>23,949,900</u>

7. OPERATING LEASES

Operating leases-no lease agreement

The District has entered into several operating leases for the rental of buildings and equipment. For the year ended, rental expenditures with lease agreements not exceeding a year were approximated \$158,000. There are no minimum lease payments for the next five years to report.

Annual rental fees of fire hydrants were approximately \$103,000 for the year, there is not a lease agreement for this equipment. The leasing of this equipment is mandated by the City Parish of Baton Rouge in an agreement with the water companies. This annual rental fee for these hydrants has occurred since 1969.

Operating lease-with a lease agreement

The District has entered in a lease for the rental of a building for the period July 1, 2019 through May 30, 2021. For the year ended, rental expenditures were approximated \$10,000. With minimum lease payments for the next five years to report as follows:

2020	\$30,300
2021	20,600

8. PENSION PLAN

Plan Description

Effective January 1, 1999, there are two retirement plans. Those employees hired before January 1, 1999, are covered by the Employees Retirement System of the City of Baton Rouge and Parish of East Baton Rouge while those employees hired after December 31, 1998 are members of the Firefighters Retirement System. On July 1, 2007, the employees that were covered by the Employees Retirement System were given the option to remain with this system or transfer their accumulated benefits to the Firefighters Retirement System. There is one employee in the Employee's Retirement System and 176 plan participants in the Firefighters Retirement System.

Substantially all full-time employees of St. George Fire Protection District No. 2 are members of the respective plan depending on their date of employment. Both retirement systems are a cost-sharing multiple-employer, deferred benefit pension plan administered by a separate board of trustees.

Benefits provide - All full-time employees of the District become a member of the Retirement System. The pension plan provides retirement benefits, as well as death, disability benefits and survivor spouse benefits. All benefits of the

8. PENSION PLAN Cont.

Employees Retirement System are vested after 10 years of service. Minimum benefits are payable on the attainment of age 55 for all employees with a minimum of 10 years of service or 20 years of service at any age. Full retirement benefits are payable with 25 years of service, regardless of age. Benefits, depending upon the number of years of service, are either 2% or 3% of average compensation times the number of years creditable service. Benefits cannot exceed 90% of average compensation.

The Firefighters Retirement System allows any person that becomes an employee to become a member. No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger. No person who has not attained the age of eighteen years shall become a member of the System. Benefits are available to members with 12 years of creditable service may retire at age 55, members with 20 years or more years of service who have attained age 50 or members with 25 years of service may retire regardless of age, provided they have been a member of this system for at least one year. Benefits equal to 3 1/3% of the employees average compensation based on the 36 consecutive months of highest pay multiplied by their total year of service, not to exceed 100%. Under the provisions of R.S. 11:246 and 11:2260A(7) retired members and widows of member receive an annual cost of living increase (COLA) 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.

Deferred Retirement Option Plan (DROP) –

Under the ERS, members with 25 to 30 years, regardless of age, are eligible for the lesser of five years of participation, or combined service and DROP participation. Member with at least 10 years of service and up to 25 years of service are eligible for up to 3 years of participation.

Under the FRS, any person completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months. Upon commencement of participation in the DROP, employer and employee contribution to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. If an employee that is participating in the program is terminated, they shall receive, at their option, a lump-sum payable from the account of an annuity based on the deferred retirement option plan account balance in addition to their 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.

Contributions – The Employees' Retirement System contributions rates for each participating employer and one covered employee are established by actuarial valuations and approved by the Metropolitan Council of the City-Parish. The one plan member of the Employees Retirement System is required by the plan to contribute 9.5 percent for 2019, while the employer contribution rate as of January 1, 2018 was 35.49 of his annual payroll. The contribution requirements of plan members and the St. George Fire Protection District No. 2 are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The contributions by the District to the Employees Retirement System for the years ended September 30, 2019, was \$24,911.

The Firefighters Retirement System contribution rates are under the provision of T.S. 11:62, 11:103 and 22:1476A(3), and is financed by a combination of employee contributions, employer contributions and insurance premium taxes. The employee contribution rate is set by R.S. 11:62 and cannot be less than 8% or more than 10%. The 186 active plan participants of the Firefighters Retirement System are required by the plan to contribute 10%. The employer rate as of July 1, 2019 was 26.5% and July 1, 2018 was 25.25%, of the annual covered payroll. The contributions paid by the District to the Firefighters Retirement System for the years ended September 30, 2019, was \$2,835,265.

The District had payable to the FRS at September 30, 2019, \$255,868 from employee and employer contributions, ERS had no payable to the retirement system at year end.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to the Financial Statements (Continued)

8. PENSION PLAN Cont.

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

At September 30, 2019 the District reported a liability of \$27,707,643 and \$395,663 for its proportionate share of the net pension liability for the Firefighters Retirement System and the Employees Retirement System, respectfully. The net pension liability was measured as of June 30, 2019 and December 31, 2018, respectfully, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all the Firefighters Retirement System, actuarially determined. At June 30, 2019, the District's proportion was 4.424791%, which was an increase of .21286% from its proportion measured as of June 30, 2018. The Employers Retirement System rate was .05395% and increase of .0065% over last year.

