

FINANCIAL REPORT  
ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
DECEMBER 31, 2018

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12

TABLE OF CONTENTS

DECEMBER 31, 2018

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT .....	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION - PART I:	
Management's Discussion and Analysis .....	4 - 8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities .....	10
Fund Financial Statements:	
Balance Sheet - Governmental Fund.....	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund.....	13
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	14
Notes to Financial Statements .....	15 - 34
REQUIRED SUPPLEMENTARY INFORMATION – PART II:	
Budgetary Comparison Schedule - General Fund .....	35
Schedule of the District's Proportionate Share of the Net Pension Liability .....	36
Schedule of the District's Pension Contributions .....	37
Notes to Required Supplementary Information .....	38
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Compensation Paid to Commission Members .....	39
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer.....	40
OTHER INFORMATION:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	41 - 42
SUMMARY SCHEDULE OF FINDINGS .....	43 - 46



# Duplantier Hrapmann Hogan & Maher, LLP

## INDEPENDENT AUDITOR'S REPORT

Lindsay J. Calub, CPA, LLC  
Guy L. Duplantier, CPA  
Michelle H. Cunningham, CPA  
Dennis W. Dillon, CPA  
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA  
Terri L. Kitto, CPA

Michael J. O' Rourke, CPA  
David A. Burgard, CPA  
Clifford J. Giffin, Jr., CPA  
William G. Stamm, CPA

A.J. Duplantier, Jr., CPA  
(1919-1985)

Felix J. Hrapmann, Jr., CPA  
(1919-1990)

William R. Hogan, Jr., CPA  
(1920-1996)

James Maher, Jr., CPA  
(1921-1999)

### New Orleans

1615 Poydras Street,  
Suite 2100  
New Orleans, LA 70112  
Phone: (504) 586-8866  
Fax: (504) 525-5888

### Northshore

1290 Seventh Street  
Slidell, LA 70458  
Phone: (985) 641-1272  
Fax: (985) 781-6497

### Houma

247 Corporate Drive  
Houma, LA 70360  
Phone: (985) 868-2630  
Fax: (985) 872-3833

### Napoleonville

5047 Highway 1  
P.O. Box 830  
Napoleonville, LA 70390  
Phone: (985) 369-6003  
Fax: (985) 369-9941

June 25, 2019

To the Board of Commissioners of  
St. Tammany Parish Fire Protection District No. 12  
Covington, Louisiana 70431

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the St. Tammany Parish Fire Protection District No. 12 (the "District"), a component unit of St. Tammany Parish, State of Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

[www.dhmcpa.com](http://www.dhmcpa.com)

Members  
American Institute of  
Certified Public Accountants  
Society of LA CPAs

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing over internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

The Management's Discussion and Analysis is intended to provide readers of the St. Tammany Parish Fire Protection District No. 12's (the "District") financial report with a narrative overview and analysis of the financial activities of the District for the year ended December 31, 2018. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. It should be read in conjunction with the financial statements and the notes to the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3,023,690 (net position).
- The District's revenues increased by \$192,638 or 2.44%, while expenses increased by \$198,108 or 2.85%. The increase in revenues was primarily attributable to an increase in ad valorem taxes received by the District.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Management's Discussion and Analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Also included in the report is required supplementary information.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements report information about the overall finances of the District similar to a business enterprise. The statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The statement is designed to display the financial position of the District. Over time, increases or decreases in net position help determine whether the District's financial position is improving or deteriorating.

The Statement of Activities provides information showing how the District's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the District that are financed primarily by taxes, intergovernmental revenues, and charges for services. The governmental activities of the District include fire protection services.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

**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 and objectives. The District uses fund accounting to ensure and demonstrate fiscal accountability.

Governmental funds are used to report the District's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a near or short-term view of the District's operations. A reconciliation is prepared of the governmental fund Balance Sheet to the Statement of Net Position and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.

The District maintains one governmental fund, the General Fund. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for this fund.

The District adopts an annual budget for its General Fund. A Budgetary Comparison Statement has been provided for this fund in the Required Supplementary Information – Part II Section.

**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 presents certain required supplementary information concerning the District's budgetary comparison, proportionate share of the net pension liability, and pension contributions.

Following the required supplementary information is other supplementary information concerning the compensation paid to commission members and compensation and other payments to the agency head.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table reflects condensed information on the District's net position:

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**COMPARATIVE STATEMENTS OF NET POSITION  
DECEMBER 31,**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
<b><u>Assets:</u></b>				
Current assets	\$ 9,795,261	\$ 8,824,309	\$ 970,952	11.00 %
Capital assets, net	3,970,528	4,318,172	(347,644)	-8.05 %
Total assets	<u>13,765,789</u>	<u>13,142,481</u>		
<b><u>Deferred Outflows of Resources:</u></b>				
	<u>1,461,253</u>	<u>1,408,451</u>	52,802	3.75 %
<b><u>Liabilities:</u></b>				
Current liabilities	266,585	480,099	(213,514)	(44.47) %
Long-term liabilities	10,770,824	10,701,297	69,527	0.65 %
Total liabilities	<u>11,037,409</u>	<u>11,181,396</u>		
<b><u>Deferred Inflows of Resources:</u></b>				
	<u>1,165,943</u>	<u>1,085,100</u>	80,843	7.45 %
<b><u>Net Position:</u></b>				
Net investment in capital assets	807,153	1,049,797	(242,644)	(23.11) %
Unrestricted	2,216,537	1,027,891	1,188,646	115.64 %
Total net position	<u>\$ 3,023,690</u>	<u>\$ 2,077,688</u>		

The "net investment in capital assets" represents the District's net book value of its capital assets reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. It is the accumulation of years of investments in capital assets. These assets are not available for spending. The remaining fund balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

The following table provides a summary of the District's changes in net position for the years ended December 31, 2018 and 2017:

**COMPARATIVE STATEMENTS OF ACTIVITIES  
DECEMBER 31,**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
General revenues	\$ 7,362,974	\$ 7,076,207	\$ 286,767	4.05 %
Program revenues	738,330	832,459	(94,129)	(11.31) %
Total revenues	<u>8,101,304</u>	<u>7,908,666</u>		
Expenses	7,155,302	6,957,194	198,108	2.85 %
Change in net position	<u>\$ 946,002</u>	<u>\$ 951,472</u>		

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Net position increased by \$946,002 or 45.53% from the previous year. The expenses increased 3.69% from the previous year primarily due to an increase in expenses incurred by the District to provide emergency services.

