

ANNUAL FINANCIAL REPORT

ST. TAMMANY PARISH

FIRE PROTECTION DISTRICT NO. 4

AS OF AND FOR THE YEAR ENDED

DECEMBER 31, 2018



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 4
Mandeville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the St. Tammany Parish Fire Protection District No. 4, a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise St. Tammany Parish Fire Protection District No. 4's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes examining the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



St. Tammany Parish Fire Protection District No. 4
April 17, 2019
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the St. Tammany Parish Fire Protection District No. 4 as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2018, the District adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of OPEB funding progress, schedule of proportionate share of the net pension liability, schedule of contributions – retirement plan, and the related notes to the required supplementary information on pages 4 through 8 and 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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April 17, 2019
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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Tammany Parish Fire Protection District No. 4's basic financial statements. The accompanying schedules of compensation paid to board members and compensation, benefits and other payments to agency head are presented to comply with the requirements issued by the State of Louisiana, and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2019 on our consideration of the St. Tammany Parish Fire Protection District No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Tammany Parish Fire Protection District No. 4's internal control over financial reporting and compliance.

April 17, 2019
Mandeville, Louisiana

Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

This section of St. Tammany Parish Fire Protection District No. 4's (The District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended December 31, 2018. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position decreased by \$1,492,468.
- The District's general revenues were \$16,215,695 and program revenues were \$2,482,613.
- The total expenses of the District were \$16,545,393.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

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

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

The following presents condensed financial information of the District.

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

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Current assets	\$ 23,554,576	\$ 21,923,523
Capital assets, net of accumulated depreciation	5,200,252	5,270,733
Deposits	<u>987</u>	<u>987</u>
Total assets	<u>\$ 28,755,815</u>	<u>\$ 27,195,243</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Total deferred outflows of resources	\$ <u>2,971,534</u>	\$ <u>3,031,191</u>
Current liabilities	\$ 1,030,359	\$ 1,191,151
Long-term liabilities	<u>21,092,886</u>	<u>18,734,031</u>
Total liabilities	<u>\$ 22,123,245</u>	<u>\$ 19,925,182</u>
Total deferred inflows of resources	\$ <u>2,569,452</u>	\$ <u>1,774,132</u>
Net investment in capital assets	\$ 4,495,396	\$ 4,453,381
Excess fund balance	2,398,206	4,003,214
Restricted for:		
Debt service	<u>141,050</u>	<u>70,525</u>
Total net position	<u>\$ 7,034,652</u>	<u>\$ 8,527,120</u>

Total assets increased by \$1,560,572 (7%) primarily due to an increase the District's cash accounts during the year. Total liabilities increased by \$2,198,063 (11%), was due to the changes in deferred outflows of resources and deferred inflows of resources in accordance with the recognition of GASB 68 pension liabilities as well as the re-measurement of other post-employment benefits in accordance with GASB 75.

Net position decreased by \$1,492,468 (18%) as a result of the adjustment to other post-employment benefits, which was partially offset by the entity's 2018 operations.

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

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
General revenues	\$ 16,215,695	\$ 16,088,586
Program revenues	<u>2,482,613</u>	<u>1,755,859</u>
Total revenue	18,698,308	17,844,445
Expenditures/expenses	<u>(16,545,393)</u>	<u>(16,799,543)</u>
Change in net position	<u>\$ 2,152,915</u>	<u>\$ 1,044,902</u>
Ending net position	<u>\$ 7,034,652</u>	<u>\$ 8,527,120</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Total revenues increased by \$849,471. The District had an increase in program revenues due to a federal grant obtained during 2018 and a decrease in bad debt write-offs. Expenditures/expenses decreased by \$258,392 primarily due to a decrease in firefighter retirement expenses.

CAPITAL ASSETS

Following is a schedule of capital assets, net of accumulated depreciation:

	December 31, 2018	(Restated) December 31, 2017
Land	\$ 699,473	\$ 699,473
Construction-in-progress	2,500	2,500
Buildings and improvements	3,626,515	3,569,798
Firefighting equipment	1,162,607	1,092,318
Medical equipment	558,142	570,852
Transportation vehicles	4,738,010	5,012,513
Furniture and fixtures	<u>64,563</u>	<u>64,563</u>
	10,851,810	11,012,017
Less: accumulated depreciation	<u>(5,651,558)</u>	<u>(5,741,284)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 5,200,252</u>	<u>\$ 5,270,733</u>

During the current year, the District purchased vehicles, stretchers, and improvements to stations. Additionally, the District purchased firefighting equipment using funds obtained from a Federal grant.

The District also conducted a review of capital assets in the current year and identified old, fully depreciated firefighting and transportation equipment, which had been treated as disposals in the prior year, that were still in service. As such, the District has restated beginning capital assets for proper presentation of these assets. There is no net effect on capital assets.

LONG-TERM DEBT

At December 31, 2018, the District had \$694,148 in long-term debt which consisted of a certificate of indebtedness and a municipal lease-purchase agreement. Long-term debt decreased by \$125,266 due to scheduled principal payments.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

BUDGETARY HIGHLIGHTS

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Ad valorem taxes	\$ 13,900,000	\$ 14,758,817	\$ 858,817
State revenue sharing	200,000	230,043	30,043
Fire insurance rebate	200,000	220,609	20,609
Federal and state grants	350,000	350,182	182
Charges for services	1,400,000	1,429,682	29,682
Training revenue	-	49,213	49,213
Interest income	150,000	171,989	21,989
Other	<u>300,000</u>	<u>486,621</u>	<u>188,471</u>
Total	<u>\$ 16,500,000</u>	<u>\$ 17,699,006</u>	<u>\$ 1,199,006</u>
Expenditures:			
Fire protection and EMS	\$ 15,630,000	\$ 14,898,039	\$ 731,961
Capital outlay	700,000	604,181	95,819
Debt service	<u>170,000</u>	<u>147,413</u>	<u>22,587</u>
Total	<u>\$ 16,500,000</u>	<u>\$ 15,649,633</u>	<u>\$ 850,367</u>

ECONOMIC FACTORS AND A LOOK AT NEXT YEAR

The District's tax base has remained stable but with little overall economic growth. The District will have to address financial cuts and aggressively seek new revenue to maintain the high level of services our citizens currently expect. We have begun to replace our aging fleet to offset some of the high maintenance costs associated with older equipment. In order to fund these acquisitions, we have used both tax and Federal grant funding; however, much of the fleet still requires replacement and repairs. Additionally, all aspects of personnel costs continue to rise, which places a further strain on our resources.