For the year ended September 30, 2019, the District recognized pension expense of \$5,579,791 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$15,749.

Measurement Date	FRS		ERS	
	June 30, 2019		December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience	\$	(1,998,671)	16,398	-
Changes of Assumptions		(2,016)	12,808	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments			45,196	
Changes in Proportion and Differences Between Employer Contributions and Proportionated Share of Contributions		(653,895)		
Districts contributions subsequent to the measurement date		772,800	20,776	-
Total	\$	<u>7,012,389</u>	<u>95,178</u>	<u>-</u>

The District reported a total of \$793,576 as deferred outflow of resources related to pension contributions made subsequent to their respective measurement periods which will be recognized as a reduction in net pension liability in the year ended September 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Amounts reported in future years

Year	FRS Amount	ERS Amount
2019	\$	27,892
2020	1,147,398	16,187
2021	(23,273)	13,924
2022	832,598	16,400
2023	930,148	
2024	439,006	
2025	259,130	
Total	\$	<u>74,403</u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to the Financial Statements (Continued)

8. PENSION PLAN Cont.

Actuarial assumptions – A summary of the actuarial methods and assumptions used in determining the total pension liability as of the respective years shown below are as follows:

	Firefighters Retirement System	Employers Retirement System
	June 30, 2019	December 31, 2018
Valuation date	June 30, 2019	December 31, 2018
Actuarial cost method	Entry Age Method	Entry Age Method
Actuarial value of assets	Market Value	Market Value
Discount rate	7.15%	7.25%
Expected long-term rate of return	7.15%	7.25%
Municipal bond rate	N/A	3.57%
Inflation	2.50%	2.75%
Investment rate of return - net of pension plan investment expense, including inflation	7.15%	7.25%
Expected remaining service lives	7 years	4 years

Mortality rates - FRS

Heatl RP-2000 Combined Healthy with Blue Collar Projected to 2031 (Scale AA)

Disab RP-2000 Disabled lives mortality tables

Mortality rates - ERS

Heatl RP 2000 Healthy Combined Blue Collar Mortality Projected to 2019 (Scale BB)

Disab RP-2000 Disabled Mortality Projected to 2019 (Scale BB)

The long-term expected rate of return on pension plan investments was determine using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Employee Retirement System of Baton Rouge

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.5%	7.50%
International Equity	22.5%	8.50%
Domestic Bonds	25.0%	2.50%
International Bonds	5.0%	3.50%
Real estate	5.0%	4.50%
Alternative Assets	10.0%	6.00%
Total	<u>100.0%</u>	

Firefighters Retirement System

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Long-term Expected rate 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 Allocation	5.00%	4.37%
Risk Party	<u>5.00%</u>	<u>4.67%</u>
	<u>100.00%</u>	<u>4.20%</u>

Investment Return

4.20%

8. PENSION PLAN Cont

Discount Rates. The discount rate used to measure the total pension liability was 7.15% for FRS and 7.25% for ERS. The projection of cash flows used to determine the discount rate assumed that contributions for plan member will be made at the current contribution rates and that contributions from participating employers and non-employer entities will be made at the actuarially determined rates approved by the Board of Trustees and PRSAAC taking into consideration the recommendations of the FRS and ERS actuary's. Based on those assumptions, FRS' and ERS, fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the net pension liability calculating using the discount rate used by the Firefighters Retirement System (FRS) and the Employees Retirement System of the City of Baton Rouge:

FRS Rates	Current		
	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
The Districts share of NPL	<u>\$ 40,122,542</u>	<u>\$ 27,707,643</u>	<u>\$17,287,522</u>

ERS Rates	Current		
	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
The Districts share of NPL	<u>\$ 485,158</u>	<u>\$ 395,663</u>	<u>\$ 320,655</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report. Both of these Systems issue stand-alone financial report that includes financial statements and required supplementary information for the Systems. The respective reports may be obtained by writing to the Employees Retirement System, City of Baton Rouge and Parish of East Baton Rouge, Post Office Box 1471, Baton Rouge, Louisiana 70821 or by calling (225) 389-3272 or the Firefighters Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana 70809 or by calling (225) 925-4060. Both of these financial reports can also be obtained on line.

Both of these Systems issue stand-alone financial report that includes financial statements and required supplementary information for the Systems. The respective reports may be obtained by writing to the Employees Retirement System, City of Baton Rouge and Parish of East Baton Rouge, Post Office Box 1471, Baton Rouge, Louisiana 70821 or by calling (225) 389-3272 or the Firefighters Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana 70809 or by calling (225) 925-4060. Both of these financial reports can also be obtained on line.