**CAPITAL ASSETS**

The following table reflects the District's investment in capital assets, net of depreciation, as of December 31:

**CAPITAL ASSETS  
 DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Land	\$ 283,941	\$ 283,941
Construction in progress	27,842	27,842
Buildings and improvements	2,745,742	2,866,012
Transportation equipment	546,039	681,612
Furniture, fixtures, and equipment	366,964	458,765
Total capital assets	<u>\$ 3,970,528</u>	<u>\$ 4,318,172</u>

Depreciation expense for the year ended December 31, 2018, was \$344,747, as compared to \$359,221 for the year ended December 31, 2017.

**LONG-TERM DEBT**

Long-term debt was \$3,163,375 as of December 31, 2018, compared to \$3,268,375 at December 31, 2017. The debt decreased due to principal payments made during the year. The District's proportionate share of the net pension liability related to its part in the LFRS decreased by .60% in the current year.

**BUDGETARY HIGHLIGHTS**

The District's General Fund's actual revenues exceeded budgeted revenues by \$1,125,802 or 16.10%. This was due mainly to the District collecting more ad valorem revenues and intergovernmental revenues than was budgeted in 2018.

The District's General Fund's actual expenditures were below budgeted expenses by \$350,019 or 5.04%. This was due to a decrease in utilities and capital expenses from expected amounts.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Board of Directors considered the following items when setting next year's budget, rates, and fees:

- The ad valorem tax revenue is expected to remain fairly stable and may possibly rise if the local economy improves.
- Salaries and benefits are based on the number of employees needed to perform necessary services and the related benefits.
- General estimates of operating supplies needed to perform necessary services.
- Salaries and benefits are expected to increase as pension rates rise and employees receive raises.

**FURTHER INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Terrell Stuard, Acting Fire Chief, St. Tammany Parish Fire Protection District No. 12, 19375 Highway 36, Covington, LA 70433.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 STATEMENT OF NET POSITION  
DECEMBER 31, 2018

	Governmental Activities
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ 3,999,628.00
Receivables, net of allowance for uncollectibles	5,742,942
Prepaid expenses	51,441
Deposits	1,250
Total current assets	9,795,261
Capital assets not being depreciated	311,783
Capital assets, net of accumulated depreciation	3,658,745
<b>TOTAL ASSETS</b>	<b>13,765,789</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred outflows related to pensions	1,461,253
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	11,895
Salary and benefits payable	66,460
Accrued interest	14,905
Compensated absences	68,325
Notes payable	105,000
Total current liabilities	266,585
Noncurrent liabilities:	
Compensated absences	204,976
Notes payable	3,058,375
Accrued interest	180,718
Net pension liability	7,326,755
Total noncurrent liabilities	10,770,824
<b>TOTAL LIABILITIES</b>	<b>11,037,409</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred inflows related to pensions	1,165,943
<b>NET POSITION:</b>	
Net investment in capital assets	807,153
Unrestricted	2,216,537
<b>TOTAL NET POSITION</b>	<b>\$ 3,023,690</b>

See accompanying notes.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
Governmental activities:					
Public safety - fire protection	\$ 7,092,578	\$ 738,330	\$ -	\$ -	\$ (6,354,248)
Interest on long-term debt	62,724	-	-	-	(62,724)
Total governmental activities	\$ 7,155,302	\$ 738,330	\$ -	\$ -	(6,416,972)
General revenues:					
Taxes:					
Ad valorem					6,304,902
2% fire insurance tax rebate					99,310
State revenue sharing					109,370
Supplemental pay					281,799
Interest income					85,725
Loss on disposal of capital assets					(2,898)
Other general revenues					484,766
Total general revenues					7,362,974
Change in net position					946,002
Net position - beginning of year					2,077,688
Net position - end of year					\$ 3,023,690

See accompanying notes.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 BALANCE SHEET  
 GOVERNMENTAL FUND  
DECEMBER 31, 2018

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 3,999,628
Receivables, net of allowance for uncollectibles	5,742,942
Prepaid expenses	51,441
Deposits	<u>1,250</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 9,795,261</u></u></b>
<b>LIABILITIES AND FUND BALANCE:</b>	
Liabilities:	
Accounts payable	11,895
Accrued expenses	<u>66,460</u>
Total liabilities	<u>78,355</u>
<b>FUND BALANCE:</b>	
Nonspendable	52,691
Unassigned	<u>9,664,215</u>
Total fund balance	<u>9,716,906</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u><u>\$ 9,795,261</u></u></b>

See accompanying notes.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 RECONCILIATION OF THE GOVERNMENTAL FUND  
 BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018

Fund balance - Governmental Fund \$ 9,716,906

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund:

Capital assets	7,861,826	
Less accumulated depreciation	<u>(3,891,298)</u>	3,970,528

Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental fund. 1,461,253

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund. All liabilities (both current and long-term) are reported in the Statement of Net Position:

Notes payable		(3,163,375)
Net pension liability		(7,326,755)
Compensated absences		(273,301)
Accrued interest payable		(195,623)

Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental fund. (1,165,943)

Net position of governmental activities \$ 3,023,690

See accompanying notes.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 GOVERNMENTAL FUND STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>
REVENUES:	
Taxes	\$ 6,749,352
Intergovernmental:	
State revenue sharing	109,370
Supplemental pay	281,799
Dispatch service	738,330
Interest	85,724
Other revenues	154,175
Total revenues	<u>8,118,750</u>
EXPENDITURES:	
Current:	
Public safety	6,435,820
Debt service:	
Principal	105,000
Interest	60,828
Capital outlay	-
Total expenditures	<u>6,601,648</u>
Net change in fund balance	1,517,102
Fund balance at beginning of year	<u>8,199,804</u>
FUND BALANCE - END OF YEAR	<u>\$ 9,716,906</u>

See accompanying notes.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

Amounts reported for governmental activities in the Statement of

Activities are different because:

Net change in fund balance - total governmental fund	\$ 1,517,102
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.	(344,747)
In the Statement of Activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental fund, the proceeds from the disposal of capital assets are reflected, whether a gain or loss is realized.	(2,898)
Pension benefit (expense), which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.	(314,430)
Non-employer contributions are reported as revenues in the governmental fund when made. The District's proportionate share of non-employer contributions to the pension plan is reported in the Statement of Activities.	330,591
Property tax revenues in the Statement of Activities include economic resources that are not reported as revenues in the governmental fund. This is the amount by which prior year deferred inflows of resources in the governmental fund of \$345,140 exceeded current years deferred inflows of resources in the governmental funds of \$0.	(345,140)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal of long-term debt is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which payments exceeded proceeds.	105,000
Accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental fund. This is the change in the compensated absence liability.	2,361
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure when it is due, and thus requires the use of current financial resources. In the Statement of Activities; however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(1,837)</u>
Change in net position of governmental activities	<u>\$ 946,002</u>

See accompanying notes.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the St. Tammany Parish Fire Protection District No. 12 (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) 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. The more significant of the District’s accounting policies are described below:

Financial Reporting Entity:

The St. Tammany Parish Fire Protection District No. 12 was established by St. Tammany Parish Police Jury Ordinance No. 706 in April 1977. The District serves the area of Ward 3 of St. Tammany Parish, Louisiana, excluding the corporate limits of the City of Covington. The District is governed by a Board of Commissioners consisting of five resident taxpayers, as provided by Louisiana Revised Statute 40:1496. On January 30, 2012, the District entered into a 15-year “Fire Protection Services Agreement” with the City of Covington wherein, among other events, issues concerning tax millage assessments were resolved, service areas were re-drawn, and future City of Covington annexations were addressed. The St. Tammany Parish Council appoints four of the commissioners, while the parish president appoints one of the commissioners. Each commissioner is appointed to a four-year term which runs concurrently with that of the parish council. Vacancies are filled by the body making the original appointments. The District is operated as a component unit of the St. Tammany Parish Council.

