

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

ANNUAL FINANCIAL REPORT

**As of and for the year ended
September 30, 2017**

(With Accountant's Report Thereon)

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

Annual Financial Report
As of and for the year ended
September 30, 2017
With Supplemental Information Schedule

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MICHAEL K. GLOVER
CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and fund information of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise of St. George Fire Protection District No. 2 basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of St George Fire Protection District No. 2 a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion, analysis and budgetary comparison, the Schedule of Funding Progress for Other Post-Employment Benefit Plan, The schedule of the District's proportionate share of the net pension liability and the schedule of the District's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although, not a part of the basic financial statements is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. I have applied certain limited procedures to the required supplemental 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 my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Audit Standards*, I have also issued my report dated June 21, 2018, on my consideration of St George Fire Protection District No. 2 internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. George Fire Protection District No. 2 internal control over financial reporting and compliance.



Michael K Glover APAC
Baton Rouge, LA
June 21, 2018

St. George Fire Protection District No. 2
Baton Rouge, Louisiana
Management's Discussion and Analysis
For the Year Ended September 30, 2017

The District provides emergency services to a 70 square mile area of East Baton Rouge Parish. The District is located in the southern portion of East Baton Rouge Parish. It includes East Baton Rouge Parish outside of the city limits of Baton Rouge with the parish line being the boundary on the eastern, western and southern ends and Harrell's Ferry Road being the northern boundary. The population of the District is approximately 106,500 and there are approximately 30,000 structures. The District is a separate government body and is governed by an appointed board of five citizens. This section of the District's financial report represents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2017.

The District has a total staff of 178 employees that provide fire protection and related services. This includes nine employees that provide administrative and office services.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's liabilities exceeded its assets by \$21,437,362 (net position), which represents a 1,25% decrease from September 30, 2016. The increase in net position was mainly due to a decrease in net pension liability. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The largest portion of the St. George Fire Protection District No. 2's net position reflects its investment in capital assets.

Capital assets of \$17,468,519 included eight fire stations as of September 30, 2017, improvements, firefighting and other equipment and furniture and fixtures, net of accumulated depreciation.

The following provides a summary of the net position:

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 1,762,760	\$ 1,397,154
Capital Assets	17,468,519	16,132,747
Deferred outflows-net pension liability	<u>3,699,444</u>	<u>7,257,309</u>
Total Assets	<u>\$ 22,930,723</u>	<u>\$ 24,787,210</u>
Long-term Liabilities	39,085,535	41,279,159
Deferred inflows-net pension liability	2,387,748	2,296,561
Other liabilities	<u>2,894,802</u>	<u>3,021,582</u>
Total liabilities	<u>44,368,085</u>	<u>46,597,302</u>
Net Position:		
Invested in capital assets, net		
Of related debt	14,125,544	13,132,119
Unrestricted	<u>(35,562,906)</u>	<u>(34,942,211)</u>
Total net position	<u>\$(21,437,362)</u>	<u>\$(21,810,092)</u>
Total liabilities and net position	<u>\$ 22,930,723</u>	<u>\$ 24,787,210</u>

The District receives a millage of 12 mills for general operation, 1.25 mills for salary and benefits, 1.25 mills for capital improvements and debt service, and 1.50 mills for capital improvements and debt service. These taxes, which represent 85.8% of total revenue, increased by \$865,459 or approximately 4.7% from the period ending September 30, 2016

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

	<u>2017</u>	<u>2016</u>
Revenues:		
Property taxes	\$ 19,177,013	\$ 18,311,554
Service charges	1,180,161	1,160,203
Intergovernmental revenues	785,543	727,177
Other revenues	<u>1,212,291</u>	<u>1,263,464</u>
Total	<u>22,355,008</u>	<u>21,462,398</u>
Expenses	<u>21,982,278</u>	<u>20,959,755</u>
Increase (Decrease) in net position	372,730	502,643
Beginning net position-restated	<u>(21,810,092)</u>	<u>(22,312,735)</u>
Ending net position	<u>\$(21,437,362)</u>	<u>\$(21,810,092)</u>

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

- 1 Property taxes increased by \$965,459 and service charges increased by \$19,958 primarily due to growth in the district.
- 2 Interest expense increased by \$35,039 due to financing of capital additions.
- 3 Depreciation expense increased by \$243,485 primarily due to the \$2,518,704 increase in capital assets being depreciated in 2017.
- 4 Public safety-fire protection expenses increased by \$743,999 due to inflationary cost increases, staff raises, increased cost of healthcare and repairs to stations and vehicles.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2017</u>	<u>2016</u>
Revenues		
Ad Valorem Taxes	\$19,065,110	\$18,270,641
Expenditures		
Personnel services and related benefits	\$15,866,061	\$14,891,893
Capital Outlay	\$ 2,518,705	\$ 824,256

BUDGETARY HIGHLIGHTS

The original budget was not revised during the year.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final Positive/(Negative)</u>
Revenues	\$22,236,825	\$22,233,115	\$22,350,505	\$ 117,390
Expenses	21,045,205	20,522,655	23,087,094	2,564,439
Other Sources of income (expense)	0	0	1,799,725	1,799,725
Excess (Deficiency) of revenues over expenditures	1,191,620	1,710,461	1,063,136	(647,325)

Ad valorem taxes and service charges were less than budget by \$81,930 due to the decrease in property values after the 2016 flood.

Grants exceeded budget by \$206,731 due to a SAFER grant that was started in 2017 fiscal year.

Other revenues were less than budget by \$97,017 because of timing differences in recognition of this income item.

Personnel services and related benefits exceeded budgeted amounts by \$92,396 because additional staff were hired during the year and an increased cost for benefits.

Repairs and maintenance exceeded budget by \$201,989 due to repairs as a result of the 2016 flood.

Training exceeded budget by \$58,709 due to additional conferences and a program to cross train staff to familiarize them with additional procedures performed by other staff members.

Debt service exceeded budget by \$68,833 because of an increase capital asset purchases which were financed.

Capital outlay exceeded budget by \$2,053,704 due to an upgrade to radio equipment and completion of a new radio tower.

Loan proceeds exceeded budget by \$1,734,725 because the department does not budget loan proceeds.

In summary, total revenue was exceeded budget by \$117,390, expenditures exceeded budget by \$2,564,439, and other sources of income exceeded budget by \$1,799,725. Excess of revenues over expenditures was overstated on the final budget by \$647,325.

CAPITAL ASSETS

At September 30, 2017, the District had \$17,468,519 of capital assets, net of accumulated depreciation. These assets are comprised of land, buildings, firefighting equipment, office furniture and equipment, etc.