The District and its citizens currently enjoy a Class 1 fire rating which provides substantial reductions in property insurance. The District is committed to keeping insurance rates low for all its citizens and providing the highest level of Emergency Response and other services. The District is committed to fiscal responsibility and maintaining the trust from the citizens with their tax dollars.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with an overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Fire Chief Kenneth Moore, St Tammany Parish Fire Protection District No. 4, 709 Girod Street, Mandeville, Louisiana, 70448.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS:

Cash and cash equivalents	\$ 9,797,675
Receivables:	
Ad valorem taxes, net of allowance for uncollectible taxes of \$732,641	12,436,442
State revenue sharing	150,492
EMS receivable	771,201
Other receivables	395
Due from other governments	63,349
Prepaid insurance	335,022
Capital assets, net of accumulated depreciation	5,200,252
Utility deposits	<u>987</u>
 Total assets	 <u>28,755,815</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pensions	<u>2,971,534</u>
 Total deferred outflows of resources	 <u>2,971,534</u>

LIABILITIES:

Accounts payable	102,530
Accrued payroll and related payables	325,030
Accrued interest	10,708
Sheriff's pension deduction payable	459,691
Compensated absences	756,528
Other post-employment benefits	4,252,418
Net pension liability	15,522,192
Long-term liabilities:	
Due within one year	132,400
Due after one year	<u>561,748</u>
 Total liabilities	 <u>22,123,245</u>

DEFERRED INFLOWS OF RESOURCES:

Pensions	<u>2,569,452</u>
 Total deferred inflows of resources	 <u>2,569,452</u>

NET POSITION:

Net investment in capital assets	4,495,396
Unrestricted	2,398,206
Restricted for:	
Debt service	<u>141,050</u>
 Total net position	 <u>\$ 7,034,652</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY FIRE PROTECTION DISTRICT NO. 4
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<u>Governmental activities:</u>				
Fire protection and EMS	\$ 16,545,393	\$ 1,429,682	\$ 1,052,931	\$ (14,062,780)
 Total governmental activities	 <u>\$ 16,545,393</u>	 <u>\$ 1,429,682</u>	 <u>\$ 1,052,931</u>	 <u>\$ (14,062,780)</u>
 General revenues:				
Property taxes				14,506,712
Fire insurance rebate				220,609
State revenue sharing				230,043
State supplemental pay				615,117
Training revenue				49,213
Investment earnings				171,989
Miscellaneous				<u>488,471</u>
 Total general revenues				 <u>16,215,695</u>
 Change in net position				 2,152,915
 Net position - beginning				 <u>4,881,737</u>
 Net position - ending				 <u>\$ 7,034,652</u>

The accompanying notes are an intergral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

ASSETS:

Cash and cash equivalents	\$ 9,797,675
Receivables:	
Ad valorem taxes, net of allowance for uncollectible taxes of \$732,641	12,436,442
State revenue sharing	150,492
EMS receivable	771,201
Other receivables	395
Due from other governments	63,349
Prepaid insurance	335,022
Utility deposits	<u>987</u>
 Total assets	 <u><u>\$ 23,555,563</u></u>

LIABILITIES:

Accounts payable	\$ 102,530
Accrued payroll and related payables	325,030
Sheriff's pension deduction payable	<u>459,691</u>
 Total liabilities	 <u>887,251</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue - property taxes	<u>1,651,516</u>
 Total deferred inflows of resources	 <u>1,651,516</u>

FUND BALANCE:

Nonspendable: prepaid expenses	335,022
Unrestricted	19,940,724
Restricted for:	
Debt service	141,050
Committed to emergencies	<u>600,000</u>
 Total fund balance	 <u>21,016,796</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u><u>\$ 23,555,563</u></u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Fund balance - total governmental funds	\$ 21,016,796
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,200,252
Deferred outflows of resources related to pensions are not reported in governmental funds	2,971,534
Deferred inflows of resources related to pensions are not reported in governmental funds	(2,569,452)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. All liabilities (both current and long-term) are reported in the Statement of Net Position:	
Accrued annual leave	(756,528)
Accrued interest	(10,708)
Long-term debt	(694,148)
Pension liability	(15,522,192)
Other post-employment benefits	(4,252,418)
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds.	<u>1,651,516</u>
Net position of governmental activities	<u>\$ 7,034,652</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund
<u>GENERAL REVENUES:</u>	
Ad valorem taxes	\$ 14,758,817
Intergovernmental revenues:	
State revenue sharing	230,043
Fire insurance rebate	220,609
Federal and state grants	350,182
State supplemental pay	615,117
Charges for services (EMS)	1,429,682
Training revenue	49,213
Investment earnings	171,989
Miscellaneous	488,471
Total general revenues	18,314,123
<u>EXPENDITURES:</u>	
Current for fire protection and EMS:	
Salaries and related expenditures	11,579,000
Insurance	1,049,851
Deduction from ad valorem taxes for Sheriff's pension	459,691
Accounting and professional fees	639,723
Vehicle operations	326,061
Dispatch	212,906
Telephone and utilities	118,193
Office, station, medical supplies and small equipment	170,821
Repairs and maintenance	247,871
Wellness program	125,735
Training	87,020
Uniforms and apparel	205,849
Dues and subscriptions	36,469
Mechanic	21,433
Travel	23,560
Miscellaneous	179,797
Assessor's office furniture and fixtures	13,392
Fire prevention	15,002
Volunteer incentive program	782
Total current fire protection and EMS expenditures	15,513,156
Debt service:	
Principal	125,266
Interest	22,147
Total debt service	147,413

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXPENDITURES:

Capital outlays	604,181
Total expenditures	16,264,750
Excess of revenues over expenditures	2,049,373
Net change in fund balance	2,049,373

FUND BALANCE:

Beginning of year	18,967,423
End of year	\$ 21,016,796

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balance - governmental fund	\$ 2,049,373
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital asset additions of \$604,181 were exceeded by depreciation expense of \$674,662 in the current period.	(70,481)
Repayments of note principal are reported as financing used in governmental funds and thus contribute to the reduction in fund balance. In the Statement of Net Position, however, repayment of debt decreases the long-term liabilities and does not affect the Statement of Activities.	125,266
Under the modified accrual basis of accounting used in the governmental funds, advances of derived tax revenues is not recognized until received, rather than as it is earned. This is the amount by which prior year advances of derived tax revenues recognized of \$1,399,411 exceeded current advances of derived tax revenues recognized of \$1,651,516.	(252,105)
Interest accrued on the government-wide financial statements are not expensed until paid under the modified accrual basis used in the governmental funds.	1,711
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:	
Accrued annual leave - The change in the amount by which current year accrued annual leave recognized of \$756,528 exceeded prior accrued annual leave recognized of \$737,345.	(19,183)
Pensions	(654,565)
Non-employer contributions for pensions	702,749
Other post-employment benefits	<u>270,150</u>
Change in net position	<u>\$ 2,152,915</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Reporting Entity

The St. Tammany Fire Protection District No. 4 (the District) was created by the St. Tammany Parish Council as provided by Louisiana Revised Statute 40:1492. The District is responsible for fire protection and emergency medical services for the entire fourth ward of St. Tammany Parish. The administration of the District is governed by a board of commissioners consisting of five members. Two members are appointed by the parish governing authority and two by the governing body of the municipal corporation in the district. The fifth member is selected by the other four members and serves as chairman. Vacancies are filled by the governing bodies making the original appointments. Board members serve two-year terms with a per diem compensation of \$100 for regular and special board meetings and \$50 per committee meetings attended, limited to payment of two meetings of each type per month. The District operates four fire protection facilities and a training center. In addition to fire protection service, the District also provides fire prevention service to the public.

Fire protection districts are created for the purposes of acquiring, maintaining, and operating facilities, machinery, equipment, water tanks, water hydrants, water lines, and other resources necessary to provide proper fire protection and control of the property within the District.

GASB Statement No. 14, *The Financial Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the District is considered a component unit of the St. Tammany Parish Council. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

Basis of Presentation

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

Basis of Presentation (continued)

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

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

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

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

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

Basic Financial Statements – Fund Financial Statements (FFS)

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

Governmental Fund:

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

General Fund

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Accrual

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

Modified Accrual

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

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

Revenues

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

Interest income on investments is recorded when the investments have matured and income is available.

All other revenues are recorded when received.

Expenditures

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

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

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

Receivables and Payables

All property tax receivables are shown net of a 5% allowance for uncollectibles. The allowance is based on prior years' experience.

Property taxes are levied on a calendar year basis, become due on December 31 and are considered delinquent on January 1. The District authorized and levied a 26 mill ad valorem tax for operations and maintenance for the year ended December 31, 2018.

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

	<u>Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Florida Marine Transporters	\$ 14,339,810	2.11%
Central LA Elec Co.	12,297,621	1.81%
Tri States NGL Pipeline, LLC	5,274,660	0.78%
Parkway Pipeline, LLC	4,442,429	0.66%
Epic Development, Inc.	4,319,772	0.64%
Atmos Energy Corporation	3,712,049	0.55%
Mechanical Equipment Co, Inc.	3,449,940	0.51%
Premier Centre, LLC	3,264,010	0.48%
JP Morgan Chase Bank	3,031,140	0.45%
AT&T Mobility LLC	<u>2,698,890</u>	<u>0.40%</u>
	<u>\$ 56,830,321</u>	<u>8.39%</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Emergency Medical Services (EMS) Receivable

In 1994, the District started providing emergency medical transportation to the residents of the fourth ward of St. Tammany Parish. Residents who use the medical transportation service are charged a fee ranging from \$150 to \$1,246 plus upcharges for additional specialized services during transport, as needed. Mileage is billed at a rate of \$20 per mile per occurrence. The District has agreements with other third-party payers that provide for payments at amounts different from its established rates. For the year ended December 31, 2018, the District provided \$2,563,992 for adjustments to established rates billed. Net emergency medical service revenue is recorded at the estimated realizable amount from patients, third-party payers, and others for services rendered, based upon prior years' experience and management's analysis of possible bad debts. Emergency medical receivables are written off when it is determined by the District that payment will not be received. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Prepaid Items

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

Capital Assets

Capital assets, which include property and equipment, are reported in the government wide statements. Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold of \$2,500 or more for capitalizing capital assets.

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

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

Buildings	40 Years
Building improvements	20 Years
Transportation equipment	5-15 Years
Medical/firefighting equipment	3-10 Years
Computers	3-5 Years
Furniture and fixtures	5 Years

Deferred Outflows and Inflows of Resources

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

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

Compensated Absences

Each full time employee shall be entitled to annual vacation of 18 days with full pay. This vacation period shall be increased one day for each year of service over 10 years, up to a maximum vacation period of 30 days, all of which shall be with full pay. Maximum accumulation of the total annual leave balance each year shall be evaluated on an annual basis by the Board of Commissioners. The Board of Commissioners will have the authority to reduce or increase the total accumulated hours allowed on an annual basis. Any member of the department for any cause shall not forfeit the vacation privileges herein provided for unless allowed by law.

All 24 hour shift personnel shall be entitled to 216 hours of annual vacation time with full pay. This vacation time shall be increased 12 hours each year of service over 10 years, up to a maximum of 450 hours of annual vacation time, all of which shall be with full pay.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current-year expenditures in the general fund when the leave is actually taken. The total cost of leave privileges is recorded in the Statement of Net Position.

Other Post-Employment Benefits

The District provides certain health care benefits for retired employees. The District recognizes the costs associated with providing these benefits monthly. In the government-wide financial statements, other post-employment benefits are reported as liabilities in the applicable governmental activities statement of net position.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations (Continued)

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

Equity Classifications

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

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

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

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (Continued)

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

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

Use of Estimates

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

Subsequent Events

Subsequent events have been evaluated through April 17, 2019 which is the date the financial statements were available to be issued.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District published the proposed budget for the General Fund in the St. Tammany Farmer on November 30th and December 7th of 2017. A public hearing was held on December 12, 2017 and the board adopted the budget. The budget is prepared using GAAP basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is employed as a management control device during the year. The board also reviews budget versus actual reports on a monthly basis. Changes or amendments are made upon approval of the board.