Governmental Accounting Standards Board No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The District is considered a component unit of the financial reporting entity because the commissioners of the District are appointed by the St. Tammany Parish Council.

As the governing authority of the parish, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of: (1) the primary government (Parish Council), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Reporting Entity: (Continued)

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

The District interacts with other St. Tammany Parish Fire Protection Districts to carry out its objectives. The financial statements of the District include all governmental activities, organizations, and functions that are within the oversight responsibility of the District, and do not present information on the Council, the general government services provided by the Council, or other governmental units that comprise the financial reporting entity.

Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and Statement of Activities for all non-fiduciary activities of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are financed to a significant extent by fees and charges for support. The District has no business-type activities.

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

Fund Financial Statements:

The daily accounts and operation of the District continue to be organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation: (Continued)

Fund Financial Statements:

The District reports only one governmental fund:

The *General Fund* is the only fund of the District and is used to account for all activities except those required to be accounted for in other funds.

Basis of Accounting and Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances.

Governmental funds are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means the resources will be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 of the end of the fiscal year. Property taxes are recorded as deferred inflows of resources if measurable, but not available.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting and Measurement Focus: (Continued)

Fund Financial Statements: (Continued)

Ad valorem taxes and the related state revenue sharing are recognized as revenue of the period in which levied. The property taxes levied in November are recorded as revenue in the current year, since the majority of the funds are typically collected within 60 days of the end of the current year. Other revenues susceptible to accrual are intergovernmental revenues. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except principal and interest on general long-term debt, which is not recognized until due. Allocations of costs such as depreciation and amortization are not recognized in the governmental fund.

Fund Balance:

In the fund financial statements, fund balance is classified in the following components:

- *Nonspendable* – This component consists of amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, laws or regulations of other governments), or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, change, or otherwise mandate payment of resources (from external resource providers), and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- *Committed* – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
- *Assigned* – This component consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the District or the designee as established in the District's fund balance policy.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Balance: (Continued)

- *Unassigned* – This component consists of amounts that have 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 District’s policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) are available for use. It is the District’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assigned actions. The District does not have a formal minimum fund balance policy.

Budgetary Accounting:

As required by law, the District adopts an annual budget for the General Fund. Appropriations which are not expended lapse at the end of each fiscal year. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. Budgetary comparisons presented in the accompanying financial statements are on a GAAP basis and include the original budget and all subsequent revisions.

Cash and Cash Equivalents:

Cash includes demand deposits, petty cash, and certificates of deposit. The District may deposit funds in a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the District may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States Treasury obligations, United States Government Agency obligations, and direct security repurchase agreements or in eligible mutual funds that invest in these securities.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Allowance for Uncollectible Receivables:

The District’s primary revenue source, ad valorem taxes, becomes delinquent if not paid by March 1<sup>st</sup> following the year of assessment. Unpaid taxes attach as an enforceable lien on property. The Board of Commissioners determined, based on prior historical information, that current collections are estimated to be approximately 95% of the tax levy. At December 31, 2018, the amount of uncollectible receivables is estimated to be approximately \$324,772. Revenues are reported net of estimated uncollected amounts and estimated refunds.

Capital Assets:

Capital assets include land, buildings and building improvements, and equipment. All assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at completion of the construction projects.

In the fund financial statements, capital assets used in governmental activities are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Furniture and equipment includes all items costing over \$5,000. Depreciation on capital assets, excluding land and construction in progress, is calculated on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and leasehold improvements	20-40
Furniture and equipment	5-20
Firefighting equipment	5-20
Transportation equipment (fire trucks and ambulances)	5-20

Compensated Absences:

Employees are eligible for vacation leave after they have completed one year of full-time service. Vacation hours and/or days earned are determined by the length of service on January 1<sup>st</sup> of each calendar year. Unused vacation hours are to be used in the following year and cannot be carried forward to subsequent years.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the net position, and changes in net position of the defined benefit pension plan in which the Company participates has been determined on the same basis as it was reported by the respective defined benefit pension plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Position:

In the government-wide financial statements, net position comprises the various net earnings from revenues and expenses. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use by external parties, such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation. All other net position classifications that do not meet the definition of “net investment in capital assets” or “restricted” are reported as unrestricted.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Deferred Outflows of Resources and Deferred Inflows of Resources:

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure/expense) until that future time.

A deferred inflow of resources represents a consumption of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Long-Term Obligations:

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

Noncurrent liabilities include estimated amounts for accrued compensated absences and net pension liabilities and long-term debt that will not be paid within the next fiscal year.

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

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Long-Term Obligations: (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

2. CASH AND CASH EQUIVALENTS:

At December 31, 2018, the carrying amount of the District's cash deposits was \$3,999,628. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of December 31, 2018, the District's bank balances were \$4,195,049 of which \$250,000 was secured by FDIC. The remaining deposits were collateralized by the pledge of securities held by the District's agent in its name. Accordingly, the District was not exposed to custodial credit risk.

3. AD VALOREM TAX:

Ad valorem taxes are normally levied in November and billed in December. These taxes are typically due in January of the following year. Any unpaid taxes are collected in connection with an auction held in May. The Sheriff's department bills and collects the District's ad valorem taxes. The District recognizes the revenue when the taxes are levied.

Ad valorem taxes are levied based on property values determined by the St. Tammany Parish Assessor (a separate entity). All land and residential improvements are assessed at 10% of their fair market value and other property at 15% of its fair market value. The District's ad valorem tax revenues are recognized when levied to the extent that they are determined to be currently collectible. Revenue is reported net of estimated uncollectible amounts and estimated refunds.

On January 17, 1998, the District was authorized to levy an additional special ad valorem tax of 10 mills commencing in 1998 and ending in 2007. The tax was extended for 10 years until 2017. This tax was extended for 10 years at 9.95 mills ending in 2037. The tax is to be used for the purpose of acquiring, constructing, improving, maintaining, and operating fire protection facilities, purchasing fire trucks and other firefighting equipment, and paying the cost of obtaining water for fire protection purposes.