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description. In addition to providing pension benefits, St George Fire District No. 2 (SGFD) has a single-employer defined benefit OPEB plan that provides post employee benefits for all permanent full-time employees and their spouses and/or dependents if they were included in the active employees policy 5 years before retiring. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided. The plan provides postemployment healthcare, vision and dental benefits to the qualified retirees of St. George Fire District No. 2 with 20 years 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. Retirees are eligible to receive the same benefits as active employees until such time as the retiree becomes eligible for Medicare.

St George Fire District No. 2 pays 67% for the retiree's health insurance and 60% of the cost of the dental insurance as incurred on a pay-as-you-go basis. The retirees are responsible for the difference. St George Fire District No. 2 Also, retirees can purchase coverage for their spouse and/or dependents if they were included on their policy 5 years before retiring.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to the Financial Statements (Continued)

9. OTHER POST-EMPLOYMENT BENEFITS-Con't

Employees covered by benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	17
Active employees	147
	<u>164</u>

Total OPEB Liability

The District's total OPEB liability of \$16,083,231, was measured as of September 30, 2019, and was determined by an actuarial valuation date as of that date. The last OPEB liability valuation was as of October 1, 2017.

Actuarial assumptions – The total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Mortality rates were based on the RP14 Mortality Table projected to 2021 with Scale BB.

Actuarial assumptions and other inputs. The total OPEB liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	September 30, 2019
Valuation date	October 1, 2017
Inflation	1.00%
Salary increases	3.50%
Discount rate	2.65%
Healthcare cost trend date	Initial rate 10%; Ultimate rate 4%
Actuarial cost method	Entry Age Normal

The discount rate of 2.65% was based on the bond buyer 20-bond general obligation index.

Mortality rates were based on the RP14 Mortality Table projected to 2021 with Scale BB

Changes in the Total OPEB Liability

	<u>OPEB Liability</u>
Balance at September 30, 2018	\$ <u>13,178,422</u>
Service Cost	661,969
Interest	542,992
Changes in assumptions	2,006,929
Diff in expected and Actual ex[er]oemce beomg greater than expected	(25,760)
Benefit payments made in year	<u>(281,321)</u>
Net changes	2,904,809
Balance at September 30, 2019	\$ <u>16,083,231</u>

There is a change in the discount rate from 3.65% in 2018 to 2.65% in 2019.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to the Financial Statements (Continued)

9. OTHER POST-EMPLOYMENT BENEFITS (Cont.)

Sensitivity of the Total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percent point lower (1.65%) or 1 percentage point higher (3.65%) than the current discount rate:

	1% Decrease 1.65%	Discount Rate 2.65%	1% Increase 3.65%
Total OPEB liability	\$ 18,781,997	16,083,231	13,749,554

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the district's total OPEB liability would be if it were calculated using a discount rate that is 1-percent point lower or 1 percentage point higher than the current healthcare cost trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 13,781,721	16,083,231	18,899,405

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the Commission recognized an OPEB expense of \$1,336,226 and reported deferred outflow of resources and deferred inflow of resources related to OPEB for the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	34,626
Change of assumptions	2,866,299	922,225
	<u>\$ 2,866,299</u>	<u>956,851</u>

Amounts reported as deferred outflows and resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2020	\$ 131,265
2021	131,265
2022	131,265
2023	131,265
2024	131,265
Thereafter	1,253,123

10. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire department receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. Each full-time firefighter after their second year of service, received \$500 per month. These supplemental state funds are paid directly to the firefighters, and do not pass through the fire department, they are included in total salaries and as revenue. The total amount received by the qualified full-time firefighters was approximately \$1,055,299.

The State of Louisiana assisted the District to purchase certain communication equipment, the state contributed \$327,735 towards the purchase.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
Baton Rouge, Louisiana
Notes to the Financial Statements (Continued)

11. LITIGATION

There were no litigations that were unresolved.

12. PROPERTY TAX ABATMENT

The Louisiana Industrial Ad Valorem Tax Exemption program (Louisiana Administrative Code, Title 13, Chapter 5) is a state incentive program which abates, up to ten years, local ad valorem taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. Application to exempt qualified property for five years are approved by the Board of Commerce and Industry. For the fiscal year ended, approximately \$16,000 of the District's ad valorem tax revenues were abated by the state of Louisiana through this program.

13. COMMITMENT

We have committed to the construction of a training and communication building, a maintenance building and a new fire station and awarded to a local contractor.

14. Subsequent Events

The District has evaluated subsequent events for potential recognition of disclosure in the financial statements through February 11, 2020, the date which the financial statements were available to be issued.