(3) CASH AND CASH EQUIVALENTS

At December 31, 2018, the District has cash and cash equivalents (book balances) totaling \$9,797,675 as follows:

Operating account	\$	718,795
EMS Billing		27,003
Budget Planning account		8,503,850
Investment accounts		547,877
Payroll accounts		-
Petty cash		150
		150
	\$	<u>9,797,675</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(3) CASH AND CASH EQUIVALENTS (CONTINUED)

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

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

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

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

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

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

	Bank Balances Category			Bank Balance
	1	2	3	
Cash	\$ 250,000	\$ 9,547,675	\$ -	\$ 9,797,675

(4) RECEIVABLES

The receivables of \$13,421,879 at December 31, 2018 are as follows:

Class of Receivable	Amount
Taxes – ad valorem, net	\$ 12,436,442
State revenue sharing	150,492
EMS receivable, net	771,201
FEMA grant receivable	63,349
Misc. accounts	395
	\$ 13,421,879

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(5) CAPITAL ASSETS

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

	(Restated) <u>1/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2018</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 699,473	\$ -	\$ -	\$ 699,473
Construction in progress	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total capital assets not being depreciated	<u>701,973</u>	<u>-</u>	<u>-</u>	<u>701,973</u>
Capital assets being depreciated:				
Buildings and improvements	3,569,798	62,900	(6,183)	3,626,515
Firefighting equipment	1,092,318	337,685	(267,396)	1,162,607
Medical equipment	570,852	105,651	(118,361)	558,142
Transportation vehicles	5,012,513	97,945	(372,448)	4,738,010
Furniture and fixtures	<u>64,563</u>	<u>-</u>	<u>-</u>	<u>64,563</u>
Total capital assets being depreciated	<u>10,310,044</u>	<u>604,181</u>	<u>(764,388)</u>	<u>10,149,837</u>
Less accumulated depreciation for:				
Buildings and improvements	1,629,368	109,311	(3,209)	1,735,468
Firefighting equipment	1,063,530	88,325	(267,046)	884,809
Medical equipment	489,409	77,282	(118,361)	448,329
Transportation vehicles	2,494,414	331,785	(307,812)	2,518,389
Furniture and fixtures	<u>64,563</u>	<u>-</u>	<u>-</u>	<u>64,563</u>
Total accumulated depreciation	<u>5,741,284</u>	<u>606,703</u>	<u>(696,429)</u>	<u>5,651,558</u>
Total capital assets being depreciated, net	<u>4,568,760</u>	<u>(2,522)</u>	<u>(67,959)</u>	<u>4,498,277</u>
Governmental activities capital assets, net	<u>\$ 5,270,733</u>	<u>\$ (2,522)</u>	<u>\$ (67,959)</u>	<u>\$ 5,200,252</u>

Depreciation expense of \$606,703 for the year ended December 31, 2018, was charged to fire protection and EMS.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(6) LONG-TERM DEBT

	Balance at 1/1/18	Additions	Reductions	Balance at 12/31/18	Due Within One Year
\$600,000 Limited tax certificate of indebtedness, interest rate at 1.74%, maturing on March 1, 2022, secured by ad valorem.	\$ 415,000	\$ -	\$ 65,000	\$ 285,000	\$ 70,000
Santander Bank Municipal lease-purchase agreement, interest rate at 3.54%, maturing on May 15, 2024	527,618	-	125,266	409,148	62,400
	\$ 1,012,113	\$ -	\$ 192,699	\$ 694,148	\$ 132,400

Interest costs incurred and charged to expense for the year ended December 31, 2018 was \$20,436

The annual requirements to maturity for the certificates of indebtedness as of December 31, 2018 are as follows:

Year Ending December 31,	Principal	Interest
2019	\$ 70,000	\$ 4,350
2020	70,000	3,132
2021	70,000	1,914
2022	75,000	653
	\$ 285,000	\$ 10,049

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(6) LONG-TERM DEBT (CONTINUED)

The annual requirements to maturity for the Santander Bank Municipal lease-purchase agreement as of December 31, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 62,400	\$ 14,488
2020	64,609	12,278
2021	66,897	9,991
2022	69,266	7,622
2023	71,718	5,169
Thereafter	<u>74,258</u>	<u>2,629</u>
	<u>\$ 409,148</u>	<u>\$ 52,177</u>

(7) OPERATING LEASES

The District leases copier and radio equipment for a period of less than 12 months. Total payments charged to leased equipment expense for the year ended December 31, 2018 was \$65,423.

(8) COMPENSATED ABSENCES

A summary of compensated absences is as follows:

	<u>Balance at January 1, 2018</u>	<u>Net Increase (Decrease)</u>	<u>Balance at December 31, 2018</u>
Compensated absences	\$ 737,345	\$ 19,183	\$ 756,528

(9) SUPPLEMENTAL SALARIES

During the year ended December 31, 2018, eligible full time employees received additional pay in the amount of \$615,117 from the State of Louisiana. These intergovernmental funds are reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balance – governmental fund in salaries and related benefits.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN

Louisiana Firefighters' Retirement System

Plan Description

Substantially all full-time employees of the District are members of the Louisiana Firefighters' Retirement System (the System), a cost-sharing, multiple-employer defined benefit public retirement system, which is controlled and administered by a separate Board of Trustees.

The Firefighters' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in the System is a condition of employment, for any full-time firefighters who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System; however, employees may opt out of participation. The System provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment.

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 or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System.

Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of this System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN

Louisiana Firefighters' Retirement System (Continued)

Plan Description (Continued)

The System also provides death and disability benefits. Benefits are established by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Louisiana Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling, (225) 925-4060.

Funding Policy

For the twelve months ended December 31, 2018, members of the System are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. At December 31, 2018, the employer contribution rate was 26.50% above poverty and 28.50% below poverty. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Contributions

According to state statute, for the System, contribution requirements for all employees are actuarially determined each year. State statute requires covered employees to contribute a percentage of their salaries to the System. For the year ending December 31, 2018, the actual employer contribution rate and the actuarially determined employer contribution rate is listed below. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

The amount of the District's employer contributions to the System for the year ended December 31, 2018 was \$1,709,422. The District's covered payroll for the System for the year ended December 31, 2018 was \$6,430,065.