On July 19, 2003, the District was authorized to levy an additional special ad valorem tax of 10 mills commencing in 2004 and ending in 2013. The tax was extended for 10 years until 2023. The tax is to be used for the purpose of acquiring, constructing, improving, maintaining, and operating fire protection facilities, purchasing fire trucks and other firefighting equipment, and paying the cost of obtaining water for fire protection purposes.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

3. AD VALOREM TAX: (Continued)

On July 20, 2005, the District was authorized to levy an additional special ad valorem tax of five mills commencing in 2006 and ending in 2015. The tax was extended for 20 years until 2035. The tax is to be used for the purpose of acquiring, constructing, improving, maintaining, and operating fire protection facilities, purchasing fire trucks and other firefighting equipment, and paying the cost of obtaining water for fire protection purposes.

4. 2% FIRE INSURANCE TAX:

The District is eligible and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas that it serves. In accordance with the Louisiana Revised Statutes, such funds shall be used only for the purpose of “rendering more efficient” and efficacious fire protection as the District shall direct. The District received fire insurance tax rebates in the amount of \$99,310 for the year ended December 31, 2018.

5. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Deletions	Completed Construction	Balance 12/31/2018
Capital assets not being depreciated:					
Construction in progress	\$ 27,842	\$ -	\$ -	\$ -	\$ 27,842
Land	283,941	-	-	-	283,941
Total capital assets not being depreciated	<u>311,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,783</u>
Capital assets being depreciated:					
Buildings	3,879,485	-	-	-	3,879,485
Transportation equipment	2,643,274	-	-	-	2,643,274
Furniture and equipment	1,033,279	-	(5,995)	-	1,027,284
Total capital assets being depreciated	7,556,038	-	(5,995)	-	7,550,043
Less accumulated depreciation	<u>3,549,649</u>	<u>344,747</u>	<u>(3,098)</u>	<u>-</u>	<u>3,891,298</u>
Total capital assets being depreciated, net	<u>4,006,389</u>	<u>(344,747)</u>	<u>(2,897)</u>	<u>-</u>	<u>3,658,745</u>
Total capital assets, net	<u>\$ 4,318,172</u>	<u>\$ (344,747)</u>	<u>\$ (2,897)</u>	<u>\$ -</u>	<u>\$ 3,970,528</u>

Donated fixed assets consist of the Highway 25 and Northpark properties, valued at \$55,000 and \$75,000, respectively. The properties must be used for fire protection services as stipulated in the donation agreements or the properties will revert back to the donors under terms specified in the transfer documents.

Depreciation expense charged to the public safety function was \$344,747 for the year ended December 31, 2018.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

6. LONG-TERM LIABILITIES:

The following is a summary of the changes in the long-term liabilities of the District for the year ended December 31, 2018:

	<u>Balance</u> <u>1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Due Within</u> <u>One Year</u>
Certificates of indebtedness	\$ 2,755,000	\$ -	\$ (105,000)	\$ 2,650,000	\$ 105,000
Special community disaster loan	513,375	-	-	513,375	-
Net pension liability	7,371,015	2,134,184	(2,178,444)	7,326,755	-
Compensated absences	275,662	-	(2,361)	273,301	68,325
Total	<u>\$ 10,915,052</u>	<u>\$ 2,134,184</u>	<u>\$ (2,285,805)</u>	<u>\$ 10,763,431</u>	<u>\$ 173,325</u>

The additions and reductions to compensated absences could not be readily determined. The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when the leave is actually taken. The total liability for leave privileges is recorded in the Statement of Net Position.

During the year ended December 31, 2006, the District issued a revenue anticipation note in the amount of \$513,375 for the purpose of paying operating expenses in anticipation of revenues. The note was issued under the Community Disaster Loan Act of 2005 and had an original maturity date of December 19, 2010. Upon the District's request, the maturity date was extended 20 years to September 30, 2035. The District is in the process of negotiating with FEMA to coordinate a new debt service schedule to account for the new maturity date. No payments have been made on the loan and interest is being accrued. The note bears interest at a fixed rate of 2.69%. Interest is payable upon maturity of the note. For the year ended December 31, 2018, interest expense on the loan was \$13,810.

On May 30, 2014, the District issued \$3,200,000 of Certificates of Indebtedness, Series 2014, for the purpose of: acquiring, constructing, and improving facilities; acquiring vehicles and equipment for fire protection; providing rescue and emergency medical services in and for the Issuer; and paying all costs of incurred in connection with the issue of the certificates. The certificates were not to be callable for redemption prior to their stated dates of maturity. The certificates were issued with an interest rate of 2.22% and were expected to mature March 1, 2023. Effective October 21, 2015, the District restructured and extended the certificates based upon a principal amount of \$2,885,000. The certificates were restructured at an interest rate of 2.25%. Beginning on March 1, 2016, annual principal installments ranging from \$30,000 to \$345,000 are to be made, and the restructured bonds will mature on March 1, 2029. During the year ended December 31, 2018, the District made a principal payment of \$105,000 on the restructured certificates.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

6. LONG-TERM LIABILITIES: (Continued)

The restructured certificates have a maturity of 14 years beginning in 2015, and bear interest at a rate of 2.25%. Principal payments are due annually on March 1<sup>st</sup> of each year, and interest payments are due semiannually on March 1<sup>st</sup> and September 1<sup>st</sup> of each year. For the year ended December 31, 2018, interest expense on the Certificates was \$59,842.

Future principal and interest payments required on the District's long-term debt as of December 31, 2018, are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 105,000	\$ 58,444	\$ 163,444
2020	110,000	56,025	166,025
2021	110,000	53,550	163,550
2022	110,000	51,075	161,075
2023	285,000	46,631	331,631
Thereafter	2,443,375	300,895	2,744,270
	<u>\$ 3,163,375</u>	<u>\$ 566,620</u>	<u>\$ 3,729,995</u>

7. PENSION PLAN:

Substantially all employees of the St. Tammany Parish Fire Protection District No. 12 are members of the Louisiana Firefighters' Retirement System ("System"), a multiple-employer (cost sharing) public employee retirement system (FRS). The System is a statewide public retirement system for the benefit of fire districts and their staff, which is administered and controlled by a separate Board of Trustees. Contributions of participating fire districts are pooled with the System to fund accrued benefits, with employer/employee contribution rates approved by the Louisiana Legislature.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Louisiana Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana 70809.