15. BOARD OF COMMISSIONERS

The District is government by a Board of Commissioners. The members receive no compensation or per diem allowances for their services. Below is a list of the Board members and their respective titles:

Mr. Johnny R Suchy	Chairman
David Carnes	Secretary
Darrell P Ourso	Board Member
Chris Rosendahl	Board Member
Christopher Corzo	Board Member

**OTHER SUPPLEMENTAL INFORMATION AND REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a budget comparison schedule and reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The report on compliance internal control over financial reporting is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Budget Comparison Schedule (Non-GAAP budgetary basis) - General fund
For the Year Ended September 30, 2019

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES:				
Ad valorem taxes and service charges	\$ 22,978,990	22,216,724	22,144,176	\$ (72,548)
Fire insurance tax	390,000	383,271	383,271	0
Intergovernmental revenues	1,417,189	1,386,201	1,386,201	(0)
Interest income	75,000	159,798	264,787	104,989
Grants	882,000	620,766	627,622	6,856
Capital grant			327,735	327,735
Other	278,000	306,578	21,079	(285,499)
Total revenues	<u>26,021,179</u>	<u>25,073,338</u>	<u>25,154,871</u>	<u>81,533</u>
EXPENDITURES:				
Telecommunications	168,800	217,649	225,048	7,399
Personnel services and related benefits	18,719,299	18,696,707	18,760,617	63,911
Office supplies	18,000	-	25,929	25,929
Supplies	476,600	598,905	719,914	121,009
Utilities	144,000	123,653	150,334	26,681
Other	1,000	231	-	(231)
Insurance	320,080	321,484	433,625	112,141
Repairs and maintenance	516,000	536,643	562,212	25,569
Rental	154,800	155,079	166,719	11,640
Training	122,000	214,376	297,698	83,322
Contractual services	1,003,170	1,022,335	1,219,001	196,666
Legal and professional	192,000	188,432	270,212	81,780
Debt service	1,846,180	1,895,835	2,015,354	119,519
Capital outlay	-	235,000	2,212,895	1,977,895
Total expenditures	<u>23,681,929</u>	<u>24,206,329</u>	<u>27,059,558</u>	<u>2,853,230</u>
EXCESS REVENUES (DEFICIENCY) OVER OTHER SOURCES OVER EXPENDITURES AND OTHER USES	2,339,250	867,009	(1,904,687)	(2,771,697)
Other sources of income (expenses):				
Loan proceeds			12,813,631	12,813,631
			<u>12,813,631</u>	<u>12,813,631</u>
	<u>2,339,250</u>	<u>867,009</u>	<u>10,908,944</u>	<u>10,041,935</u>
FUND BALANCES AT BEGINNING OF YEAR	1,763,230	1,763,230	1,763,230	
FUND BALANCES AT END OF YEAR	\$ <u>4,102,480</u>	<u>2,630,239</u>	\$ <u>12,672,174</u>	\$ <u>10,041,935</u>

Reconcile budget to GAAP basis:

Budget Basis	\$ 10,908,944
Personal services and related benefits	(3,837,646)
Revenues	1,186,182
Prepaid bond fee	(14,060)
Insurance	109,344
Prepaid expenses	(4,700)
Capital Outlay	2,212,895
Proceeds from loan	(12,813,631)
Debt service	2,014,226
Bad debt	(53,862)
Depreciation expense	(1,224,921)
Interest expense	(321,611)
GAAP Basis	\$ <u>(1,838,840)</u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to Required Supplementary Information
For the Year Ended September 30, 2019

Summary of Significant Variances in the Budget

Budgetary Process

The proposed budget for 2018 - 2019 was made available for public inspection on August 31, 2018. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal at least (10) days prior to the public hearing, which was held at the St. George Fire Station on 14100 Airline Highway on September 27, 2018, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments, if any.

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The basic differences arise through the employment of a basis of accounting for budgetary purposes which differs from basis of accounting applicable to the fund type when reporting on the operations in accordance with GAAP.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
 SCHEDULE OF CHANGES IN THE DISTRICTS
 TOTAL OPEB LIABILITY AND RELATED RATIOS
 September 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 661,969	690,768
Interest	542,992	471,363
Changes in benefit terms	-	-
Difference between expected and actual experience	(25,760)	-
Changes in assumption of other inputs	2,006,930	-
Benefit payments	(281,321)	(206,997)
Net change in total OPEB liability	<u>2,904,810</u>	<u>955,134</u>
Total OPEB liability - beginning	13,178,421	12,223,287
	<u>\$ 16,083,231</u>	<u>13,178,421</u>
Covered employee payroll	\$ 12,019,920	12,019,920
Total OPEB liability as a percentage of covered employee payroll	134%	110%

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

Notes to Required Supplementary Information

Changes in benefit terms there were no changes in in benefit terms in the October 1, 2017, actuary valuation nor were there any changes in the estimated calculation as of September 30, 2019

The District's total OPEB liability of \$16,083,231 was measured as of September 30, 2019, and was determined by an actuarial valuation date as of that date. The last OPEB liability valuation was as of October 1, 2017.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