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

At December 31, 2018, the District reported a liability totaling \$15,547,327 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 2.702906% for the System, which was a decrease of .156637% from its proportion measured as of June 30, 2017.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Louisiana Firefighters' Retirement System (Continued)

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

For the year ended December 31, 2018, the District recognized pension expense for the System totaling \$2,356,820. Added to pension expense is the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions totaling \$(312,164) for the System.

For the year ended December 31, 2018, the District recognized revenue from ad valorem taxes and revenue sharing funds received by the System. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities totaling \$701,512.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,183,325
Change in assumptions	1,084,581	2,463
Net difference between projected and actual earnings on pension plan investments	1,010,962	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,369,441
Employer contributions subsequent to the measurement date	<u>861,388</u>	<u>-</u>
Total	<u>\$ 2,956,931</u>	<u>\$ 2,555,229</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Louisiana Firefighters' Retirement System (Continued)

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

Employer contributions subsequent to the measurement date totaling \$861,388 and reported as deferred outflows of resources will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

	2019	\$	581,322
	2020		(10,008)
	2021		(655,759)
	2022		(144,669)
	2023		(86,115)
	2024		<u>(113,295)</u>
	Total	\$	<u>(428,524)</u>

Actuarial Assumptions

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

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Louisiana Firefighters' Retirement System (Continued)

Mortality Rate

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

Long-term Expected Real Rate of Return

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	26.0%	1.76%
Equity	54.0%	6.78%
Alternatives	10.0%	6.55%
Other	<u>10.0%</u>	<u>4.60%</u>
Totals	<u>100.0%</u>	<u>4.92%</u>
Inflation		2.75%
Expected arithmetic nominal return		8.09%

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Louisiana Firefighters' Retirement System (Continued)

Discount Rate

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

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

The following presents the District's proportionate share of the Net Pension Liability using the discount rate of 7.30%, as well as what the Authority's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate:

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.30%</u>	<u>7.30%</u>	<u>8.30%</u>
District's proportionate share of the Net Pension Liability	\$ 22,687,224	\$ 15,547,327	\$ 9,547,354

Retirement System Audit Report

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Parochial Employees' Retirement System of Louisiana

Plan Description

The District has adopted "Parochial Employees' Retirement System of Louisiana Plan A" (the "System"), a public cost-sharing multiple employer defined benefit pension plan conforming with Chapter 5 Title 11 of the Louisiana Revised Statutes of 1950 (R.S. 11:1901) operated by the Parochial Employees' Retirement System Board of Trustees. Act 584 of 2006 implemented a new plan on benefits for employees hired January 1, 2007 and thereafter. The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elects to become members of the System.

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

The retirement allowance is equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. Final average compensation shall be defined as the average of the highest consecutive 36 months' salary for members hired prior to January 1, 2007. For members hired on January 1, 2007 or later, final average compensation shall be defined as the average of the highest consecutive 60 months' salary.

Any employee who was a member of the supplemental plan prior to the revision date of January 1, 1980 has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of the member's final salary or the final average compensation. The System also provides death and disability benefits. Benefits are established by state statute.

Eligibility of Benefits Available:

<u>Members hired prior to January 1, 2007</u>		<u>Members hired after January 1, 2007</u>	
<u>Years</u>	<u>Age</u>	<u>Years</u>	<u>Age</u>
7	65	7	67
10	60	10	62
25	55	30	55
30	any age		

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Parochial Employees' Retirement System of Louisiana (Continued)

Plan Description (Continued)

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (R.S. 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

The System issues an annual financial report to all participating employers. The financial report can be obtained by writing to: The Parochial Employees' Retirement System, P.O. Box 14619, Baton Rouge, LA 70898-4619.

St. Tammany Parish Fire Protection District No. 4 does not guarantee the benefits granted by the System.

Funding Policy

In addition to certain dedicated taxes that are remitted to the System, (which constitute major funding of the System) members of the System are required by state statute to contribute 9.35% of their annual covered salary for the year ended December 31, 2018, and 9.50% for the years ended December 31, 2017 and 2016. The District is required to contribute at an actuarially determined rate, which was 12.5% At December 31, 2018. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Contributions

The amount of the District's employer contributions to the System for the year ended December 31, 2018 was \$11,901. The District's covered payroll for the System for the year ended December 31, 2018 was \$103,491.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Parochial Employees' Retirement System of Louisiana (Continued)

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

At December 31, 2018, the District reported a liability totaling \$12,346 for its proportionate share of the net pension liability for the System. The net pension asset was measured as of December 31, 2017 and the total pension asset used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the District's proportion was 0.016633% for the System, which was a decrease of .000303% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense for the System totaling \$15,397. Added to pension expense is the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions totaling (\$75) for the System.

For the year ended December 31, 2018, the District recognized revenue from ad valorem taxes and revenue sharing funds received by the System. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities totaling \$1,237.

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Parochial Employees' Retirement System of Louisiana (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,922
Change in assumptions	15,582	-
Net difference between projected and actual earnings on pension plan investments	-	28,522
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	153
Employer contributions subsequent to the measurement date	<u>11,902</u>	<u>-</u>
Total	<u>\$ 27,484</u>	<u>\$ 36,667</u>

Employer contributions subsequent to the measurement date totaling \$11,902 and reported as deferred outflows of resources will be recognized as a reduction of the Net Pension Asset in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2019	\$	1,756
2020		(1,976)
2021		(9,653)
2022		<u>(11,307)</u>
Total	\$	<u>(21,179)</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Parochial Employees' Retirement System of Louisiana (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation for the System was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	December 31, 2017
Actuarial Cost Method:	Plan A - Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.75%, net of investment expense, including inflation
Projected Salary Increases	5.25% (2.75% Merit, 2.50% Inflation)
Mortality Rates	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

Mortality Rate

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2004 through December 31, 2009. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Parochial Employees' Retirement System of Louisiana (Continued)