Benefits Provided:

Retirement Benefits:

Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3.33% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

7. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

*Retirement Benefits: (Continued)*

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement. The options are as follows:

1. At death, their beneficiary will receive a lump sum payment based on the present value of the employee's annuity account balance.
2. At death, their beneficiary will receive a life annuity equal to the employee's reduced retirement allowance.
3. At death, their beneficiary will receive a life annuity equal to one-half of the employee's reduced retirement allowance.
4. Any other benefit certified by the actuary and approved by the Board of Trustees that will be equivalent in value to the employee's retirement allowance limited to a spouse and/or minor children.
5. The member can select a reduced Option 2 benefit. However, if the beneficiary predeceases the retiree, the benefit will convert to the maximum. This option is limited to a spouse and/or minor children or handicapped children.
6. The member can select a reduced Option 3 benefit. However, if the beneficiary predeceases the retiree, the benefit will convert to the maximum. This option is limited to a spouse and/or minor children.
7. The member can select to receive a guaranteed 2.5% COLA every year beginning when the member reaches age 55. In exchange for this COLA, the member takes an actuarially reduced benefit upon retirement.

Death Benefits:

If an active employee dies and is not eligible for retirement, his survivors shall be paid:

1. If the employee is not eligible to retire and dies in the line of duty, their spouse will receive monthly, an annual benefit equal to two-thirds of the employee's average final compensation. If death is not in the line of duty, the spouse will

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

7. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Death Benefits: (Continued)

receive monthly, an annual benefit equal to 3.0% of the member's average final compensation multiplied by his total years of service; however, the benefit shall not be less than 40%, or more than 60% of the employee's average final compensation.

2. Children of deceased employees will receive the greater of \$200 or 10% of the member's final average compensation per month until reaching the age of 18, or until the age of 22 if enrolled full time in an institution of higher education. The surviving totally physically handicapped or mentally retarded child of a deceased employee, regardless of age, shall receive the benefits as long as they are dependent on the surviving spouse.
3. If an employee, who is eligible to retire, dies before retiring, the designated beneficiary shall be paid under Option 2, survivor benefit equal to member's benefit.

Disability Benefits:

If an eligible member is officially certified as disabled by the State Medical Disability Board, he shall receive the greater retirement, if eligible for disability benefits as follows:

1. Any member totally disabled from injury received in the line of duty, shall be paid, on a monthly basis, an annual pension of 60% of the average final compensation being received at the time of the disability.
2. Any member of FRS who has become disabled or incapacitated because of continued illness or as a result of any injury received, even though not in the line of duty, and who has five years of creditable service, but is not eligible for retirement under the provisions of R. S. 11:2256 may apply for retirement under the provisions of R.S. 11:2258 and shall be retired on 75% of the retirement salary to which he would be entitled under R. S. 11:2256 if he were otherwise eligible there under or 25% of the member's average salary, whichever is greater.
3. Any retired member or DROP plan participant who becomes disabled for any reason provided for by law shall be permitted to apply for conversion of a service retirement to a service connected disability retirement under R.S. 11:2258(B)(1)(e).

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

7. PENSION PLAN: (Continued)

*Disability Benefits:* (Continued)

4. Should a member who is on disability retirement die and leave a surviving spouse, the surviving spouse shall receive a benefit of \$200 per month. When the member takes disability retirement, he may, in addition, take an actuarially reduced benefit in which case the member's surviving spouse shall receive 50% of the disability benefit being paid immediately prior to the death of the disabled retiree. If the surviving spouse remarries prior to age 55, such benefits shall cease; however, the benefits shall resume upon subsequent divorce or death of the new spouse and the approval of the Board of Trustees.

Deferred Retirement Option Plan:

After 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 deferred retirement option plan, employer and employee contributions to FRS cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to FRS. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option:

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

Contributions:

Contributions for all members are established by statute at 10% for wages above poverty and 8.0% for wages below poverty for the year ended December 31, 2018. The contributions are deducted from the member's salary and remitted by the participating agency.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

7. PENSION PLAN: (Continued)

Contributions: (Continued)

According to state statute, employer contributions are actuarially determined each year. For the period July 1, 2018 - December 31, 2018, employer contributions were 26.50% of covered payroll above poverty and 28.50% of covered payroll below poverty. For the period January 1, 2018 - June 30, 2018, employer contributions were 26.50% of covered payroll above poverty and 28.50% of covered payroll below poverty, effective July 1, 2017. The District's contributions to the System for the year ended December 31, 2018 were \$837,057.

According to state statute, FRS also receives insurance premium tax funds from the State of Louisiana. This additional source of income is used as an additional employer contribution and is reported as a non-employer contribution. These contributions are used to finance administrative costs of FRS.

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

At December 31, 2018, the District reported a liability for the Louisiana Firefighters' Retirement System of \$7,326,755 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The District's proportion of the net pension liability for the retirement system was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion for the Louisiana Firefighters' Retirement System was 1.273758%. This reflects a decrease for the Louisiana Firefighters' Retirement System of 0.012217% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the District recognized pension expense, for which there were no forfeitures, as follows:

	Pension Expense
FRS	<u>\$ 1,121,025</u>

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

8. PENSION PLAN: (Continued)

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

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 557,648
Changes in assumptions	511,114	1,161
Net difference between projected and actual earnings on pension plan investments	476,421	
Changes in proportion and differences between employer and non-employer contributions and proportionate share of contributions	47,905	607,134
Employer and non-employer contributions subsequent to the measurement date	425,813	-
Total	\$ 1,461,253	\$ 1,165,943

During the year ended December 31, 2018, employer contributions totaling \$425,813 were made subsequent to the measurement date for the Louisiana Firefighters' Retirement System. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2019	\$ 310,447
2020	31,910
2021	(322,808)
2022	(86,490)
2023	(57,357)
Thereafter	(6,205)
Total	\$ (130,503)

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

7. PENSION PLAN: (Continued)

Actuarial Assumptions: (Continued)

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

	<b>FRS</b>
<b>Actuarial cost method</b>	Entry Age Normal
<b>Actuarial assumptions:</b>	
<b>Expected remaining service lives</b>	7 Years
<b>Investment rate of return</b>	7.30%, net of investment expense
<b>Inflation rate</b>	2.700% per annum
<b>Projected salary increases</b>	Vary from 15% in the first two years of service to 4.75% after 25 years.
<b>Cost-of-living adjustments</b>	None, other than those previously granted, since they are not deemed to be substantively automatic.
<b>Mortality</b>	Mortality rate assumption was projected based on a five-year (2009-2014) experience study of the System's members.
<b>Termination and disability</b>	Termination, disability and retirement assumptions were projected based on a four year (2006-2010) experience study of the System's members.