SCHEDULE OF DISTRICTS PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

Pension Plan	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Firefighters Retirements System of Louisiana - as of June 30, 2019					
2019	4.4249%	\$ 27,707,643	\$ 10,599,778	261.3983%	73.9600%
2018	4.2119%	\$ 24,227,333	\$ 9,823,844	246.6176%	74.7600%
2017	3.9893%	22,866,232	9,314,382	245.4938%	73.5479%
2016	4.0056%	26,200,082	8,602,240	304.5728%	68.1550%
2015	4.2529%	22,953,520	8,992,023	255.2654%	72.4475%
2014	4.3065%	19,163,597	8,748,115	219.0597%	76.0200%
Employees Retirement System of the City of Baton rouge - As of December 31, 2018					
2018	0.0540%	\$ 395,663	\$ 70,246	563.2534%	59.3600%
2017	0.0475%	\$ 254,086	\$ 66,257	383.4855%	68.8000%
2016	0.0466%	276,894	65,009	425.9318%	64.0900%
2015	0.0427%	246,449	58,792	419.1880%	63.9500%

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

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
SCHEDULE OF DISTRICT CONTRIBUTIONS**

<u>Pension Plan</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
Firefighters Retirements System of Louisiana - as of June 30, 2019					
2019	\$ 2,835,265	\$ 2,835,265	\$ -	10,559,778	26.8497%
2018	2,653,641	2,653,641	-	10,013,736	26.5000%
2017	2,350,919	2,350,919	-	9,296,828	25.2873%
2016	2,461,135	2,461,135	-	8,602,240	28.6104%
2015	2,643,692	2,643,692	-	8,992,023	29.4004%
2014	2,479,994	2,479,994	-	8,748,115	28.3489%
Employees Retirement System of the City of Baton Rouge - As of December 31, 2018					
2018	\$ 24,911	\$ 24,911	\$ -	70,246	35.4625%
2017	21,481	21,481	-	65,811	32.6404%
2016	20,284	20,284	-	64,660	31.3702%
2015	17,925	17,925	-	58,792	30.4888%

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

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of Benefit Terms include:

Firefighters Retirement System

There were no changes of benefit terms for the year ended September 30, 2019 at the measurement date of June 30, 2019.

Employee's Retirement System

There were no changes of benefit terms for the year ended September 30, 2019 at the measurement date of December 31, 2017.

Changes of Assumptions:

The following changes in actuarial assumption are as follows:

Firefighters Retirement System

Discounts Rates			
Measurement			
Year End	Date	Rate	Change
9/30/2018	6/30/2017	7.300%	0.100%
9/30/2017	6/30/2017	7.400%	0.100%
9/30/2016	6/30/2016	7.500%	0.000%
9/30/2015	6/30/2015	7.500%	0.000%
9/30/2014	6/30/2014	7.500%	

Inflation Rate			
Measurement			
Year End	Date	Rate	Change
9/30/2018	6/30/2017	2.700%	0.075%
9/30/2017	6/30/2017	2.775%	0.100%
9/30/2016	6/30/2016	2.875%	0.125%
9/30/2015	6/30/2015	3.000%	0.000%
9/30/2014	6/30/2014	3.000%	

Salary Increases first two years			
Measurement			
Year End	Date	Rate	Change
9/30/2018	6/30/2017	15.000%	0.000%
9/30/2017	6/30/2017	15.000%	0.000%
9/30/2016	6/30/2016	15.000%	0.000%
9/30/2015	6/30/2015	15.000%	0.000%
9/30/2014	6/30/2014	15.000%	

Salaries with 25 or more years			
Measurement			
Year End	Date	Rate	Change
9/30/2018	6/30/2017	4.750%	0.000%
9/30/2017	6/30/2017	4.750%	0.000%
9/30/2016	6/30/2016	4.750%	0.000%
9/30/2015	6/30/2015	4.750%	0.750%
9/30/2014	6/30/2014	5.500%	

Employee's Retirement System

Discounts Rates			
Measurement			
Year End	Date	Rate	Change
9/30/2018	12/31/2016	7.250%	0.000%
9/30/2017	12/31/2016	7.250%	0.000%
9/30/2016	12/31/2015	7.250%	
9/30/2015	12/31/2014	7.500%	

Inflation Rate			
Measurement			
Year End	Date	Rate	Change
9/30/2018	12/31/2016	2.750%	0.000%
9/30/2017	12/31/2016	2.750%	0.000%
9/30/2016	12/31/2015	2.750%	
9/30/2015	12/31/2014	3.500%	

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Purpose</u>		<u>Amount</u>
Salary	\$	176,518
Benefit - insurance		4,296
Benefit - life insurance		-0-
Benefit - retirement		46,777
Benefits - medicare		-0-
Benefits - deferred compensation		-0-
Benefits - miscellaneous		-0-
Conference travel		-0-
Cellular phone		-0-
Vehicle allowance		-0-
	\$	<u>227,591</u>

MICHAEL K. GLOVER
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Accounting Corporation)
9437 BROOKLINE
BATON ROUGE, LOUISIANA 70809
(225) 295-1860

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and
Other Matters Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Commissioners
St. George Fire Protection District No. 2
Baton Rouge, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the government activities of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the St. George Fire Protection District No. 2 basic financial statements and have issued my report thereon dated February 11, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the St. George Fire Protection District No. 2 internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. George Fire Protection District No. 2 internal control. Accordingly, I do not express an opinion on the effectiveness of St. George Fire Protection District No. 2 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.