Long-term Expected Real Rate of Return

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates 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 rates 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 of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	35.0%	1.24%
Equity	52.0%	3.57%
Alternatives	11.0%	0.69%
Real assets	<u>2.0%</u>	<u>0.12%</u>
Totals	<u>100.0%</u>	<u>5.62%</u>
Inflation		2.00%
Expected arithmetic nominal return		7.62%

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(10) PENSION PLAN (CONTINUED)

Parochial Employees' Retirement System of Louisiana (Continued)

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

The following presents the Authority's proportionate share of the Net Pension Asset using the discount rate of 6.75%, as well as what the Authority's proportionate share of the Net Pension Asset would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
Authority's proportionate share of the Net Pension Asset	\$ 60,869	\$ 12,346	\$ (77,539)

Retirement System Audit Report

Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on its financial statements for the year ended December 31, 2017. Access to the audit report can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

(11) DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

The District also participates in the Social Security Program; therefore individual employees can elect to opt out of the State of Louisiana Fire Fighters Retirement System. The Louisiana Fire Fighters Retirement System must approve all requests to opt out of the state program. By opting out of the Louisiana Fire Fighters Retirement System, an employee is allowed to participate in a deferred compensation plan, which means the employee bears the responsibility and associated risks of their retirement assets.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(11) DEFERRED COMPENSATION PLAN (CONTINUED)

Any employee that participates in a deferred compensation plan such as the Louisiana Public Employee Deferred Compensation Plan clearly understands the employee is responsible for their investment risks. The employee participating in a defined compensation plan such as the Louisiana Public Employee Deferred Compensation Plan acknowledges it is their sole responsibility to manage their investments and associated risks of their retirement assets. The employee also acknowledges there is no responsibility or liability on behalf of St. Tammany Parish Fire Protection District No. 4 for any losses or reduction in value of the employee's investment or contribution or the District contributions.

The District will limit the employer's contributions to only one the following plans for an employee: Louisiana Fire Fighters Retirement System, Louisiana Parochial Employees Retirement System or Louisiana Public Employee Deferred Compensation Plan.

The District will contribute an equal or matching percentage of a full time employee's contributions to the Louisiana Public Employee Deferred Compensation Plan up to a maximum of ten (10%) of the employee's scheduled wages. The total annual contribution to the defined contribution plan must not exceed the totals allowable by law in the given year. Only full time employees are eligible for any matching contribution. The District's contribution to deferred compensation plans for the years ended December 31, 2017 and 2016, were \$33,481 and \$49,679, respectively, equal to the required contributions for the year.

(12) OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The St. Tammany Parish Fire District #4 (the Fire District) provides certain continuing health care and life insurance benefits for its retired employees. The St. Tammany Parish Fire District #4's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Fire District. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Fire District. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by a retirement system whose retirement eligibility requirements are age 55 and 12 years of service, age 50 and 20 years of service or completion of 25 years of service at any age. At 20 years of service at retirement, the employer pays 100% of retiree only medical benefits and at 16 to 20 years, the employer pays 50%.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(12) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	21
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>112</u>
	<u>133</u>

Total OPEB Liability

The Fire District's total OPEB liability of \$4,252,418 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
3.44% annually (Beginning of Year to Determine ADC)	
4.10%, annually (As of End of Year Measurement Date)	
Healthcare cost trend rates	Flat 5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2018.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(12) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

Balance at December 31, 2017	\$ 4,522,568
Changes for the year:	
Service cost	120,718
Interest	153,159
Differences between expected and actual experience	(41,360)
Changes in assumptions	(362,129)
Benefit payments and net transfers	(140,538)
	<hr/>
Net changes	(270,150)
	<hr/>
Balance at December 31, 2018	<u>\$ 4,252,418</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Fire District, as well as what the Fire District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10%) or 1-percentage-point higher (5.10%) than the current discount rate:

	1% Decrease <u>3.10%</u>	Current Discount Rate <u>4.10%</u>	1% Increase <u>5.10%</u>
Total OPEB Liability	\$ 4,826,102	\$ 4,252,418	\$ 3,764,603

Sensitivity of the Total OPEB Liability to Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Fire District, as well as what the Fire District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1% Decrease <u>4.50%</u>	Current Trend Rate <u>5.50%</u>	1% Increase <u>6.50%</u>
Total OPEB Liability	\$ 3,730,428	\$ 4,252,418	\$ 4,867,150

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(12) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended December 31, 2018, the Fire District recognized OPEB expense of \$246,978. At December 31, 2018, the Fire District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ _____ -	\$ (337,987)
Differences between expected and actual experience	_____ -	(38,603)
Total	\$ _____ -	\$ (376,590)

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

Years ending June 30:	
2019	(26,899)
2020	(26,899)
2021	(26,899)
2022	(26,899)
2023	(26,899)
Thereafter	(242,095)

(13) RISK MANAGEMENT

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

(14) LITIGATION

At December 31, 2018, the District is involved in various lawsuits. The District's legal advisors are unable to estimate the ultimate resolution of such matters. Consequently, no liability has been recorded in the accompanying financial statements. The claims are potentially within the District's insurance coverage limits.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(15) PRIOR PERIOD RESTATEMENT

During 2018, the District conducted a review of property, plant, and equipment, which identified old, fully depreciated assets that had been treated as disposals in prior years, but were still in service as of year-end. In order to properly match the depreciation schedule to property inventory schedules, the District has included these items within its beginning property, plant, and equipment balances as of January 1, 2018. This adjustment resulted in no change to net assets. The table below outlines the adjustments to prior year balances:

	(Original) December 31, 2017	(Restated) December 31, 2017
Land	\$ 699,473	\$ 699,473
Construction-in-progress	2,500	2,500
Buildings and improvements	3,569,798	3,569,798
Firefighting equipment	566,352	1,092,318
Medical equipment	570,852	570,852
Transportation vehicles	4,963,173	5,012,513
Furniture and fixtures	<u>64,563</u>	<u>64,563</u>
	10,436,711	11,012,017
Less: accumulated depreciation	<u>(5,165,978)</u>	<u>(5,741,284)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 5,270,733</u>	<u>\$ 5,270,733</u>

(16) NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This Statement is effective for fiscal years beginning after June 15, 2017. The District has adopted this Statement as applicable by the effective date. The effects of this statement were applied retroactively by reporting the cumulative effect of the application as a restatement of beginning net position or fund balance, as appropriate. The impact of the implementation of the to the District's financial statements was a decrease in net position of \$3,645,383.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(16) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The GASB has issued Statement No. 83, "*Certain Asset Retirement Obligations*." The objective of this Statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement establishes criteria for determining the timing and the pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires (1) that recognition occur when the liability is both incurred and reasonably estimable; (2) the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred; (3) the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually; (4) a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays; and (5) disclosure of information concerning the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 84, "*Fiduciary Activities*." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District has adopted this Statement as applicable by the effective date.

The GASB has issued Statement No. 85, "*Omnibus 2017*." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District has adopted this Statement as applicable by the effective date with no material effect.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(16) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The GASB has issued Statement No. 86, “*Certain Debt Extinguishment Issues.*” The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District has adopted this Statement as applicable by the effective date with no material effect.

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

REQUIRED SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
GENERAL REVENUES:			
Ad valorem taxes	\$ 13,900,000	\$ 14,758,817	\$ 858,817
Intergovernmental revenues:			
State revenue sharing	200,000	230,043	30,043
Fire insurance rebate	200,000	220,609	20,609
Federal and state grants	350,000	350,182	182
Charges for services (EMS)	1,400,000	1,429,682	29,682
Training revenue	-	49,213	49,213
Investment earnings	150,000	171,989	21,989
Miscellaneous	300,000	488,471	188,471
	<u>16,500,000</u>	<u>17,699,006</u>	<u>1,199,006</u>
EXPENDITURES:			
Current for fire protection and EMS:			
Personnel	12,200,000	12,013,734	186,266
Services	800,000	639,723	160,277
Rent/lease expenses	75,000	-	75,000
Utilities	125,000	118,193	6,807
Repairs and maintenance	500,000	418,692	81,308
Other operating expenses	1,900,000	1,501,848	398,152
Non-capital expenses	30,000	205,849	(175,849)
	<u>15,630,000</u>	<u>14,898,039</u>	<u>731,961</u>
Debt service	170,000	147,413	22,587
Capital outlays	700,000	604,181	95,819
	<u>16,500,000</u>	<u>15,649,633</u>	<u>850,367</u>
Excess of revenues over expenditures	-	2,049,373	2,049,373
FUND BALANCE:			
Beginning of year	<u>18,967,423</u>	<u>18,967,423</u>	<u>-</u>
End of year	<u>\$ 18,967,423</u>	<u>\$ 21,016,796</u>	<u>\$ 2,049,373</u>

*Note: The Actual on Budgetary Basis amounts above reflect the modified accrual basis of accounting, except that state supplemental pay for firefighters (\$615,117) is not reflected above in revenues and expenditures.

(See Independent Auditors' Report)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
SCHEDULE OF FUNDING PROGRESS OF OPEB PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Cost	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
1/1/2018	\$ -	\$ 4,252,418	\$ 4,252,418	0.00%	\$ 7,622,889	55.78%

(See Independent Auditors' Report)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2018*

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
<u>Louisiana Firefighters' Retirement System</u>				
District's Proportion of the Net Pension Liability	2.702906%	2.859543%	2.877815%	3.029979%
District's Proportionate Share of the Net Pension Liability	\$ 15,547,326	\$ 16,390,469	\$ 18,823,508	\$ 16,353,137
District's Covered-Employee Payroll	\$ 6,430,065	\$ 6,928,839	\$ 6,574,323	\$ 6,439,270
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	241.79%	236.55%	286.32%	253.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.76%	73.55%	68.16%	72.45%
<u>Parochial Employees' Retirement System of Louisiana</u>				
District's Proportion of the Net Pension Liability	0.016633%	0.016936%	0.017787%	0.017048%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 12,346	\$ (34,884)	\$ (46,821)	\$ (4,661)
District's Covered-Employee Payroll	\$ 102,373	\$ 100,442	\$ 101,983	\$ 96,468
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered-Employee Payroll	12.06%	34.73%	45.91%	4.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	101.98%	94.15%	92.23%	99.15%

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

**The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.*

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
SCHEDULE OF CONTRIBUTIONS - RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
<u>Louisiana Firefighters' Retirement System</u>				
Contractually Required Contribution	\$ 1,709,422	\$ 1,679,423	\$ 1,696,055	\$ 1,953,370
Contributions in Relation to the Contractually Required Contribution	<u>(1,703,422)</u>	<u>(1,679,423)</u>	<u>(1,696,055)</u>	<u>(1,953,370)</u>
Contribution Deficiency (Excess)	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 6,486,856	\$ 6,492,182	\$ 6,596,541	\$ 6,953,267
Contributions as a Percentage of Covered-Employee Payroll	26.26%	25.87%	25.71%	28.09%
<u>Parochial Employees' Retirement System of Louisiana</u>				
Contractually Required Contribution	\$ 12,812	\$ 12,797	\$ 13,057	\$ 14,788
Contributions in Relation to the Contractually Required Contribution	<u>(12,797)</u>	<u>(12,797)</u>	<u>(13,057)</u>	<u>(14,778)</u>
Contribution Deficiency (Excess)	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>
Authority's covered-employee payroll	\$ 102,373	\$ 102,373	\$ 100,442	\$ 101,983
Contributions as a Percentage of Covered-Employee Payroll	12.50%	12.50%	13.00%	14.49%

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

(1) PENSION PLAN SCHEDULES

Changes of Benefit Terms

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

Changes of Assumptions

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

For the year ended December 31, 2017 (measurement date of June 30, 2017), the Firefighter's Retirement System inflation rate assumption was lowered from 2.875% to 2.775% annually, and the real investment rate of return was lowered from 7.50% to 7.40%.

For the year ended December 31, 2016 (measurement date of June 30, 2016), the Firefighter's Retirement System inflation rate assumption was lowered from 3% to 2.875% annually, and the salary increase range assumption was lowered from 5.5% - 15.0% to 4.75% - 15.0%.

For the year ended December 31, 2017 (measurement date of June 30, 2017), the Firefighter's Retirement System inflation rate assumption was lowered from 2.875% to 2.875% annually, and the salary increase range assumption was lowered from 4.75% - 15.0% to 4.75% - 15.0%.