The long-term expected real 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 inflation. Estimates of arithmetic real rates of return for each major asset class based on the Louisiana Firefighters' Retirement System's target asset allocation as of June 30, 2018, are as follows:

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

7. PENSION PLAN: (Continued)

Actuarial Assumptions: (Continued)

<u>Asset Class</u>	Long-Term Target Asset Allocation <u>FRS</u>	Long-Term Expected Real Rate of Return <u>FRS</u>
Fixed Income	26.00%	1.76%
Equity	54.00%	6.78%
Alternatives	10.00%	6.56%
Other	10.00%	4.60%
Totals	100.00%	5.34%
Inflation		2.75%
Expected Arithmetic Nominal Return		8.09%

Discount Rates:

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates:

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

	1% Decrease (6.30%)	Current Discount (7.30%)	1% Increase (8.30%)
FRS	\$ 10,691,468	\$ 7,326,755	\$ 4,499,239

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

7. PENSION PLAN: (Continued)

Support of Non-employer Contributing Entities:

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2018, the District recognized revenue as a result of support received from non-employer contributing entities of \$330,591 for its participation in the Louisiana Firefighters' Retirement System.

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued Louisiana Firefighters' Retirement System's 2017 Annual Financial Report, which may be obtained by writing to the Louisiana Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana, 70809.

Payables to the Pension Plan:

At December 31, 2018, there were no payables due to the Louisiana Firefighters' Retirement System.

8. SUPPLEMENTAL SALARIES:

During the year ended December 31, 2018, certain eligible full-time employees received supplemental salary payments in the amount of \$281,799 from the State of Louisiana. The amount of the supplemental pay is determined by state law and is in addition to the compensation they receive from the District. These intergovernmental funds are reflected in the financial statements of the District for the year ended December 31, 2018.

9. DEFERRED COMPENSATION PLAN:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Annual contributions to the plan may not exceed the lesser of 100% of the participating employee's includible compensation or \$18,000. Participants who were age 50 or older by the end of the calendar year were eligible to make additional catch up contributions of up to \$6,000. The plan

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

9. DEFERRED COMPENSATION PLAN: (Continued)

requires that the minimum contribution be equal to the current employee's withholding rate for social security. The District no longer contributes to the 457 plan. The employees' contributions were \$75,248 for the year ended December 31, 2018.

The District offers a 401(a) plan in which five employees are enrolled. For any employees in the plan, the District contributes 10% of the employees' compensation annually. The employees' total contributions were \$18,731 for the year ended December 31, 2018.

All assets of the deferred compensation plan are held in a custodial account and all such assets are held for the exclusive benefit of the plan participants and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this plan and the assets may not be diverted to any other use. The plan's balances and activities are not reflected in the District's financial statements.

It has been the opinion of management that the District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Investments are managed by the plan's administrator. The plan participants choose the investment options.

10. MAINTENANCE AND SUPPORT AGREEMENT:

During the year ended December 31, 2013, the District entered into a maintenance and support agreement with Unifire as a part of purchasing public safety software for several districts. The term of the agreement is for a period of five years commencing on October 1, 2013, and ending on September 30, 2018, at a rate of \$17,000 per year. The District's portion of the contract payments is approximately 20%. The agreement was continued for one year starting October 1, 2018 and ending September 30, 2019.

11. LOUISIANA LEGISLATIVE AUDITOR ACT 774:

Duplantier, Hrapmann, Hogan & Maher, LLP performed certain procedures to assist the District in assessing certain controls and in evaluating management's compliance with certain laws and regulations during the period from January 01, 2018, to December 31, 2018, in accordance with Act 774 of the 2014 Regular Legislative Session. Management of the District is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. The procedures that Duplantier, Hrapmann, Hogan & Maher, LLP performed, the results of the procedures performed, the recommendations of Duplantier, Hrapmann, Hogan & Maher, LLP, and the District's response to the audit can be found in the publicly issued report on the Louisiana Legislative Auditor's website at [www.la.gov](http://www.la.gov).

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Actual</u> <u>Amounts</u>	<u>Budgeted Amounts</u>		<u>Variance with</u> <u>Final Budget</u>
		<u>Original</u>	<u>Final</u>	
<b>REVENUES:</b>				
Taxes	\$ 6,749,352	\$ 5,859,000	\$ 5,859,000	\$ 890,352
Intergovernmental	391,169	187,500	187,500	203,669
Interest	85,724	30,000	30,000	55,724
Other revenues	892,505	916,448	916,448	(23,943)
<b>Total revenues</b>	<u>8,118,750</u>	<u>6,992,948</u>	<u>6,992,948</u>	<u>1,125,802</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Public safety	6,435,820	6,785,861	6,785,861	(350,041)
<b>Debt service:</b>				
Principal	105,000	105,000	105,000	-
Interest	60,828	60,806	60,806	22
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>6,601,648</u>	<u>6,951,667</u>	<u>6,951,667</u>	<u>(350,019)</u>
<b>Excess of revenues over expenditures</b>	<u>1,517,102</u>	<u>41,281</u>	<u>41,281</u>	<u>1,475,821</u>
<b>OTHER FINANCING SOURCES:</b>				
Surplus equipment sales	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance-beginning	<u>8,199,804</u>	<u>8,199,804</u>	<u>8,199,804</u>	<u>-</u>
<b>FUND BALANCE-ENDING</b>	<u><u>\$ 9,716,906</u></u>	<u><u>\$ 8,241,085</u></u>	<u><u>\$ 8,241,085</u></u>	<u><u>\$ 1,475,821</u></u>

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
FOR THE FIVE YEARS ENDED DECEMBER 31, 2018

<u>Fiscal Year</u>	District's Proportion of the Net Pension <u>Liability</u>	District's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	District's Covered- Employee <u>Payroll</u>	District's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered- <u>Employee Payroll</u>	Plan Fiduciary Net Position as a % of the Total Pension <u>Liability</u>
2018	1.273758%	\$ 7,326,755	\$ 3,033,452	241.5%	74.8%
2017	1.258975%	\$ 7,371,015	\$ 3,110,354	237.0%	73.5%
2016	1.379450%	\$ 9,022,851	\$ 3,085,470	292.4%	68.2%
2015	1.451858%	\$ 7,835,841	\$ 2,875,053	272.5%	72.4%
2014	1.452815%	\$ 6,464,901	\$ 2,983,775	216.7%	76.0%

The schedule is intended to report information for ten years. Additional years will be displayed as they become available.

The amounts presented have a measurement date of the previous fiscal year.

ST. TAMMANY PARISH  
 FIRE PROTECTION DISTRICT NO. 12  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS  
FOR THE FIVE YEARS ENDED DECEMBER 31, 2018

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2018	\$ 837,057	\$ 837,057	\$ -	\$ 3,039,334	27.5%
2017	\$ 765,947	\$ 765,947	\$ -	\$ 3,033,452	25.3%
2016	\$ 847,572	\$ 847,572	\$ -	\$ 3,085,470	27.5%
2015	\$ 902,500	\$ 902,500	\$ -	\$ 2,875,053	31.4%
2014	\$ 812,202	\$ 812,202	\$ -	\$ 2,983,775	27.2%

The schedule is intended to report information for ten years. Additional years will be displayed as they become available.