My consideration of the internal control was for the limited purpose described as described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify, and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned cost as items 2019-01 and 2019-02 that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 on my audit and, accordingly, I do not express such an opinion. The results of my test 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Michael K Glover CMA, APAC

Michael K. Glover APAC
Baton Rouge, LA
February 11, 2020

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Section I - Summary of Auditor's Results

Financial statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

-Material weakness(es) identified?

_____ yes no

-Significant deficiency(ies) identified?

yes _____ none reported

-Noncompliance material to financial statements?

_____ yes no

Was a management letter issued

_____ yes no

State Financial Assistance – None

Section II - Financial Statements Findings – See next page

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2019-01	Disbursements written from the construction bank account were posted to the operating general ledger account.
Criteria	Bank reconciliations should be prepared for each bank account separately. After they are completed, they need to be reviewed and approved by management.
Condition	Transaction that were disbursed from the construction account were recorded in the operating general ledger account and old outstanding checks that were written from an account that was closed during the fiscal year are still showing as outstanding and should be voided and reversed.
Cause	A bank reconciliation was performed combining three bank accounts making it difficult to determine if the individual general ledger account balances agreed with the individual bank statements.
Effect	<p>When adding the two general ledger bank balances and comparing that total to the bank reconciliation that included the three bank accounts, the total of the bank account balances recorded in the general ledger agreed with the single bank reconciliation.</p> <p>However, if a separate bank reconciliation was performed for each of the three separate accounts it would have been discovered that the remaining check that did not clear from the account that was closed needed to be adjusted and the posting of checks that were written from the construction bank account and posted to the to the operating general ledger account would have been addressed and corrected earlier.</p>
Recommendation	Management should develop a policy to prepare separate bank reconciliations for each of the bank accounts. After they are prepared to indicate they have been reviewed and approved by management as well as comparing the balance of the bank reconciliations to the general ledger balance.
Response	Management has worked this out with the outsources accounting firm to rectify this issue and ensure that the District will comply with best practices.
2019-02	Credit card transactions were not recorded
Criteria	Credit card transactions should be recorded in the general ledger each month.
Condition	While observing the general ledger balances I discovered the credit card liability account had a debit balance instead of a credit balance. Further review determined that several months of credit card charges were not posted to the general ledger only the payments made on the card were posted.
Cause	From my observations, it appears that the posting of credit card transactions is not being monitored sufficiently to assure that all credit card transactions are posted to the general ledger on a timely basis.
Effect	The various expense accounts were understated by approximately \$37,000
Recommendation	The credit card statements should be monitored by management to determine that all transactions are properly posted to the general ledger and to determine that the payments on the account are being made timely to avoid any interest or late fees.
Response	Management has begun paying the credit card charges online to ensure timeliness as well as recording each purchase into the appropriate account.

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

None

MICHAEL K. GLOVER
CERTIFIED PUBLIC ACCOUNTANT
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Independent Accountant's Report On
Applying Agreed-Upon Procedures

February 11, 2020

Board of Commissioners
St George Fire Protection District No 2
Baton Rouge, Louisiana

I have performed the procedures enumerated below, which were agreed to by St George Fire Protection District No. 2 and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The Entity's management is responsible for those C/C 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 applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I 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.

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
Policies and procedures do not address the budget. The District follows the guidelines addressed by Louisiana state statute.
 - 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.
Policies and procedures address purchases. Each of the procedures listed above are addressed in the policies except for number 2. The method used to add vendors to the vendor list is not addressed
 - c) **Disbursements**, including processing, reviewing, and approving
Policies and procedures do not address disbursements. The District follows the guidelines addressed by Louisiana state statute.
 - 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).
Policies and procedures do not address receipts. The District follows the guidelines addressed by Louisiana state statute.

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

Policies and procedures do not address the payroll processing or reviewing and approving time and attendance records. The District follows the guidelines addressed by Louisiana state statute regarding the processing of the payroll and reviewing and approving time and attendance records.

- 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

Policies and procedures do not address the contracting. The District follows the guidelines addressed by Louisiana state statute.

- 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)

Policies and procedures do not address credit cards. The District follows the guidelines addressed by Louisiana state statute.

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

Policies and procedures address travel and expense as listed above

- i) **Ethic**, 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.

Policies and procedures do not address ethics. The District follows the guidelines addressed by Louisiana state statute.

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

Policies and procedures do not address the debt service. The District follows the guidelines addressed by Louisiana state statute.

- 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.

Procedures address each of the six categories listed above.

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.

The board meets monthly and had a quorum at each of the meetings.

- 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. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The board minutes include monthly budget-to-actual comparisons on the general fund. There are no major special revenues funds for this entity.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

This entities prior year audited financial statements did not have a negative unrestricted fund balance in the general fund.

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 accounts¹ (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:

A list of bank accounts was obtained along with the bank reconciliation selected for this report; however the bank reconciliations are not being prepared per bank account nor are the separate account balances being tied to the respective general ledger balance.

- 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);

There is no documentation that the bank reconciliations were prepared with 2 months of the related statement closing date.

- 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

There is no indication on the bank reconciliation that a member of management/board member reviewed the bank reconciliations,

- 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.

There is no indication on the bank reconciliation that any items that have been outstanding for more than 12 months have been researched. However, it was determined that there are outstanding disbursements that are recorded in the general ledger account from a bank account that was closed during the fiscal year.

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).

Management has only one deposit site and does not deposit cash or money orders. Most of the deposits are deposited by direct deposit to both accounts; however there are a few checks that are received during the year.

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 or 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:

There is only one collection location.

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

The District does not have a cash drawer or register.

- 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.

There are instances, due to the limited number of administrative staff, where the same person that makes the deposit also receive the checks; however an outsourced entity is 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.

There are instances, due to the limited number of administrative staff, where the same person that makes the deposit also receive the checks; however the outsourced entity is responsible for reconciling collection documentation to the deposit.

- 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.

An outsourced firm has been engaged to perform the bank reconciliations and to reconcile collection to the general ledger. There were no cash collections

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

Not applicable

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:

There are only two bank accounts that have deposits made to it during the year, 2 deposit were selected from these accounts.

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

Deposit are not sequentially pre-numbered

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

Not applicable

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

The deposit slip total agrees with the actual deposit recorded in the bank statement.

- 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).

The entity does not indicate when the check was received.

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

The actual deposit per the bank statement agrees to the amount recorded in the general ledger.

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

8. Obtain a list 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).

There is only one location.

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:

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

There are several employees that are capable of initiating a purchase request, however, each request are approved by someone other than the individual that is placing the order or making the purchase.

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

There are at least two employees 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.

The employee that processes payments also can add or modify vendor files. The limited number of administrative staff limits the ability to segregate this function. However, payments made to all vendors are approved by management.

- 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 that receives the signed check to mail is also the same person that processes the payment. The limited number of administrative personnel limit this function; however, an outsourced firm reviews the vendors account payable schedule.

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:

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

The amount of the disbursement selected matched the original invoice.

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

The disbursements did have documentation that indicated a segregation of duties tested under #9 above.

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) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

I obtained from management a list of individuals that were issued credit cards with their credit card number. This entity does not have a bank debit card or a P-card.

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, 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.]]

There is documentation that someone other than the authorized card holder is approving in writing the purchase.

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

There are finance charges and late fees assessed on the November and December credit card statement.

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.

From the transactions selected, all transactions observed had receipts that identified the purchase and had written documentation of the business purchase. None of the transactions selected were for meals.

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:

A list of travel-related expense reimbursements during the fiscal year were obtained from management.

- 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).

The reimbursement rate for mileage agree with the GSA rate; however, the rate used to pay the for mileage was in some cases paid at the rate of \$.58 per mile while the mileage rate for Louisiana is \$.54 per mile. The \$.58 per mile begins July 1, 2019.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Where actual cost were reimbursed, each of the reimbursements observed were supported by original receipts.

- 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).

Each reimbursement was supported by documentation of business purpose.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each reimbursement was reviewed and approved in writing by someone other than the person receiving the reimbursement.

Contracts

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.

Those contracts that were required a bid were made in accordance with the Louisiana Public Bid 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).

All contract observed were approved by the board.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

There were change orders to the construction contract and the original contract terms provided for each change order.

- 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.

Of the 4 contracts observed, 3 of the 4 had supporting invoices that agreed with the terms of the contract. One of the contracts for professional services submitted invoices that did not indicate the level of expertise or hourly rate of the individual performing the services as indicated in the contract this is a repeat of the prior year.

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.

A list of employees was obtained from management. Five employees were selected that were included on this list and were used to test payroll transactions in the annual audit engagement.

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.)

Each of employees selected had daily attendance and earned leave documented.

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

A supervisor approved the attendance and leave of the selected employees.

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

Any leave that was accrued or taken was included in the entity's cumulative leave records.

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.

Management provided a list of employees that terminated during the year. Both of the terminated payments selected agreed with the hours and rate of pay that were approved for these former employees with the amounts recorded on the cumulated leave records.

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.

Management has represented that the employer and employee portions of the payroll taxes, retirement contributions, health insurance premiums and workers compensation premiums have been paid and all forms associated have been filed by the required deadlines.

Ethics

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.

Of the 5 individual selected, three of the individuals had the documentation that demonstrated they completed the 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.

The entity does not have separate ethic policies other than the policies of the State of Louisiana.