LONG-TERM DEBT

Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions", was adopted during the year ended September 30, 2009. This standard establishes accounting standards for Post-Retirement Benefits Other Than Pensions (OPEB). The standards require accrual basis accounting for the OPEB obligation rather than the pay-as-you-go method. There was an increase in the net OPEB obligation of \$1,131,017 in the current year. More detailed information is available in the notes to the financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Statement A

September 30, 2017

ASSETS	
Cash and cash equivalents	\$ 1,576,263
Receivable	113,811
Capital assets - net of accumulated depreciation	17,468,519
Deposits	55,026
Prepaid expenses	17,660
Total assets	<u>19,231,279</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Related to net pension liability	3,699,444
Total Assets and Deferred Outflows of Resources	<u>\$ 22,930,723</u>
 LIABILITIES	
Accounts payable	\$ 87,420
Salary benefits payable	311,060
Accrued interest	42,694
Long-term liabilities:	
Due within one year	2,453,628
Due after one year	3,843,676
Net pension liability	23,143,126
OPEB liability	12,098,733
Total liabilities	<u>41,980,337</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to net pension liability	2,387,748
Total Liabilities and Deferred Inflows of Resources	<u>44,368,085</u>
 NET POSITION	
Invested in capital assets, net of related debt	14,125,544
Unrestricted net position:	
General fund	(35,562,906)
Total net position	<u>\$ (21,437,362)</u>

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

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

Statement B

Statement of Activities
For the year ended September 30, 2017

	PROGRAM REVENUES				
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL	
EXPENSES:					
Public safety - fire protection	\$ 21,780,476		1,146,527		\$ 20,633,949
Depreciation	1,147,333				1,147,333
Interest	200,996				200,996
Total governmental activities	23,128,805	-	1,146,527	-	21,982,278
Program revenues:					
Service charges					1,180,161
Net program expenses					20,802,117
GENERAL REVENUES:					
Ad valorem taxes					19,177,013
Intergovernmental revenues:					
State revenue sharing					331,140
Fire insurance tax					424,403
Other					30,000
Interest income					67,983
Non-employer retirement contribution					1,009,725
Miscellaneous					105,182
Gain on sale of assets					29,401
Total general revenues					21,174,847
Changes in net position					372,730
Net position:					
Beginning of the year					(21,810,092)
End of the year					\$ (21,437,362)

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

FUND FINANCIAL STATEMENTS

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

Statement C

September 30, 2017

		<u>GENERAL FUND</u>
ASSETS		
Cash and cash equivalents	\$	1,207,818
Receivable		113,811
Deposits		55,026
 Total Assets	 \$	 <u><u>1,376,655</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Accounts payable	\$	87,420
Salary benefits payable		311,060
		<u>398,480</u>
 Deferred Inflows of Resources		
Unavailable revenues		<u>57,088</u>
Total Liabilities and Deferred Inflows of Resources		<u>455,568</u>
 Fund balances:		
Unassigned, reported in:		
General fund		<u>921,087</u>
 Total fund balance		 <u>921,087</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 \$	 <u><u>1,376,655</u></u>

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

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF THE GOVERNMENT FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Statement D

September 30, 2017

Total fund balances - governmental funds (Statement C)	\$	921,087
<p>Certain long-term assets are not reported in the fund financial statements because they are not available to pay certain period expenditures, but they are reported as assets in the statement of net position</p>		
Deferred outflows - pension related		3,699,444
<p>The purchase of capital assets are reported as expenditures as they are incurred in the governmental funds. The statement of net positions reports capital assets as an asset to the District. These capital assets are depreciated over their estimated useful lives in the Statement of Activities and are not reported in the governmental funds.</p>		
Cost of capital assets	\$ 25,869,027	
Less: Accumulated depreciation	<u>(8,400,508)</u>	
		17,468,519
Interest payable on long-term debt is accrued the statement position and expensed in the governmental funds.		(42,694)
Prepaid cost are considered an expenditure in the governmental fund financial statements		17,660
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
<p>These liabilities consist of:</p>		
Compensated absences payable	\$ (2,133,322)	
Note payable	(3,795,538)	
Net pension liability	(23,143,126)	
Deferred inflows - pension related	(2,387,748)	
Net other post employment benefit obligation (OPEB)	<u>(12,098,733)</u>	
		(43,558,467)
Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore are deferred in the funds.		<u>57,089</u>
Net Position (Statement A)	\$	<u><u>(21,437,362)</u></u>

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

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

Statement E

Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2017

	<u>GENERAL FUND</u>
REVENUES:	
Ad valorem taxes	\$ 19,065,110
Service charge	1,180,160
Intergovernmental revenues:	
State revenue sharing	331,140
Fire insurance tax	424,403
Supplemental pay	939,795
Other	30,000
Interest income	67,983
Miscellaneous	105,183
Grants	206,731
Total revenues	<u>22,350,505</u>
EXPENDITURES:	
Telecommunications	173,260
Personnel services and related benefits	15,866,061
Office supplies	32,562
Supplies	544,430
Utilities	144,536
Insurance	246,720
Repairs and maintenance	655,709
Rental	161,790
Training	153,709
Legal and professional	97,398
Contractual services	889,202
Debt service:	
Principle	1,402,027
Interest and other charges	200,986
Capital outlay	2,518,704
Total expenditures	<u>23,087,094</u>
Excess (deficiency) of revenues over expenditure	(736,589)
Other sources of income (expenses):	
Proceeds from sale of assets	65,000
Loan proceeds	1,734,725
	<u>1,799,725</u>
	1,063,136
Fund balance:	
Beginning of the year	(142,049)
End of the year	<u>\$ 921,087</u>

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

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Statement F

Net change in fund balances-total governmental funds (Statement E)	\$	1,063,136
Amounts reported for governmental activities in the statement of activities (Statement B) are different as follows:		
Revenues reported in the statement of activities that were not available to pay current obligations are not reported in the governmental funds:		
Non-employer contributions to cost-sharing pension plan		1,009,725
Government funds report principle payments on long-term obligations as an expenditure. However, in the statement of net position, principle payments are recorded as a reduction of long-term liabilities.		
Loans		1,395,264
Interest accrual		6,753
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on an accrual basis, expenses and liabilities are reported regardless of when financial resources are used. The net changes associated with these expenses/expenditures are as follows:		
Compensated absences		(224,025)
Pension expense		(1,355,372)
Other post employment benefit		(1,131,017)
In the statement of activities, a gain or loss on sales, trade-ins, proceeds received from dispositions of capital assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets disposed.		
		(35,599)
Under the modified accrual basis of account used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available This is the net adjustment to current year revenue in converting to the full accrual basis.		
		7,219
Loan proceeds provide current financial resources to government fund, but issuing debt increases long-term and short-term liabilities in the statement of Net Positions.		
		(1,734,725)
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the year.		
		1,371,371
Changes in net position	\$	372,730

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

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

Notes to Financial Statements
As of and for the Year ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. INTRODUCTION

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

The St. George Fire Protection District No. 2 presently has eight stations to provide fire protection within their district. The District has approximately 178 employees.

B. Reporting Entity

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

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

Because the Metropolitan Council appoints the members of the Board of Commissions, the District was determined to be a component unit of the City of Baton Rouge and East Baton Rouge Parish, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City of Baton Rouge and East Baton Rouge Parish, the general governmental units that comprise the financial reporting entity.

C. Basis of Presentation

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

Government-Wide Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation – Cont.

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

D. Eliminating Internal Activity

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

E. Capitalizing Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

F. Use of Estimates

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

F. Cash and Cash Equivalents

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

Under state law, the districts may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days. However, if the original maturities are 90 days or less, they are classified as cash equivalents.