The amounts presented have a measurement date of the previous fiscal year.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018

1. BUDGETARY BASIS OF ACCOUNTING:

Formal budgetary accounting is employed as a management control device during the year for the Governmental Fund. The level of budgetary control is at the line-item level. Appropriations which are not expended lapse at year end. The budget for the Governmental Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary comparisons presented in the accompanying financial statements are on a GAAP basis including the original budget and all subsequent revisions.

2. LOUISIANA FIREFIGHTERS' RETIREMENT SYSTEM:

Changes in Benefit Terms:

There were no changes in benefit terms for the actuary valuation dated June 30, 2018.

Changes in Assumptions:

For the actuary valuation dated June 30, 2018, there were no changes made to the salary scale, mortality, retirement, DROP entry, and withdrawal rates which are based on the results of the actuarial experience study for the period July 1, 2009 - June 30, 2014 and expectations of future experience. The investment rate of return decreased from 7.40% to 7.30%. The inflation rate decreased from 2.775% to 2.700%.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF COMPENSATION PAID TO COMMISSION MEMBERS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Commissioners

Ronald Barattini	\$ 400
James Holden	1,100
Steven Swanson	900
Ronald Garrity	900
George Schwing	1,000
Ryan Munsey	<u>600</u>
	<u>\$ 4,900</u>

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER  
FOR THE YEAR ENDED DECEMBER 31, 2018

**Agency Head Name:** Terrell Stuard, Acting Fire Chief

<b><u>Purpose</u></b>	<b><u>Amount</u></b>
Salary	\$ 110,257
Benefits - retirement	39,405
State Supplemental Pay	6,000
	<u>\$ 155,662</u>



# Duplantier Hrapmann Hogan & Maher, LLP

Lindsay J. Calub, CPA, LLC  
Guy L. Duplantier, CPA  
Michelle H. Cunningham, CPA  
Dennis W. Dillon, CPA  
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA  
Terri L. Kitto, CPA

Michael J. O' Rourke, CPA  
David A. Burgard, CPA  
Clifford J. Giffin, Jr., CPA  
William G. Stamm, CPA

A.J. Duplantier, Jr., CPA  
(1919-1985)

Felix J. Hrapmann, Jr., CPA  
(1919-1990)

William R. Hogan, Jr., CPA  
(1920-1996)

James Maher, Jr., CPA  
(1921-1999)

#### New Orleans

1615 Poydras Street,  
Suite 2100  
New Orleans, LA 70112  
Phone: (504) 586-8866  
Fax: (504) 525-5888

#### Northshore

1290 Seventh Street  
Slidell, LA 70458  
Phone: (985) 641-1272  
Fax: (985) 781-6497

#### Houma

247 Corporate Drive  
Houma, LA 70360  
Phone: (985) 868-2630  
Fax: (985) 872-3833

#### Napoleonville

5047 Highway 1  
P.O. Box 830  
Napoleonville, LA 70390  
Phone: (985) 369-6003  
Fax: (985) 369-9941

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

June 25, 2019

Board of Commissioners  
St. Tammany Parish Fire Protection District No. 12  
Covington, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the St. Tammany Parish Fire Protection District No. 12 (the "District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June \_\_, 2019.

### Internal Control Over Financial Reporting

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

[www.dhmcpa.com](http://www.dhmcpa.com)

Members  
American Institute of  
Certified Public Accountants  
Society of LA CPAs

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as items: 2018-01 and 2018-02.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the St. Tammany Parish Fire Protection District No. 12 for the year ended December 31, 2018, was unmodified.
  
2. Internal Control  
Material weaknesses: None noted  
Significant deficiencies: None noted
  
3. Compliance and Other Matters  
Noncompliance material to financial statements: 2018-01 and 2018-02

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

None

CURRENT YEAR FINDINGS:

2018-01 PUBLISHED APPROVED BUDGET

Condition:

The 2018 Operating Budget of the St. Tammany Parish Fire Protection District No. 12 was not published in accordance with L.R.S. 39:1307(D), subsequent to its adoption in a public hearing.

Criteria:

L.R.S. 39:1307(D) states that a political subdivision shall certify completion of the public budget hearing by publishing a notice in the same manner as is required for the notice of availability of the proposed budget and public hearing.

Cause:

The District did publish a notice of its proposed Operating Budget, as well as the date and time of the public hearing in which the proposed Operating Budget would be considered. Though the District approved of its Operating Budget in a public hearing, the District did not publish a notice subsequent to its budget hearing indicating that the budget was approved.

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-01 PUBLISHED APPROVED BUDGET (Continued)

Effect:

The public may not be informed of any potential changes that were made to the proposed Operating Budget during the public hearing in which the proposed Operating Budget was considered and approved.

Recommendation:

We recommend that the District publish its adopted Operating Budget, subsequent to its approval in a public hearing, in accordance with state law.

Management's Response:

The District will begin to publish its adopted Operating Budgets, subsequent to its approval in a public hearing, in accordance with state law.

2018-02 BUDGET MESSAGE AND BUDGET FORMAT

Condition:

The 2018 Operating Budget was not in compliance with L.R.S. 39:1305(C)(1), setting forth the required budget message, and was also not in compliance with L.R.S. 39:1305(C)(2)(a), setting forth the required budget format.

Criteria:

L.R.S. 39:1305(C)(1) states that the budget document setting forth the proposed financial plan for the general fund shall include a budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features.

L.R.S. 39:1305(C)(2)(a) states that the budget document setting forth the proposed financial plan for the general fund shall include a statement for the general fund and each special revenue fund showing the estimated fund balances at the beginning of the year; estimates of all receipts and revenues to be received; revenues itemized by source; recommended expenditures itemized by agency, department, function, and character; other financing sources and uses by source and use; and the estimated fund balance at the end of the fiscal year. Such statements shall also include a clearly presented side-by-side detailed comparison of such information for the current year, including the fund balances at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual expenditures and estimates of all expenditures to be made the remainder of

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-02 BUDGET MESSAGE AND BUDGET FORMAT (Continued)

Criteria: (Continued)

the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balances as of the end of the fiscal year; and the percentage change for each item of information.

Cause:

The District published a copy of its proposed Operating Budget, but it contained only the proposed expenditures and proposed revenues for 2018.

Effect:

When budgets are not in the correct format as directed by state law, the budget information or lack thereof can be misleading to the public.

Recommendation:

We recommend that the District publish its adopted Operating Budget, in the correct format and including an appropriate budget message, in accordance with state law.