Debt Service

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.

There was a new note that was acquired during the fiscal year. A document was observed where the State Board Commission approved the 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.

Payments were made on the outstanding debt during the fiscal year as scheduled; debt covenants were met, there was not requirement for a debt reserve.

Other

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.

There was no misappropriation of public funds or assets during the fiscal period.

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.

Not Applicable

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

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Michael K Glover CPA, APAC

Michael K Glover CPA
Michael K Glover APAC
Baton Rouge, Louisiana

Current Year Exceptions:

2019-01 Bank Reconciliations

Criteria – Agreed-Upon-Procedures is requesting evidence that the bank reconciliations were prepared within 2 months from the date of the related statement closing date, evidence that a member of management has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Condition – Bank reconciliations were being performed during the current fiscal period by an outsourced firm monthly, but there was no evidence that they were performed within 2 months from the related statement closing date, nor was there evidence that each of the bank reconciliations were reviewed by management, or that management researched items that were outstanding more than 12 months from the statement closing date.

Recommendation – The bank reconciliations should have some indication of when they were completed and an indication of whether or not outstanding transactions that have been outstanding for more than 12 months from the statement closing date have been researched. After the bank reconciliations have been completed, best practices recommend management review and approve each of the bank reconciliations.

Management response – We will contact the firm that is preparing the bank reconciliation and request they document the review of outstanding items then management will review each of the bank reconciliations and indicate when the bank reconciliation was completed.

2019-2 Credit Card

Criteria – Best practice recommends management to review the credit card statements to observe that charges are documented and the due date for payment to avoid late fees and finance charges.

Condition – There is no indication on the credit card that management is reviewing the monthly statements and there are instances where late fees and finance charges were being assessed.

Current year exceptions – Cont.

2019-2 Credit Card – Cont

Effect – I observed two statements that had both late fees and finance charges assessed.

Recommendation – Management may want to reconsider the current method being used to handle the credit card payments to assure that payments will be made timely to avoid any further late fees or finance charges.

Management response – We will implement a policy that will include reviewing the credit card statement when it is delivered monitoring the due day to avoid any additional late fees and interest charges.

2019-03 Travel Reimbursements

Criteria – Is to determine if reimbursed per diem rate used agrees with reimbursement rate that were established by the State of Louisiana or the U.S. General Services Administration (GSA).

Condition – The entities policy is to reimburse expenses using the rates established by the GSA. The GSA for mileage was \$.54 per mile while the rate paid was \$.58 per mile in some cases.

Effect – The entity paid \$.04 more than the GSA established rate for mileage to some of the employees.

Recommendation – Management should use the website www.gsa.gov to obtain the most current per diem rate that are established by the State of Louisiana or the U.S. General Services Administration.

Management response – We will use the website that is given to assure we are paying the appropriate per diem rates on reimbursements.

2019-04 Contract

Criteria – One of the criteria for the AUP report was to compare an invoice of the contracted firms to the terms of the contract and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Condition – One of the four contract observed are invoicing for a lump sum whereas the contract has the fees broken down by the level of the individual being used and their respective hourly rate. I was not able to determine if the lump sum amount agreed with the terms of the contract.

Recommendation – Request the contracted firm to change their invoicing documentation to include the level of individual being used for each project and with their respective hourly rate.

Management response – We will contact this firm and request they change their method of invoices showing the hours worked and identifying the respective individual with their agreed upon hourly rate.

Prior Year Exceptions

2018-01 Bank Reconciliations were not being performed

Condition – The bank reconciliations should have some indication of when they were completed and an indication that any outstanding transactions for more than 12 months from the statement closing date have been researched. An additional recommendation was to indicate on the bank reconciliation that management has been reviewed and approve each of the bank reconciliations.

Present condition – This exception is also on in the 2019 agreed-upon-procedure report.

2018-02 Credit Cards

Condition - Best practices recommend that someone other than the individual that is making the charge approve the purchase. Most of the credit card transactions seem to be approved by someone else other than the individual making the charge; however, management may want to consider reviewing these policies with their employees that have access to the credit cards to reiterate the polices regarding credit card charges.

Present condition – this has been resolved.

2018-03 Travel Reimbursements

Condition – Management should use the website www.gsa.gov to obtain the most current per diem rate that are established by the State of Louisiana or the U.S. General Services Administration.

Present condition – This exception is also on in the 2019 agreed-upon-procedure report.

2018-04 Contract

Condition – One of the contracted firms invoices billed using a lump sum whereas the contract has the fees broken down by the level of the individual being used and their respective hourly rate. I was not able to determine if the lump sum amount agreed with the terms of the contract.

Present condition – This exception is also on in the 2019 agreed-upon-procedure report.

2018-05 Ethics

Condition – Management was able to show that three of the five selected individual had documentation to demonstrate that they had completed the one hour of ethics training, documentation could not be produced for the other two.

Present condition – this has been resolved.