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

G. Deferred Outflows/Inflows of Resources

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

H. Compensated Absences

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Revenues

Property taxes and the service charge are assessed each calendar and are recorded on the modified accrual basis and, therefore, recorded when they are both measurable and available. These revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The calendar of events for the 2016, ad valorem tax roll was as follows:

	Service charges
	And
	<u>Ad valorem taxes</u>
Levy date	January 1, 2017
Due date	December 31, 2017
Lien date	January 1, 2018
Collection date	December 3, 2017

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

Program Revenues

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

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

J. Expenditures

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

K. Other Financing Sources (Uses)

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

L. Capital Assets

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Budget Practices

The proposed budget for 2016 - 2017 was made available for public inspection on September 12, 2016. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal ten (10) days prior to the public hearing, which was held at the St. George Fire Station on 14100 Airline Highway on September 22, 2016, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

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

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

N. Equity Classifications

Government-Wide Statements:

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

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

Fund Financial Statements:

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications – Cont.

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

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

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

O. Post-Employment Health Care and Dental Insurance Benefits

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

P. Pension

The District is a participating employer in a cost-sharing multiple-employer defined benefit pension plan as described in Note 8. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firefighters; Retirement System (FRS) and additions to/deductions from FRS's fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value in the plan.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

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

<u>Depository Account</u>	<u>Amount</u>
Insured	\$ 597,006
Collateralized	
Uncollateralized	
Collateralized with securities held by the pledging financial institution	1,067,025
Collateralized with securities held by the pledging financial institutions trust department	<u>118,444</u>
Total bank balances exposed to custodial credit risk	\$ <u><u>1,782,475</u></u>
Total bank balances	\$ <u><u>1,782,475</u></u>

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of September 30, 2017, the District's deposits were secured from risk by federal deposit insurance and pledged securities. As of September 30, 2017, the District's bank balance was not exposed to custodial credit risk.

3. LEVIED TAXES AND CHARGES

	Authorized Millage/Rate	Levied Millage	Expiration Date
Ad valorem taxes			
Property taxes	4.00	4.00	2023
Property taxes	6.00	6.00	2027
Property taxes	2.00	2.00	2024
For salaries and related benefits	1.25	1.25	2021
Capital improvements	1.25	1.25	2024
Capital improvements and debt service	1.50	1.50	2021
Service charge (maximum rate)	\$ 32.00	N/A	2021

The above assessments are as of the 2016 assessment roll. The grand recapitulation of the assessment roll added an addition tax of 2.00 millage this fiscal year.

4. RECEIVABLES

Receivables as of September 30, 2017, are as follows:

Ad Valorum taxes	\$ 1,420,213
Service Charges	28,095
	<u>1,448,308</u>
Less: Allowance for uncollectible	<u>(1,334,497)</u>
	<u>\$ 113,811</u>

5. CAPITAL ASSETS

Capital assets as of September 30, 2017 are as follows:

	Beginning				Ending
	Balance	Adjustments	Additions	Deletions	Balance
Land	\$ 2,382,730	-	-	-	2,382,730
Building	10,903,463	-	103,526	-	11,006,989
Construction in progress	71,896	-	362,093	-	433,989
Furniture and appliances	158,900	89,955	12,474	-	261,329
Vehicle	699,924	-	49,164	-	749,088
Equipment	9,489,396	(89,955)	1,991,447	355,986	11,034,902
	<u>23,706,309</u>	<u>-</u>	<u>2,518,704</u>	<u>355,986</u>	<u>25,869,027</u>
Accumulated depreciation:					G-1b
					Ending
	Beginning				Balance
	Balance	Adjustments	Additions	Deletions	
Building	1,880,517	-	273,198	-	2,153,715
Furniture and appliances	119,649	68,859	11,536	-	200,044
Vehicle	420,588	-	94,454	-	515,042
Equipment	5,152,808	(68,859)	768,145	320,387	5,531,707
	<u>7,573,562</u>	<u>-</u>	<u>1,147,333</u>	<u>320,387</u>	<u>8,400,508</u>
Capital assets, net	<u>\$ 16,132,747</u>				<u>17,468,519</u>

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

6. LONG-TERM LIABILITIES

The following is a summary of the long-term obligations during the year ended September 30, 2017:

<u>Fund Activity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts due Within One Year</u>
Note payable	\$ 500,000	8,500,000	9,000,000	-	-
 <u>Government Activities</u>					
Compensated absences	1,909,296	1,335,829	1,111,803	2,133,322	1,050,000
Retirement payoff loan	832,379		11,370	821,009	11,250
Regions Bank - Series 2012	1,560,000		390,000	1,170,000	390,000
Note payable-Series 2016A	-			-	
 Equipment leases:					
Motorola Radio Tower		1,734,725	576,239	1,158,486	576,239
Pumpers	332,643		108,113	224,530	108,113
2-Aerial Mounted Ferrara Igniter	628,228		204,300	423,928	204,300
2013 Rescue & Tanker	479,755		113,726	366,029	113,726
	<u>5,742,301</u>	<u>3,070,554</u>	<u>2,515,551</u>	<u>6,297,304</u>	
OPEB	10,967,716	1,131,017		12,098,733	
Net Pension Liability	26,446,531		3,303,405	23,143,126	
	<u>\$ 43,656,548</u>	<u>12,701,571</u>	<u>14,818,956</u>	<u>41,539,163</u>	<u>2,453,628</u>

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

An equipment lease was obtained on June 1, 2016, in the amount of \$1,795,235 which includes imputed interest of \$60,509 with 3 annual payments being made starting 1/1/2017 in the amount of \$598,411 for communication equipment.

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

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

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

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

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

6. LONG-TERM LIABILITIES – Cont.

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

A Note payable- Series 2011 originally issued June 2011, with an original balance of \$5,400,000 payable over a period of 5 years bearing interest at a rate not to exceed 3% for the purpose of constructing a fire station, an administrative facility and a training facility including all necessary furnishings and equipment pledged by proceeds of the 1.25 mills ad valorem tax approved by the voters on November 2, 2010 and first placed on the tax roll for 2011. The final payment for this loan was made in the fiscal year 2017. The total taxes received from this mileage during the year were \$1,455,185 while the principle and interest requirements were \$1,125,000.

The annual principle and interest payments on loans and capital leases outstanding at September 30, 2017, are as follows:

Year Ending	Principle Payments			Interest			Total
	Loans	Capital Leases	Total	Loans	Capital Leases	Total	
2018	402,083	1,011,153	1,413,236	92,928	29,234	122,162	1,535,398
2019	403,000	1,035,522	1,438,522	96,276	17,038	113,314	1,551,836
2020	403,974	126,298	530,272	66,513	4,492	71,005	601,277
2021	15,021	-	15,021	58,655	-	58,655	73,676
2022-2026	93,774	-	93,774	274,752	-	274,752	368,526
2027-2031	134,578	-	134,578	233,943	-	233,943	368,521
2032-2036	193,139	-	193,139	175,199	-	175,199	368,338
2037-2041	277,182	-	277,182	91,030	-	91,030	368,212
2042	68,258	-	68,258	5,124	-	5,124	73,382
	<u>\$ 1,991,009</u>	<u>2,172,973</u>	<u>4,163,982</u>	<u>1,094,420</u>	<u>50,765</u>	<u>1,145,185</u>	<u>5,309,167</u>

7. OPERATING LEASES

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

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

8. PENSION PLAN

Plan Description

Effective January 1, 1999, there are two retirement plans. Those employees hired before January 1, 1999, are covered by the Employees Retirement System of the City of Baton Rouge and Parish of East Baton Rouge while those employees hired after December 31, 1998 are members of the Firefighters Retirement System. On July 1, 2007, the employees that were covered by the Employees Retirement System were given the option to remain with this system or transfer their accumulated benefits to the Firefighters Retirement System. There is one employee in the Employee's Retirement System and 164 plan participants in the Firefighters Retirement System.

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

Benefits provide - All full-time employees of the District become a member of the Retirement System. The pension plan provides retirement benefits, as well as death, disability benefits and survivor spouse benefits. All benefits of the Employees Retirement System are vested after 10 years of service. Minimum benefits are payable on the attainment of age 55 for all employees with a minimum of 10 years of service or 20 years of service at any age. Full retirement benefits are payable with 25 years of service, regardless of age. Benefits, depending upon the number of years of service, are either 2% or 3% of average compensation times the number of years creditable service. Benefits cannot exceed 90% of average compensation.

The Firefighters Retirement System allows any person that becomes an employee to become a member. No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger. No person who has not attained the age of eighteen years shall become a member of the System. Benefits are available to members with 12 years of creditable service may retire at age 55, members with 20 years or more years of service who have attained age 50 or members with 25 years of service may retire regardless of age, provided they have been a member of this system for at least one year. Benefits equal to 3 1/3% of the employees average compensation based on the 36 consecutive months of highest pay multiplied by their total year of service, not to exceed 100%. Under the provisions of R.S. 11:246 and 11:2260A(7) retired members and widows of member receive an annual cost of living increase (COLA) of up to 3% of their current benefit and all retired members and widows who are 65 years of age and older a 2% increase.

Deferred Retirement Option Plan (DROP) –

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

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

Contributions – The Employees' Retirement System contributions rates for each participating employer and one covered employee are established by actuarial valuations and approved by the Metropolitan Council of the City-Parish. The one plan member of the Employees Retirement System is required by the plan to contribute 9.5 percent for 2017, 2016 and 2015 of their gross pay while the employer contribution rate as of January 1, 2017 was 31.37%, January 1, 2016, was 31.37%, and January 1, 2015, 30.53%. The contribution requirements of plan members and the St. George Fire Protection District No. 2 are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The contributions by the District for the years ended September 30, 2017, 2016 and 2015, were \$20,984, \$15,303, and \$13,412, respectively, equal to the required contributions for each year.

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

8. PENSION PLAN Cont.

The Firefighters Retirement System contribution rates are under the provision of T.S. 11:62, 11:103 and 22:1476A(3), and is financed by a combination of employee contributions, employer contributions and insurance premium taxes. The employee contribution rate is set by R.S. 11:62 and cannot be less than 8% or more than 10%. The 164 active plan participants of the Firefighters Retirement System are required by the plan to contribute 10% effective January 1, 2012 and 8 percent for year 2011. The employer rate as of July 1, 2017 was 25.25%, July 1, 2015 was 27.25, 29.25% and 28.25% July 1, 2014, of the annual covered payroll. The contributions paid by the District for the years ended September 30, 2017, 2016 and 2015, were \$2,432,000, \$2,430,349, and \$2,590,748, respectively, equal to the required contributions for each year.

The District had payable to the FRS at September 30, 2017, \$297,516 from employee and employer contributions, ERS had no payable to the retirement at year end.

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

At September 30, 2017 the District reported a liability of \$22,866,232 and \$276,894 for its proportionate share of the net pension liability for the Firefighters Retirement System and the Employees Retirement System, respectfully. The net pension liability was measured as of June 30, 2017 and December 31, 2016, respectfully, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all the Firefighters Retirement System, actuarially determined. At June 30, 2017, the District's proportion was 3.98993%, which was a decrease of .004055% from its proportion measured as of June 30, 2017. The Employers Retirement System rate was .04660% and increase of .0913% over last year.

For the year ended September 30, 2017, the District recognized pension expense of \$3,995,616 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$9,779.

Measurement Date	FRS		ERS	
	June 30, 2017		December 31, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$	(1,275,180)	6,912	-
Changes of Assumptions	956,389	(5,453)	11,076	-
Net Difference Between Projected and Actual				
Investment Earnings on Pension Plan Investments	1,967,155		26,811	-
Changes in Proportion and Differences Between Employer Contributions and Proportionated Share of Contributions	64,950	(1,107,115)		-
Districts contributions subsequent to the measurement date	650,149		16,002	-
Total	\$ 3,638,643	(2,387,748)	60,801	-

The District reported a total of \$666,151 as deferred outflow of resources related to pension contributions made subsequent to their respective measurement periods which will be recognized as a reduction in net pension liability in the year ended September 30, 2017.

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

8. PENSION PLAN Cont.

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

Amounts reported in future years

<u>Year</u>	<u>FRS</u> <u>Amount</u>	<u>ERS</u> <u>Amount</u>
2017	\$	17,979
2018	588,359	17,900
2019	982,270	9,515
2020	109,498	(595)
2021	(948,093)	
2022	(172,718)	
2023	41,430	
	\$ <u>600,746</u>	<u>44,799</u>

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

	<u>Firefighters</u> <u>Retirement</u> <u>System</u>	<u>Employers</u> <u>Retirement</u> <u>System</u>
Valuation date	June 30, 2017	December 31, 2016
Actuarial cost method	Entry Age Method	Entry Age Method
Actuarial value of assets	Market Value	Market Value
Discount rate	7.40%	7.25%
Expected long-term rate of return	7.40%	7.25%
Municipal bond rate	N/A	3.57%
Inflation	2.750%	2.75%
Investment rate of return - net of pension plan investment expense, including inflation	7.40%	7.25%
Expected remaining service lives	7 years	4 years

Mortality rates - FRS

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

Disabl RP-2000 Disabled lives mortality tables

Mortality rates - ERS

Health RP 2000 Healthy Combined Blue Collar Mortality Projected to 2016 (Scale BB)

Disabl RP-2000 Disabled Mortality Projected to 2016 (Scale BB)

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

8. PENSION PLAN Cont.

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

<u>Employee Retirement System of Baton Rouge</u>		Long-Term Expected Real Rate of Return	
<u>Asset Class</u>	<u>Target Asset Allocation</u>		
Core fixed income			
Core plus fixed income	15.0%	2.00%	
Large cap domestic equity	15.0%	2.80%	
Non-Large cap domestic equity	19.5%	5.50%	
International large cap equity	3.0%	5.80%	
International small cap equity	15.0%	6.00%	
Emerging market equity	2.5%	6.00%	
Core real estate	5.0%	8.00%	
Master limited partnerships	5.0%	4.80%	
Private equity	5.0%	9.80%	
Risk parity	5.0%	8.80%	
Hedger funds	5.0%	6.30%	
	5.0%	3.80%	
Total	<u>100.0%</u>		

<u>Firefighters Retirement System</u>			
<u>Asset Class</u>	Long-Term Target Asset Allocation	Rate of Return	
		<u>Real</u>	<u>Normal</u>
Fixed income	24%	1.85%	
Equity	58%	6.77%	
Alternatives	8%	6.67%	
Other	10%	4.30%	
System total			5.34%
Inflation			<u>3.00%</u>
Expected Arithmetic Nominal Return			<u>8.34%</u>

8. PENSION PLAN Cont

Discount Rates. The discount rate used to measure the total pension liability was 7.4% for FRS and 7.25% for ERS. The projection of cash flows used to determine the discount rate assumed that contributions for plan member will be made at the current contribution rates and that contributions from participating employers and non-employer entities will be made at the actuarially determined rates approved by the Board of Trustees and PRSAAC taking into consideration the recommendations of the FRS and ERS actuary's. Based on those assumptions, FRS' and ERS, fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

FRS Rates	Current Discount Rate		
	1% Decrease 6.40%	7.40%	1% Increase 8.40%
The Districts share of NPL	<u>\$ 32,857,892</u>	<u>\$ 22,866,232</u>	<u>\$ 14,466,805</u>

ERS Rates	Current Discount Rate		
	1% Decrease 6.25%	7.25%	1% Increase 8.25%
The Districts share of NPL	<u>\$ 347,890</u>	<u>\$ 276,894</u>	<u>\$ 217,307</u>

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

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

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description. In addition to providing pension benefits. St George Fire District No. 2 provides healthcare and dental benefits, as a single-employer defined benefit healthcare and dental plan to eligible retirees and their spouses. The plan provides postemployment healthcare and dental benefits to retirees of St. George Fire District No. 2 with 20 years or more years of service who have attained age 50 or employees who have 12 years of service who have attained age 55 or 25 years of service at any age. Retirees are eligible to receive the same benefits as active employees until such time as the retiree becomes eligible for Medicare.

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

There are presently 175 active members with 8 retirees and 3 spouses receiving benefits.

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

9. OTHER POST-EMPLOYMENT BENEFITS-Con't

Retiree may continue their coverage paying the same premiums and receiving the same benefits as they did five years before their retirement.

Funding Policy. St George Fire District No. 2 pays on an average of 67% for the retiree's health insurance and 60% of the cost of the dental insurance as incurred on a pay-as-you-go basis. The retirees are responsible for the difference. St George Fire District No. 2 The plan participant is responsible for 33% of health insurance premiums and 40% of dental plan premiums. The health/dental plan was funded with employer and retiree payment of the premiums on a pay-as-you-go method.

There are no employer or retiree contributions to the OPEB plan. The insurance premiums paid during the year for the retirees were \$55,730 paid by the employer and \$27,251 paid by the retirees.

Annual OPEB cost and net OPEB obligation. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Codification Section P50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized an unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the district's net OPEB obligation to plan.

Normal Cost	\$	712,035
Amortization of Unfunded Actuarial Accrued liability		787,715
Annual required contribution (ARC)	\$	<u>1,499,750</u>
Annual required contribution (ARC)	\$	1,499,750
Interest on net OPEB obligation		438,709
Adjustment to ARC		<u>(751,712)</u>
Annual OPEB cost (expense)		1,186,747
Less: Contributions made		<u>(55,730)</u>
Increase in net OPEB obligation		1,131,017
Net OPEB obligation-beginning of year		<u>10,967,716</u>
Net OPEB obligation-end of year	\$	<u>12,098,733</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years were as follows. The information for the year ended September 30, 2017 and 2015, was estimated by the employer and calculated by an actuary and estimated for the years September 30, 2016.

Post Employment Benefit	Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Increase (Decrease) to net OPEB Obligation	Net OPEB Obligation
Medical and dental	9/30/2017	1,186,747	0.00%	1,131,017	12,098,733
Medical and dental	9/30/2016	1,240,083	0.00%	1,182,747	10,967,716
Medical and dental	9/30/2015	929,492	0.00%	838,809	9,784,969

Funding Status and Funding Progress. In the fiscal year September 30, 2017, the District made no contributions to its post-employment benefits plan. The plan is not funded, has no assets and hence has a funded ratio of zero. Based on the October 1, 2015 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the fiscal year was \$10,967,716 which is defined as that portion of the actuarial present value of post-employment plan benefits and expense which is not provided by normal cost. The funding status of the plan as of September 30, 2017, from the most recent actuarial valuation shows the plan is unfunded by \$12,098,733. The covered payroll (annual payroll of active employees covered by the plan) was \$10,108,438 and the ratio of the UAAL to the covered payroll was 119.69%.

9. OTHER POST-EMPLOYMENT BENEFITS (Cont.)

Actuarial Methods and Assumptions. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) future employment, (2) mortality rate, (3) health care cost trend, (4) discounts rate (investment return assumptions) (5) inflation and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial calculations are based on the types of benefits provided under terms of the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect the long-term perspective, the actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuary Cost Methods. The actuary used the attained age actuarial cost method to determine the ARC assuming that 95% if the retirees and 85% of the spouses will elect the healthcare coverage. The age-related turnover rate based on actual experience used was 10%. The mortality table used is the RP 2014 Mortality Table projected to 2021 with Scale BB. Other assumptions are as follows:

Annual health care cost trend rates. An annual initial rate of 10%, reduced by decrements to an ultimate rate of 4% after 5 years, the annual cost per individual are as follows

<u>Age</u>	<u>Retiree</u>
50	\$ 8,535
55	9,895
60	11,471
64	12,910
65+	5,326

Method of Determining Value of Benefits. The valuation was based on provisions of the substantive plan. Retiree dollar cost sharing provisions of the plan were expected to be increased in the future according to the healthcare cost trend rates shown above.

Unfunded Actuarially Liability. The agency's unfunded actuarial accrued liability is being amortized using both a level dollar amount and a level dollar basis over an amortization period of 22 years. The amortization of actuarial present value of future normal coast is over the average future service of the employee group. For the years ended September 30, 2017 and 2015, the actuary did not determine the OPEB expense, however, alternative measurement method was used as permitted by GASB Codification Section P50 and the same assumptions used by the actuary were used to estimate the OPEB cost and liability for the respective years.

Actuarial Value of Plan Assets – None

Inflation Rate. The healthcare cost trend has an implicit inflation assumption of 2% annually.

Projected Salary Increases. This assumption is not applicable since neither the benefit structure nor the value methodology involves salary.

Investment Return Assumption (Discount Rate). GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment rate has been used in this valuation.

10. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire department receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. Each full-time firefighter after their second year of service, received \$500 per month. These supplemental state funds are paid directly to the firefighters, and do not pass through the fire department, they are included in total salaries and as revenue. The total amount received by the qualified full-time firefighters was approximately \$939,795.

11. LITIGATION

The suit involves a former employee that was terminated by the Fire Chief. The employee, who was classified civil servant, appealed to the Civil Service Board. The Civil Service Board affirmed the termination. This matter subsequently went through various appeals and the courts and Civil Service Board finally ruled that the plaintiff should be reinstated to a demoted position and the Company should receive a credit for all amounts earned by Plaintiff during his termination. This ruling resulted in no back pay due to Plaintiff during his termination. This ruling resulted in no back pay due to the plaintiff. The parties have agreed to completely terminate this litigation based on the following: each party will pay the amount due the Firefighters' Retirement System for the period the Plaintiff was terminated. Exposure to the Company, as a result the payment made to the retirement board was \$53,139 on May 31, 2018, the insurance company reimbursed the District for this remittance.

12. BOARD OF COMMISSIONERS

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

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

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

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

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

Budget Comparison Schedule (Non-GAAP budgetary basis) - General fund
For the Year Ended September 30, 2017

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Ad valorem taxes and service charges	\$ 20,327,200	20,327,200	20,245,270	\$ (81,930)
Fire insurance tax	395,980	395,980	424,403	28,423
Intergovernmental revenues	1,275,495	1,275,495	1,300,935	25,440
Interest income	37,600	32,240	67,983	35,743
Grants			206,731	206,731
Other	200,550	202,200	105,183	(97,017)
Total revenues	<u>22,236,825</u>	<u>22,233,115</u>	<u>22,350,505</u>	<u>117,390</u>
EXPENDITURES:				
Telecommunications	146,720	146,720	173,260	26,540
Personnel services and related benefits	16,542,635	15,773,664	15,866,061	92,397
Office supplies	6,000	6,000	32,582	26,582
Supplies	542,500	503,000	544,430	41,430
Utilities	146,160	146,160	144,536	(1,624)
Other	910	910	-	(910)
Insurance	236,000	236,000	246,720	10,720
Repairs and maintenance	453,720	453,720	655,709	201,989
Rental	154,800	154,800	161,790	6,990
Training	185,000	95,000	153,709	58,709
Contractual services	1,042,350	921,100	889,202	(31,898)
Legal and professional	86,400	86,400	97,398	10,998
Debt service	1,502,010	1,534,180	1,603,013	68,833
Capital outlay	-	465,000	2,518,704	2,053,704
Total expenditures	<u>21,045,205</u>	<u>20,522,654</u>	<u>23,087,094</u>	<u>2,564,440</u>
EXCESS REVENUES (DEFICIENCY) OVER OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,191,620	1,710,461	(736,589)	(2,447,050)
Other sources of income (expenses):				
Proceeds from sale of assets			65,000	65,000
Loan proceeds			1,734,725	1,734,725
			<u>1,799,725</u>	<u>1,799,725</u>
	1,191,620	1,710,461	1,063,136	(647,325)
FUND BALANCES AT BEGINNING OF YEAR	(142,049)	(142,049)	(142,049)	(647,325)
FUND BALANCES AT END OF YEAR	\$ 1,049,571	1,568,412	921,087	\$ (647,325)

Reconcile budget to GAAP basis:

Budget Basis	\$ 1,063,136
Personal services and related benefits	(2,710,414)
Revenues	1,013,344
Prepaid expenses	3,600
Capital Outlay	2,518,704
Proceeds from loan	(1,734,725)
Sale of equipment	(35,599)
Debt service	1,603,013
Depreciation expense	(1,147,333)
Interest expense	(200,996)
GAAP Basis	\$ 372,730

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

**Notes to Required Supplementary Information
For the Year Ended September 30, 2017**

Summary of Significant Variances in the Budget

Budgetary Process

The proposed budget for 2016 - 2017 was made available for public inspection on September 12, 2016. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal ten (10) days prior to the public hearing, which was held at the St. George Fire Station on 14100 Airline Highway on September 22, 2016, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

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

Budgetary Basis of Accounting

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

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-RETIREMENT BENEFIT PLAN
September 30, 2017**

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits as follows:

	Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAAL)- Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll Covered (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Estimates	9/30/2017	\$0	12,098,733	12,098,733	0%	10,108,438	119.69%
Actuary	9/30/2016	\$0	10,967,716	10,967,716	0%	9,092,945	120.62%
Estimates	9/30/2015	\$0	9,784,969	9,784,969	0%	8,333,363	117.42%

The Board of Commissioners changed the post retirement benefit plan that once a retiree reached 65 years of age and qualified for Medicare, they would no longer qualify for the post retirement benefits offered by St. George Fire District No. 2. This amendment resulted in a decrease of AAAL by over 50%. This change was effective for the year ended September 30, 2010.

Notes to Required Supplementary Information

Changes in benefit terms there were no changes in in benefit terms in the September 30, 2016 actuary valuation nor were there any changes in the estimated calculation as of September 30, 2017

Changes in assumptions. There were not changes in the assumptions in the actuary valuation report of September 30, 2016 nor were there any changes in the assumptions ion the estimate used to calculate the benefits as of September 30, 2017.

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

SCHEDULE OF DISTRICTS PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

Pension Plan	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Firefighters Retirements System of Louisiana - as of June 30					
2017	3.9893%	\$ 22,866,232	\$ 9,314,382	245.4938%	73.5479%
2016	4.0056%	26,200,082	8,602,240	304.5728%	68.1550%
2015	4.2529%	22,953,520	8,992,023	255.2654%	72.4475%
2014	4.3065%	19,163,597	8,748,115	219.0597%	76.0200%
Employees Retirement System of the City of Baton rouge - As of December 31,					
2016	0.0466%	\$ 276,894	\$ 65,009	425.9318%	64.0900%
2015	0.0427%	246,449	58,792	419.1880%	63.9500%

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

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

<u>Pension Plan</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
Firefighters Retirements System of Louisiana - as of June 30					
2017	\$ 3,281,977	\$ 3,281,977	\$ -	\$ 9,314,382	35.2356%
2016	3,364,794	3,364,794	-	8,602,240	39.1153%
2015	3,547,518	3,547,518	-	8,992,023	39.4518%
2014	3,357,518	3,357,518	-	8,748,115	38.3799%
Employees Retirement System of the City of Baton rouge - As of December 31,					
2016	\$ 20,284	\$ 20,284	\$ -	\$ 65,009	31.2018%
2015	17,925	17,925	-	58,792	30.4888%

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of Benefit Terms include:

Firefighters Retirement System

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

Employee's Retirement System

There were no changes of benefit terms for the year ended September 30, 2017 at the measurement date of December 31, 2016.

Changes of Assumptions:

The following changes in actuarial assumption are as follows:

Firefighters Retirement System				Employee's Retirement System			
Discounts Rates				Discounts Rates			
Measurement				Measurement			
Year End	Date	Rate	Change	Year End	Date	Rate	Change
9/30/2017	6/30/2017	7.400%	0.100%	9/30/2017	12/31/2016	7.250%	0.000%
9/30/2016	6/30/2016	7.500%	0.000%	9/30/2016	12/31/2015	7.250%	
9/30/2015	6/30/2015	7.500%	0.000%	9/30/2015	12/31/2014	7.500%	
9/30/2014	6/30/2014	7.500%					
Inflation Rate				Inflation Rate			
Measurement				Measurement			
Year End	Date	Rate	Change	Year End	Date	Rate	Change
9/30/2017	6/30/2017	2.775%	0.100%	9/30/2017	12/31/2016	2.750%	0.000%
9/30/2016	6/30/2016	2.875%	0.125%	9/30/2016	12/31/2015	2.750%	
9/30/2015	6/30/2015	3.000%	0.000%	9/30/2015	12/31/2014	3.500%	
9/30/2014	6/30/2014	3.000%					
Salary Increases first two years							
Measurement							
Year End	Date	Rate	Change				
9/30/2017	6/30/2017	15.000%	0.000%				
9/30/2016	6/30/2016	15.000%	0.000%				
9/30/2015	6/30/2015	15.000%	0.000%				
9/30/2014	6/30/2014	15.000%					
Salaries with 25 or more years							
Measurement							
Year End	Date	Rate	Change				
9/30/2017	6/30/2017	4.750%	0.000%				
9/30/2016	6/30/2016	4.750%	0.000%				
9/30/2015	6/30/2015	4.750%	0.750%				
9/30/2014	6/30/2014	5.500%					

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

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Purpose</u>		<u>Amount</u>
Salary	\$	167,532
Benefit - insurance		4,296
Benefit - life insurance		-0-
Benefit - retirement		21,978
Benefits - medicare		-0-
Benefits - deferred compensation		-0-
Benefits - miscellaneous		-0-
Conference travel		-0-
Cellular phone		-0-
Vehicle allowance		-0-
	\$	<u>193,806</u>

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the government activities of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the St. George Fire Protection District No. 2 basic financial statements and have issued my report thereon dated June 21, 2018.

Internal Control over Financial Reporting

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

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

My consideration of the internal control was for the limited purpose described as described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questionable cost that I considered to be material weaknesses. Finding 2017-01 and 2017-02

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned cost as item 2017-03.

Districts Response to Findings

St. George Fire District No. 2 response to the findings identified in my audit is described in the accompanying schedule of findings and questioned cost. St. George Fire Districts No. 2 response was not subjected to the auditing procedure applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Michael K. Glover APAC

Michael K. Glover APAC
Baton Rouge, LA
June 21, 2018

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section I - Summary of Auditor's Results

Financial statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

-Material weakness(es) identified?

yes no

-Significant deficiency(ies) identified?

yes none reported

-Noncompliance material to financial statements?

yes no

Was a management letter issued

yes no

State Financial Assistance – None

Section II - Financial Statements Findings

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
STATEMENT OF FINDINGS AND QUESTIONABLE COST
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Finding 2017-1 Bank Reconciliations are not being prepared

Criteria	Reconciling the bank balance to the book balances is necessary to ensure that (1) all receipts and disbursements are recorded by the entity; (2) checks are clearing the bank in a reasonable time; (3) reconciling items are appropriate and are being recorded in the proper period; and (4) the reconciled bank balance agrees to the general ledger bank balance. Reconciling the bank statements in a timely manner is an essential process to ensure transactions that are recorded on the bank statement are included in the general ledger for the proper period.
Condition	Bank Reconciliations were not being performed on either of the two bank accounts for any of the months in the fiscal year.
Effect	After the bank statements were reconciled several errors were discovered and corrected before the audit report was submitted. These errors included: <ol style="list-style-type: none">1. A deposit was recorded in the wrong month.2. Deposits that were recorded twice Each of the above errors would have been discovered and corrected if the bank accounts were reconciled on a timely basis.
Cause	The District purchased a new accounting software system. With this system, no one was assigned the responsibility to either reconcile the bank account or monitor whether the bank reconciliations were being performed or being approved after their preparation.
Recommendation	A staff member should be assigned to prepare the monthly bank reconciliations and someone other than this individual should be assigned to monitor the reconciliation for completeness and accuracy. If there is limited staff that can perform this responsibility, you might want to consider outsourcing someone to perform the bank reconciliation and have someone on staff to review and approve these bank reconciliations.

Finding 2017-02 – Journal entries are not being reviewed or approved by management

Criteria	Management should review all journal entries and the back up information for each entry then approve each entry before they are posted to the general ledger.
Condition	When reviewing the journal entries made during and after the fiscal year I discovered entries being used to reverse entries that were never posted and posting of entries to incorrect accounts.
Context	My audit procedures include the review of journal entries both during the fiscal year and afterwards, up to the date of my report. The errors that were caused by some of these entries affected the general ledger balance of cash, payroll tax liabilities, payroll tax expense, and wages and benefits. The entries that were made after year end were made to incorrect accounts and affected the general ledger bank account balance for cash, accounts payable and investment in capital assets.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
STATEMENT OF FINDINGS AND QUESTIONABLE COST
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Finding 2017-02 – Journal entries are not being reviewed or approved by management - Con't

Effect	Journal entries were being used to reverse entries of transactions that were never recorded and postings being made to the wrong account. One of these journal entry's reversed the October 1, 2016, payroll. This entry caused the general ledger bank account balances not to agree with the bank reconciliation.
Cause	Journal entries and the back up information are not being reviewed or approved by management before being posted.
Recommendation	All journal entries along with the their workpapers should be reviewed and approved by management before they are posted.

Finding 2017-03 – Late filing of the audit report for the year ended September 30, 2017

Criteria	Louisiana RS 24:513 required the financial statements for this entity to be submitted no later than six months following the year end.
Condition	The audited financial statements for the year ended September 30, 2017, were required to be filed no later than March 31, 2018.
Cause	The causes for this delay were: The first was the new software that was being used use for this fiscal year. The reports generated by this software are not considered user friendly and have taken management additional time to understand and generate the reports. The second cause for the delay was the delay in the schedules that are being prepared for the audit by an outsourced firm These schedule were not being prepared timely and the firm that prepares these schedules was also had problems with the new software.
Effect	The financial statements could not be submitted to the legislative auditors office until after the due date of March 31, 2018.
Recommendation	When using a new accounting software there is usually a learning curve that will work out over time. Regarding the delay of the schedules needed for the audit engagement, the District should review the cause of the delay and make changes to alleviate the issue in future years.

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

None



ST. GEORGE FIRE PROTECTION DISTRICT NO. 2

14100 Airline Highway, Baton Rouge, LA 70817
Gerard C. Tarleton, Fire Chief

Direct Line: 225-454-6551

Cell: 225-235-3507

Fax: 225-615-8801

E-mail: gctorleton@stgeorgefire.com

DATE: June 29, 2018
TO: Mr. Michael K. Glover APAC
FROM: Gerard Tarleton, Fire Chief *Gerard C. Tarleton*
RE: Response to Statement of Findings for the Year Ended September 30, 2017

Corrective Actions in Response to Audit Findings

Finding 2017-1 Bank Reconciliations

Condition: Bank Reconciliations were not performed during the Fiscal Year.

Corrective Action: The correct bank reconciliation module has been purchased in the new software program, and management has assigned monthly bank reconciliations to an outsourced agency.

Finding 2017-02 Journal Entries are not being reviewed or approved by management

Condition: Finding 2017-02 Unapproved Journal Entries.

Corrective Action: All Journal entries will be approved by management.

Finding 2017-03 – Late filing of the audit report for the year ended September 30, 2017

Condition: Finding 2017-03 Late filing of the audit report.

Corrective Action: With a better understanding of the new accounting software, management will insure that audited financial statements will be filed within the required six-month deadline.

MICHAEL K. GLOVER
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Accounting Corporation)

9497 BROOKLINE
BATON ROUGE, LOUISIANA 70809
(225) 295-1860

Independent Accountant's
Report On Applying
Agreed-Upon Procedures

February 8, 2018

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

To the Board of Commissioners;

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

Management of the St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the St. George Fire Protection District No. 2 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. George Fire Protection District No. 2 compliance with certain laws and regulations during the year ended September 30, 2017.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
Policies and procedures do not address the budget. The District follows the guidelines addressed by Louisiana state statute.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Policies and procedures address purchases. Each of the procedures listed above are addressed in the policies except for number 2. The method used to add vendors to the vendor list is not addressed.
 - c) ***Disbursements***, including processing, reviewing, and approving
Policies and procedures do not address disbursements. The District follows the guidelines addressed by Louisiana state statute.
 - d) ***Receipts***, including receiving, recording, and preparing deposits
Policies and procedures do not address receipts. The District follows the guidelines addressed by Louisiana state statute.

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

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

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

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

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

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

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

Policies and procedures address travel and expense as listed above

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

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

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

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

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

The board minutes were obtained for the fiscal period.

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The board of commissioners meet monthly and had a quorum at each of these meetings.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

At each of the monthly meetings, the board reviews the budget-to-actual comparisons on the General Fund. There are no other funds for this entity.

- > If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Not applicable – there was not a deficit spending problem during the fiscal year.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes include reference to other non-budgetary information such as the approval of contracts, purchase of capital assets, approval of tax millage rates, and the review of any additional debt.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

A list of bank accounts was obtained from management.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

None of the two checking accounts have been reconciled during the fiscal year. The last reconciliation was performed for month of September 30, 2016. **This is considered an exception.**

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Not applicable – bank accounts have not been reconciled.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Management has not been able to research reconciling items that have been outstanding for more than 6 months because the bank reconciliations have not been prepared.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

There is only one collection location and cash and money orders are not received. Most of the deposit are obtained from direct deposits from the respective agencies.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Cash is not collected by the entity. However, the individual that are collecting the checks and recording them is not the same individual that is making the deposits. There are also no cash registers or cash drawers.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The entities bank accounts were not reconciled for the entire fiscal year. After the change of software, no one was assigned that responsibility. **This is considered an exception.**

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

The entity does not collect cash.

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

During the two highest weeks of collections (checks received), there were only 19 and 14 checks that were received. The information that is received with the checks are not stamped the date of their receipt so comparing the date of the receipt and the date of the deposit on the bank statement cannot be determined. However, when comparing the date that is on the information that was received with the check to the deposit recorded on the bank statement, the deposits are being deposited within a reasonable time.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

The receipts are not sequentially number and there is no cash received by the entity.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

An individual that is not responsible for collections is responsible to determine the completeness of all collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

The entity disbursements were obtained from the general ledger.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Purchases were initiated using a requisition/purchase order as required by the entities policies.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Purchase orders were approved by a person who did not initiate the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Purchases that were required to have requisition/purchase orders had evidence of an approval; however, those purchases that did not required requisition/purchase orders did not have evidence that the invoice was approved. **This is considered an exception.**

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

One of the individuals that is responsible for processing payments is also permitted to add vendors to the system. The number of personnel that are available in the accounting department are limited. This individual is also posting the payments that are usually directly deposited into the bank account. Because of the limited number of staff in this department this is not considered an exception.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The individuals that initiate purchases also have signatory authority. The entity is not able to segregate these duties due to the limited number of personnel in the accounting department. This is not considered an exception

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Unused checks are maintained in a locked location and the persons with signatory authority also have access to these checks. Due to the limited number of personnel the same individual that process the disbursements also have signature authority. This is not considered an exception.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

A signature stamp nor is a signature machine being used.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

A list was maintained from management

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

There is evidence that the credit card charges were reviewed and approved.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

There were no finance charges assessed on the selected statement.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

➤ An original itemized receipt (i.e., identifies precisely what was purchased)

The original receipts were available for the credit card.

➤ Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

There were no meal charges on the credit card statement that was selected.

➤ Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

There are no other written policies for credit cards.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Each of the transactions observed were in compliance with the written policies for purchases. None of the purchases came under the Louisiana Public Bid Law

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

None of the transactions were for donations, loans, or pledges of public credit as addressed in Article 7, Section 14 of the Louisiana Constitution

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

A list of travel reimbursements was obtained from management.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The per diem and mileage rates used to reimbursement for travel and expense did not exceed GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

The expense documentation was compared to the GSA rates and the amounts reimbursed did not exceed those rates.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Those expense that were reimbursed for actual expenses and not using the per diem rate had itemized receipts that identified the purchase.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

The business purpose was documented on the request for reimbursements.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

There is no other documentation required by written policy.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

None of the transactions were for donations, loans, or pledges of public credit as addressed in Article 7, Section 14 of the Louisiana Constitution

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each expense and related documentation was reviewed and approved by someone other than the person receiving the reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

A list of contracts was obtained from the general ledger.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

There are formal contracts for service arrangements between parties.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

The contracts that the entity has are with professional services and quotes or bids are not required for these services.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment,

There no amendments to any of the contracts during the year.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

There were only two contracts, the supporting invoices and the terms of the contract complied with the terms and conditions of the contracts.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

The board reviewed and approved the two contracts.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

The compensation of the five employees selected were paid in accordance with the terms and condition of the pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

The pay rates that were changed were approved in writing and in accordance with written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

All selected employees had their daily attendance and leave records documented.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Each of the attendance and leave documents were approved by a supervisor.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

The entity does maintain written leave records of leave hours earned and used and determines the remaining available balance.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials.

- a) Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

A list of terminated employees was obtained from management.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

The employee and employer portions of payroll taxes, retirement contributions, as the required reporting forms were submitted to the applicable agencies by the entity by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Each of the five selected employees demonstrated they had completed the required ethics training.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

There were no allegations of ethics violations reported to the entity during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Debt was issued during the year and sufficient documentation was obtained from the entity. The debt was also approved by the State Bond Commission before it was issued.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Payments were made on the outstanding debt during the fiscal year as schedule; debt reserves, where required were properly maintained and all debt covenants were met.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The entity does not have a tax millage that related to debt service but does have a millage that is for debt service and capital improvements. When these two categories are combined, that total amounts disbursed does not exceed 10% of the of the millage collections for the fiscal year,

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has informed me that the entity has not misappropriated any of the public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Not applicable

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Exceptions:

2017-01 Bank Reconciliations

Criteria - Reconciling the bank balance with the book balances is necessary to ensure that (1) all receipts and disbursements are recorded by the entity; (2) checks are clearing the bank in a reasonable time; (3) reconciling items are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger cash balance. Reconciling the bank statements in a timely manner is an essential process in ensuring complete and accurate monthly financial information which includes the schedule of comparing the actual-to-budgeted expenses which is presented at each of the board meetings.

Condition - Bank Reconciliations were not being performed on either of the two bank accounts for any of the months in the fiscal year.

Cause - The District purchased a new accounting software system. No one was assigned the responsibility to either reconcile the bank account or monitor whether the bank accounts were being reconciled monthly or being approved after their preparation.

Recommendation - Someone on staff should be assigned to prepare the monthly bank reconciliations and someone other than this individual should be assigned to monitor the reconciliation for completeness and accuracy. If there is a limited staff where you are not able to assign this task to someone internally, you may want to consider outsourcing these duties and assign someone internally to monitor the reconciliations for completeness and accuracy.

2017-02 Collections

Condition - Reconciling collections to the general ledger is usually performed when the bank accounts are reconciled. As indicated above in exception 2017-01, these accounts were not reconciled during the fiscal year. Refer to this exception for the cause and recommendations.

2017-03 Disbursements

Condition - While observing whether invoices and purchase/requisition orders were being approved, I observed that invoices that had requisition orders were approved for payment but invoices that did not require requisition orders were not being approved.

Recommendation - All purchases should have some kind of indication that they are being approved before payment is made.

I am not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

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

February 8, 2018



Michael K Glover
Michael K Glover APAC



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February 23, 2018

RE: Response to AUP Report 9/30/2017

Bank Reconciliation corrective actions reference to exceptions 2017-01,2017-02:

We have begun the process of outsourcing the monthly bank reconciliations to a third-party provider. They will handle all bank reconciliations beginning with the month of October 2017. One internal staff member will monitor the completeness and accuracy of each month's bank reconciliations, and directly coordinate with the third-party provider all pertinent information as it relates to bank reconciliations and collection reconciliation.

Disbursements corrective actions reference to exception 2017-03:

We have begun the process of creating approvals for every purchase minus contractual services provided to the department. This process will insure that the correct approvals are being received to make purchases.

A handwritten signature in blue ink that reads "Gerard C. Tarleton".

Gerard Tarleton
Fire Chief