There were no changes of assumptions during the years ended December 31, 2018 (measurement date of December 31, 2017) for the Parochial Employees' Retirement System of Louisiana.

For the year ended December 31, 2016 (measurement date of December 31, 2015), the Parochial Employees' Retirement System of Louisiana's inflation rate assumption was lowered from 3% to 2.5% annually, and the salary increase assumption was lowered from 5.75% to 5.25%. The real investment rate of return also decreased from 7.25% in 2014 to 7.0% in 2015. Additionally, the System began using the RP-2000 Employee Sex Distinct Table for selected employees and the RP-2000 Healthy Annuitant Sex Distinct Tables to develop its mortality rate assumptions.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2018

The schedule of compensation paid to Board of Commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Payment per diem is made in accordance with Louisiana Revised Statute 40:1498 which authorizes per diem payments of \$100 per regular and special board meeting and \$50 per committee meeting. The maximum number of committee meetings per month allowed is two.

Name	Amount
William Dobson	\$ 1,200
Ambrose Amedee	1,300
John Schell	1,300
David Lindsey	1,000
Evans Spiceland	800
	\$ 5,600

(See Independent Auditors' Report)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

Kenneth Moore, Fire Chief

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 169,976
Benefits - insurance	9,081
Benefits - retirement	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<hr/>
Total Compensation, Benefits and Other Payments	<u>\$ 179,057</u>

(See Independent Auditors' Report)



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

To the Board of Commissioners
St Tammany Parish Fire Protection District No. 4
Mandeville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of St. Tammany Parish Fire Protection District No. 4, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the St. Tammany Parish Fire Protection District No. 4's basic financial statements, and have issued our report thereon dated April 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Tammany Parish Fire Protection District No. 4's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Tammany Parish Fire Protection District No. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Tammany Parish Fire Protection District No. 4's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of St. Tammany Parish Fire Protection District No. 4's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



To the Board of Commissioners
St Tammany Parish Fire Protection District No. 4
April 17, 2019

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Fire Protection District No. 4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

April 17, 2019
Mandeville, Louisiana


Certified Public Accountants

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of St. Tammany Parish Fire Protection District No. 4.
2. No significant deficiencies or material weaknesses disclosed during the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of St. Tammany Parish Fire Protection District No. 4, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A management letter was not issued for the year ended December 31, 2018.

SECTION II FINANCIAL STATEMENT FINDINGS

Not Applicable

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

Not Applicable

SECTION II MANAGEMENT LETTER

Not Applicable



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 4
Mandeville, Louisiana

We have performed the procedures enumerated below, which were agreed to by the St. Tammany Parish Fire Protection District No. 4 and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the St. Tammany Parish Fire Protection District No. 4's compliance with certain laws and regulations during the period of January 1, 2018 to December 31, 2018, in accordance with Act 774 of 2014 Regular Legislative Session. Management of the St. Tammany Parish Fire Protection District No. 4 is responsible for its financial records, establishing internal controls over financial reporting, compliance with applicable laws and regulations, and providing a corrective action plan that addresses all exceptions noted. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

This report is intended solely for the use of management of the St. Tammany Parish Fire Protection District No. 4 and the Legislative Auditor, State of Louisiana, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

May 21, 2019
Mandeville, Louisiana

Certified Public Accountants

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
AGREED-UPON PROCEDURES
JANUARY 1, 2018 TO DECEMBER 31, 2018

Bank Reconciliations

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

Results: The written policies and procedures address the processes for performing and reviewing monthly bank statement reconciliations and for addressing old, outstanding items.

2. **Procedures:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect corresponding bank statement and reconciliation for each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g. initialed and dated, electronically logged); and
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were noted during testing.

Collections

1. **Procedures:** Obtain and inspect the entity's written policies and procedures over collections and observe that they address 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).

Results: The written policies and procedures address the processes for collections as well as receiving, recording, and preparing deposits.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2018 TO DECEMBER 31, 2018

2. **Procedures:** Obtain a listing of deposit sites (i.e., a physical location where a deposit is prepared and reconciled) 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).

Results: No exceptions were noted during testing.

3. **Procedures:** For each deposit site selected, obtain a listing of collection locations (physical location where cash is collected) 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:

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

Results: No exceptions were noted during testing.

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

Results: No exceptions were noted during testing.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2018 TO DECEMBER 31, 2018

5. **Procedures:** 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:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per 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).

Results: Because the District receives so few actual cash collections, deposits are typically made twice a month, once on the 15th and once more near the end of the month unless a larger (over \$500) amount is received at the collection location, in which case the deposit will be made that same day or the next day. Deposits are typically not made within one business day of receipt at the collection location.

6. **Procedures:** Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were noted during testing.

Contracts

1. **Procedures:** Obtain and inspect the entity's written policies and procedures over contracting and observe that they address (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Results: The written policies and procedures address the processes for contracts.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2018 TO DECEMBER 31, 2018

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

Results: No exceptions were noted during testing.

Debt Collection/Write-off

1. **Procedures:** Obtain and inspect the entity's written policies and procedures over debt collection and write-off and observe that they require a monthly review of the accounts receivable aging schedule(s); methods, time frames, and documentation related to debt collection efforts; and criteria for write-offs.

Results: The written policies and procedures address the processes for debt collection and write-offs.

2. **Procedures:** Obtain the accounts receivable aging schedule(s) from management as of the last day of the fiscal year. Obtain management's representation that the schedule(s) are complete. Randomly select 10 accounts that are identified as more than 90 days past due, or if less than 10 accounts, select the entire population. Obtain account documentation for the selected accounts and observe that management pursued collection efforts for each account (e.g., late notices, account terminations/cut-offs, legal action).

Results: No exceptions were noted during testing.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2018 TO DECEMBER 31, 2018

3. **Procedures:** Obtain a listing of entity debt write-offs from management or, alternately, obtain the general ledger and sort/filter for entity debt write-offs. Obtain management's representation that the listing or general ledger population is complete. Randomly select five debt write-offs, or if less than five, select the entire population. Obtain account documentation for the select write-offs and observe that management pursued collection efforts for each account and followed its written policies and procedures in writing off the debt.

Results: No exceptions were noted during testing.