Management's Response:

The District intends to develop its future budgets in the required budget format as set forth by L.R.S. 39:1305(C)(2).

ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 12  
SUMMARY OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF PRIOR YEAR FINDINGS:

2017-01 PUBLISHED APPROVED BUDGET

Finding:

The 2017 approved Budget was not published in accordance with L.R.S. 39:1307(D), which states that a political subdivision shall certify completion of public budget hearing by publishing a notice in the same manner as is required for the notice of availability of the proposed budget and public hearing. The District did publish a notice of its proposed budget as well as the date of the hearing; although, they did not publish a notice subsequent to its budget hearing indicating that the budget was approved. We recommend that the District publish the approved budget in accordance with state law.

Status:

See finding 2018-01.

2017-02 BUDGET FORMAT

Finding:

The 2017 budget was not in compliance with L.R.S. 39:1305(C)(2)(a), setting forth the required budget format. When budgets are not in the correct format as directed by State law; the budget information, or lack that of, can be misleading to the public. We recommend that the District publish the approved budget in accordance with state law.

Status:

See finding 2018-02.

ST. TAMMANY PARISH FIRE PROTECTION  
DISTRICT NO. 12

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD JANUARY 1, 2018  
THROUGH DECEMBER 31, 2018



Duplantier  
Hrapmann  
Hogan &  
Maher, LLP

Lindsay J. Calub, CPA, LLC  
Guy L. Duplantier, CPA  
Michelle H. Cunningham, CPA  
Dennis W. Dillon, CPA  
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA  
Terri L. Kitto, CPA

Michael J. O' Rourke, CPA  
David A. Burgard, CPA  
Clifford J. Giffin, Jr., CPA  
William G. Stamm, CPA

A.J. Duplantier, Jr., CPA  
(1919-1985)

Felix J. Hrapmann, Jr., CPA  
(1919-1990)

William R. Hogan, Jr., CPA  
(1920-1996)

James Maher, Jr., CPA  
(1921-1999)

**New Orleans**

1615 Poydras Street,  
Suite 2100  
New Orleans, LA 70112  
Phone: (504) 586-8866  
Fax: (504) 525-5888

**Northshore**

1290 Seventh Street  
Slidell, LA 70458  
Phone: (985) 641-1272  
Fax: (985) 781-6497

**Houma**

247 Corporate Drive  
Houma, LA 70360  
Phone: (985) 868-2630  
Fax: (985) 872-3833

**Napoleonville**

5047 Highway 1  
P.O. Box 830  
Napoleonville, LA 70390  
Phone: (985) 369-6003  
Fax: (985) 369-9941

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD JANUARY 1, 2018 THROUGH DECEMBER 31, 2018

June 24, 2019

To the Board of Commissioners of  
St. Tammany Parish Fire Protection District No. 12  
Covington, Louisiana 70433

We have performed the procedures enumerated below, which were agreed to by St. Tammany Parish Fire Protection District No. 12 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas in accordance with the requirements of Act 774 of the 2014 Regular Legislative Session for the period of January 1, 2018 through December 31, 2018. We are required to perform each procedure and report the results, including any exceptions. The District's management is responsible for those C/C areas identified in the Act 774 procedures.

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

The procedures and associated findings are as follows:

[www.dhmcpa.com](http://www.dhmcpa.com)

Members  
American Institute of  
Certified Public Accountants  
Society of LA CPAs

### *Written Policies and Procedures*

---

1. **Procedure:** Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to the entity's operations):
  - a. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
  - 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.
  - c. **Disbursements**, including processing, reviewing, and approving.
  - d. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.
  - e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - 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.
  - g. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
  - h. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/ EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
  - i. **Bank Reconciliations**, including (1) monthly bank statement reconciliations, (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 12 months from the statement closing date, if applicable.
  - j. **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**Results:** As a result of applying the agreed-upon procedures above, we noted that the District does not have written policies and procedures for Budgeting, Purchasing, Disbursements, Receipts/Collections, Contracting, Travel and Expense Reimbursement, Debt Service, Bank Reconciliations, Disaster Recovery/Business Continuity.

*Written Policies and Procedures (Continued)*

---

**Management's Response:** Management has begun the process of developing written policies for all areas noted above.

*Capital Assets*

---

1. **Procedure:** Obtain and inspect the entity's written policies and procedures over capital assets and observe that they address the process for tagging assets, performing an annual inventory, and disposing of assets.

**Results:** As a result of applying the agreed-upon procedure above, we noted that the District does not have written policies and procedures over capital assets.

**Management's Response:** Management has begun the process of developing policies over capital assets.

2. **Procedure:** Obtain documentation from management for the most recent capital asset inventory count in which all assets were inventoried. Observe that the inventory count was performed no more than one year ago.

**Results:** No findings were noted as a result of applying the procedure above.

3. **Procedure:** Obtain a listing of capital assets and obtain management's representation that the listing is complete. Randomly select 25 assets from the listing, physically locate each asset, and observe that each asset is tagged and agrees to the information on the listing as to the location, description, manufacturer, model, and serial number.

**Results:** No findings were noted as a result of applying the procedure above.

4. **Procedure:** Select 10 capital assets in two physical locations (if entity has at least two physical locations) that meet the asset capitalization threshold (e.g., vehicles, office furniture, lawn mowers). Observe that each asset is tagged and trace to the listing from #3 above. Observe that each asset is included on the listing and agree the information on the listing to the location, description, manufacturer, model, and serial number of the asset.

**Results:** As a result of applying the agreed-upon procedures above, we noted that the District's vehicles, trucks and some other large equipment are not tagged and included on the inventory listing obtained in #3 above as these items are tracked on a separate list from the smaller items.

**Management's Response:** Management has begun the process of adding vehicles, trucks and other large equipment to the inventory listing.

***Board (or Finance Committee, if applicable)***

---

1. **Procedure**: Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board’s enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
  - a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board’s enabling legislation, charter, bylaws, or other equivalent document.
  - b. Observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund.

**Results**: No findings were noted as a result of applying the procedure above.

***Fueling Station (excluding fuel cards)***

---

1. **Procedures**: Observe that all employees have signed the written policies and procedures for fuel usage and documented that they understand and will adhere to the fuel policies implemented by the agency.

**Results**: Upon applying the agreed-upon procedure above, we noted that employees were not required to sign documentation indicating that they have read and understood the District’s fueling station policy due to only district’s chiefs, chief officers and mechanics being authorized to use the fueling station.

**Management’s Response**: Employees not allowed to use the fueling station are not required to sign off on the policy. Employees do sign off acknowledging that they have received the employee handbook which includes the fueling station policy.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in Act 774 of the 2014 Regular Legislative Session from the Louisiana Legislative Auditor’s office. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in Act 774, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana