

**ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 2
Madisonville, Louisiana**

Annual Financial Statements

December 31, 2017



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Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 2

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the schedules required by Governmental Accounting Standards Board (GASB) Statement No. 68 on pages 5 - 7, 32, and 33 - 34, respectively, 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 schedule of governing board and the schedules of compensation, benefits, and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of governing board and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A(3), are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of governing board and the schedule of compensation, benefits, and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2018, on our consideration of St. Tammany Parish Fire Protection District No. 2'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 of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

A Professional Accounting Corporation

Covington, LA
June 11, 2018

**REQUIRED SUPPLEMENTARY INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

Management's Discussion and Analysis For the Year Ended December 31, 2017

As management of St. Tammany Parish Fire Protection District No. 2 (the District), we offer this discussion and analysis of the District's financial activities for the year ended December 31, 2017.

As with other sections of this financial report, the information contained in this management's discussion and analysis (MD&A) should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other required supplementary information that are provided in addition to this MD&A.

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 9 and 10) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements begin on page 11. These statements tell how these services were financed in the short-term as well as what remains for future spending. The District is a component unit of St. Tammany Parish, Louisiana. Its operations are conducted through a general fund.

Financial Highlights

Assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources on December 31, 2017 by \$3,016,063 (net position). The District's net position increased by \$142,815, or 5%.

At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,434,729 which is a decrease of \$925,208 in comparison with the prior fiscal year. This amount includes \$6,628 in the Capital Projects Fund and \$1,371,825 in the 2016 Capital Projects Fund which are restricted for capital outlay. The remaining fund balance of \$5,056,276 is unassigned in the General Fund.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

Management's Discussion and Analysis For the Year Ended December 31, 2017

A summary of the basic government-wide financial statements is as follows:

Summary Statements of Net Position

	2017	2016	Change
Assets			
Current Assets	\$ 6,777,649	\$ 7,543,229	\$ (765,580)
Capital Assets, Net of Accumulated Depreciation	4,577,739	3,791,863	785,876
Total Assets	11,355,388	11,335,092	20,296
Deferred Outflows of Resources	670,926	1,182,063	(511,137)
Liabilities			
Current Liabilities	650,221	458,722	191,499
Noncurrent Liabilities	7,858,005	8,540,305	(682,300)
Total Liabilities	8,508,226	8,999,027	(490,801)
Deferred Inflows of Resources	502,025	644,880	(142,855)
Net Position			
Net Investment in Capital Assets	119,724	2,042,062	(1,922,338)
Restricted	1,378,453	-	1,378,453
Unrestricted	1,517,886	831,186	686,700
Total Net Position	\$ 3,016,063	\$ 2,873,248	\$ 142,815

Summary Statements of Activities

	2017	2016	Change
Revenues			
General Revenues			
Ad Valorem Taxes	\$ 4,022,450	\$ 3,770,642	\$ 251,808
Rentals	65,181	67,492	(2,311)
State Revenue Sharing	64,893	60,009	4,884
Fire Insurance Tax	222,965	52,703	170,262
Other Income	61,637	120,124	(58,487)
Interest Income	15,223	1,657	13,566
Grant Income	118,083	-	118,083
Operating Contributions	161,344	-	161,344
Total Revenues	4,731,776	4,072,627	659,149
Expenses			
Fire Protection	4,450,345	3,137,133	1,313,212
Interest on Long-Term Debt	138,616	100,981	37,635
Total Expenses	4,588,961	3,238,114	1,350,847
Change in Net Position	\$ 142,815	\$ 834,513	\$ (691,698)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

Management's Discussion and Analysis For the Year Ended December 31, 2017

Capital Assets and Debt

In 2017, capital assets increased by \$785,876, which was the result of equipment purchases and construction of the new fire station, for the current period. Total debt decreased by \$314,205, which was the result of making the required principal payments on certificates of indebtedness and leases.

General Fund Budgetary Highlights

In 2017, actual revenues exceeded budget by \$778,967 and actual expenditures exceeded budget by \$60,209.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Randy Hess, P.O. Box 795, Madisonville, Louisiana 70447.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Net Position
December 31, 2017

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 2,970,086
Investments	132,210
Receivables - Ad Valorem Taxes, Net	3,584,614
Receivables - State Revenue Sharing	43,262
Receivables - Retirement Refund	44,962
Deposits	2,515
Capital Assets, Net of Accumulated Depreciation	<u>4,577,739</u>
Total Assets	<u>11,355,388</u>
Deferred Outflows of Resources	
Deferred Outflows on Pension Obligation	<u>670,926</u>
Liabilities	
Accounts Payable	20,479
Retainage Payable	40,329
Accrued Expenses	230,528
Accrued Interest	39,680
Noncurrent Liabilities	
Compensated Absences	65,388
Net Pension Liability	3,653,807
Certificate of Indebtedness	
Due Within One Year	250,000
Due in More than One Year	3,555,000
Capital Leases	
Due Within One Year	69,205
Due in More than One Year	<u>583,810</u>
Total Liabilities	<u>8,508,226</u>
Deferred Inflows of Resources	
Deferred Inflows on Pension Obligation	<u>502,025</u>
Net Position	
Net Investment in Capital Assets	119,724
Restricted	1,378,453
Unrestricted	<u>1,517,886</u>
Total Net Position	<u>\$ 3,016,063</u>

The accompanying notes are an integral part of these financial statements

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position
		Capital Grants and Contributions	Operating Grants and Contributions	
Governmental Activities				
Public Safety - Fire Protection	\$ 4,450,345	\$ 118,083	\$ 161,344	\$ (4,170,918)
Interest on Long-Term Debt	138,616	-	-	(138,616)
Total Governmental Activities	\$ 4,588,961	\$ 118,083	\$ 161,344	(4,309,534)
General Revenues				
Ad Valorem Taxes				4,022,450
Other Income				222,965
Rentals				65,181
State Revenue Sharing				64,893
Fire Insurance Tax				61,637
Interest Income				15,223
Total General Revenues				4,452,349
Change in Net Position				142,815
Net Position, Beginning of Year				2,873,248
Net Position, End of Year				\$ 3,016,063

The accompanying notes are an integral part of these financial statements

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Capital Projects Fund	2016 Capital Projects Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 1,548,652	\$ 2,405	\$ 1,419,029	\$ 2,970,086
Investments	126,242	5,968	-	132,210
Receivables - Ad Valorem Taxes, Net	3,584,614	-	-	3,584,614
Receivables - State Revenue Sharing	43,262	-	-	43,262
Receivable - Retirement Refund	44,963	-	-	44,963
Deposits	1,629	886	-	2,515
Total Assets	\$ 5,349,362	\$ 9,259	\$ 1,419,029	\$ 6,777,650
Liabilities				
Accounts Payable	\$ 10,974	\$ 2,631	\$ 6,875	\$ 20,480
Retainage Payable	-	-	40,329	40,329
Accrued Expenses	230,528	-	-	230,528
Total Liabilities	241,502	2,631	47,204	291,337
Deferred Inflows of Resources				
Unavailable Ad Valorem Taxes	51,584	-	-	51,584
Fund Equity				
Fund Balance				
Restricted	-	6,628	1,371,825	1,378,453
Unassigned	5,056,276	-	-	5,056,276
Total Fund Equity	5,056,276	6,628	1,371,825	6,434,729
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	\$ 5,349,362	\$ 9,259	\$ 1,419,029	\$ 6,777,650

The accompanying notes are an integral part of these financial statements

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position
December 31, 2017

Total Fund Equity	\$ 6,434,729
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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 funds.	4,577,739
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Accrued interest on long-term liabilities is not reported in the governmental funds.	(39,680)
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Deferred inflows of resources - unavailable ad valorem taxes are not reported on government-wide financial statements.	51,584
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Deferred inflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(502,025)
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Deferred outflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	670,926
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Long-term liabilities, including certificates of indebtedness, are not due and payable in the current period and, therefore, are not reported in the funds:

Net Pension Liability	(3,653,807)
Certificate of Indebtedness	(3,805,000)
Capital Leases	(653,015)
Compensated Absences	(65,388)
	<hr/>

Net Position of Governmental Activities	<u>\$ 3,016,063</u>
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The accompanying notes are an integral part of these financial statements

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 2017

	General Fund	Capital Projects Fund	2016 Capital Projects Fund	Total Governmental Funds
Revenues				
Ad Valorem Taxes	\$ 4,035,330	\$ -	\$ -	\$ 4,035,330
Other Income	222,965	-	-	222,965
Grants	118,083	-	-	118,083
Rentals	65,181	-	-	65,181
State Revenue Sharing	64,893	-	-	64,893
Fire Insurance Tax	61,637	-	-	61,637
Interest Income	15,134	89	-	15,223
Total Revenues	4,583,223	89	-	4,583,312
Expenditures				
Public Safety - Fire Protection				
Salaries and Benefits	2,170,156	-	-	2,170,156
Insurance	579,795	-	-	579,795
Miscellaneous	65,550	128	-	65,678
Communications	85,326	-	-	85,326
Repairs and Maintenance	84,741	-	-	84,741
Professional Services	58,076	-	-	58,076
Emergency Equipment	56,640	-	-	56,640
Utilities	31,664	-	-	31,664
Education and Training	58,429	-	-	58,429
Fuel	21,681	-	-	21,681
Uniforms	17,530	-	-	17,530
Travel	10,493	-	-	10,493
Fire Prevention Expenses	3,872	-	-	3,872
Office Supplies	3,524	-	-	3,524
Operating Supplies	2,954	-	-	2,954
Rent	520	-	-	520
Drug Testing	434	-	-	434
Postage	403	-	-	403
Advertising	227	-	-	227
Capital Outlay	173,620	-	1,643,927	1,817,547
Debt Service				
Principal	314,205	-	-	314,205
Interest	124,625	-	-	124,625
Total Expenditures	3,864,465	128	1,643,927	5,508,520
Net Change in Fund Balance	718,758	(39)	(1,643,927)	(925,208)
Fund Balance, Beginning of Year	4,337,518	6,667	3,015,752	7,359,937
Fund Balance, End of Year	\$ 5,056,276	\$ 6,628	\$ 1,371,825	\$ 6,434,729

The accompanying notes are an integral part of these financial statements

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of the Governmental Funds to
the Statement of Activities
For the Year Ended December 31, 2017**

Net Change in Fund Balance - Total Governmental Funds	\$ (925,208)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	785,876
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The issuance of long-term debt (e.g., certificates of indebtedness, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	314,205
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in Unavailable Ad Valorem Taxes	(12,880)
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Governmental funds report retirement contributions as expenditures, but pension expense on the statement of activities includes the change in net pension liability as well as the change in deferred inflows and outflows of resources related to pensions.	2,392
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in Compensated Absences Payable	(7,579)
Change in Accrued Interest Payable	(13,991)

Change in Net Position of Governmental Activities	<u>\$ 142,815</u>
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The accompanying notes are an integral part of these financial statements

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of St. Tammany Parish Fire Protection District No. 2 (the District) conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies.

Reporting Entity

The District was created by St. Tammany Parish (the Parish) on January 15, 1953. The District serves the area of Ward 1 of St. Tammany Parish. The District is governed by a Board of Commissioners. Two Commissioners are appointed by the Parish and two are appointed by the Town of Madisonville. The fifth member is selected by the other appointed members and serves as board chairman.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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.

Section 2100 of the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* established criteria for determining which component units should be considered part of St. Tammany Parish for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because the Parish appoints members of the District and because the Parish has determined that it would be misleading to not include the District in the Parish's Comprehensive Annual Financial Report (CAFR). The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish, the general government services provided by the Parish, or the governmental units that comprise the financial reporting entity.

Basis of Presentation

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The 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.

Separate financial statements are provided for the governmental funds.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The General Fund of the District is classified as governmental. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10% of the corresponding total for all governmental funds.

The District reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

Capital Projects Fund

The Capital Projects Fund accounts for the proceeds of Series 2009 Certificate of Indebtedness which was used to renovate the Oak Park and Weldon Poole Memorial Fire Stations and purchase a ladder truck.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

2016 Capital Projects Fund

The 2016 Capital Projects Fund accounts for the remaining proceeds of Series 2016 Certificate of Indebtedness which will be used to build two new fire stations, Station 21 and Station 24, to purchase a ladder truck, and purchase new equipment.

Measurement Focus/Basis of Accounting

The amounts reflected in the governmental fund financial statements are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when payment is due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income and changes in net financial position.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows.

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budget and Budgetary Accounting

The Board of Commissioners adopted a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the Board. Budgeted amounts included in the accompanying financial statements include all amendments. All budgeted amounts which are not expended or obligated through contracts lapse at year-end. The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The General Fund had actual expenditures of \$60,209 in excess of budgeted expenditures.

Compensated Absences

The District's policy is to allow employees vacation pay based on length of service. Sick leave is provided for by the District but is noncumulative and the employee's right to unused sick leave does not vest. Vacation pay is cumulative with any unpaid amounts paid to employees upon separation from the District's service. At December 31, 2017, the District had compensated absences of \$65,388, which is reported as a liability on the statement of net position.

Cash, Cash Equivalents, and Investments

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

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

Receivables

Ad valorem tax receivable is reported net of estimated uncollectible amounts. The allowance for uncollectible amounts was \$167,529, which represents 4% of the total ad valorem tax receivable, at December 31, 2017. This estimate is based on the District's history of collections within this revenue stream.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that are reported as deferred inflows or outflows of resources: deferred amounts on bond refunding, deferred inflows/outflows of resources related to pensions, and unavailable revenue. Unavailable revenue arises

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

only under a modified accrual basis of accounting, so it is reported only in the governmental funds balance sheet.

Capital Assets

All capital assets are recorded at historical cost in the government-wide financial statements. Depreciation of all exhaustible capital assets is charged as an expense against operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District capitalizes equipment in excess of \$2,500. In the fund financial statements, capital assets are accounted for as capital outlay expenditures upon acquisition.

The following estimated useful lives and methods are used to compute depreciation:

Buildings and Improvements	15 - 40 Years	Straight-Line
Vehicles	5 - 15 Years	Straight-Line
Machinery and Equipment	5 - 10 Years	Straight-Line
Office Equipment	5 - 10 Years	Straight-Line

Depreciation expense amounted to \$243,637, for the year ended December 31, 2017.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 the 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.

Pensions

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

due and payable in accordance with the benefit terms. Investments are reported at fair value.

Equity Classifications

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

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

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

1. *Restricted Fund Balance* - Amounts that can be spent only for specific purposes because of the District's bond resolution, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.
2. *Unassigned Fund Balance* - All amounts not included in other spendable classifications.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

Estimates

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

Adoption of New Accounting Policies

During the year ended December 31, 2017, the District adopted GASB Statement No. 82 (GASB 82), *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 82 is to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Policies (Continued)

of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan members) contribution requirements.

During the year ended December 31, 2017, the District adopted GASB Statement No. 79 (GASB 79), *Certain External Investment Pools and Pool Participants*. The objective of GASB 79 is to establish criteria for an external investment pool to qualify of making the election to measure all of its investments at amortized cost for financial reporting purposes. The external investment pool the District participates in reports its investments at fair value; therefore GASB 79 had no impact on the District.

New Accounting Pronouncements

The GASB issued statement No. 85 (GASB 85), *Omnibus 2017*, in March 2017. The objective of GASB 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management is still evaluating the potential impact of adoption on the District's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

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

Note 2. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2017:

Demand Deposits	<u>\$ 2,970,086</u>
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These deposits are stated at cost, which approximates market.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, the District had \$3,057,847 in deposits (collected bank balances) of which \$2,519,102 was exposed to custodial credit risk. As of December 31, 2017, \$993,109 of the balance exposed to custodial credit risk was uncollateralized which is a violation of state law.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

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

Note 3. Investments

Investments of \$132,210, which are stated at market using published quotes as of December 31, 2017, are in the Louisiana Asset Management Pool (LAMP), a local government investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana Revised Statute (LRS) 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a money market-like investment pool. The following facts are relevant for money market-like investment pools:

- *Credit risk*: LAMP is rated AAAM by Standard & Poor's.
- *Custodial credit risk*: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized, because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- *Concentration of credit risk*: Pooled investments are excluded from the 5% disclosure requirement.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

- *Interest rate risk:* LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP total investments was 43 days (from LAMP's monthly statement of net position) as of December 31, 2017.
- *Foreign currency risk:* Not applicable to money market-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

Note 4. Ad Valorem Taxes

Ad valorem taxes for the operations of the District are levied each November 1st on the assessed value listed as of the prior January 1st for all real property, merchandise, and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed in 2016.

Note 5. 2% Fire Insurance Tax

The District is eligible for 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 they serve. In accordance with Louisiana Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection, as the District shall direct.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 6. Capital Assets

Capital assets activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 758,250	\$ -	\$ -	\$ 758,250
Construction in Progress	13,850	718,395	-	732,245
Total Capital Assets Not Being Depreciated	772,100	718,395	-	1,490,495
Capital Assets Being Depreciated				
Buildings and Improvements	2,431,335	-	-	2,431,335
Vehicles	1,807,438	168,000	-	1,975,438
Machinery and Equipment	406,208	143,118	-	549,326
Office Equipment	83,564	-	-	83,564
Total Capital Assets Being Depreciated	4,728,545	311,118	-	5,039,663
Less Accumulated Depreciation for:				
Buildings and Improvements	(473,571)	(63,335)	-	(536,906)
Vehicles	(863,719)	(146,909)	-	(1,010,628)
Machinery and Equipment	(294,253)	(31,836)	-	(326,089)
Office Equipment	(77,239)	(1,557)	-	(78,796)
Total Accumulated Depreciation	(1,708,782)	(243,637)	-	(1,952,419)
Total Capital Assets Being Depreciated, Net	3,019,763	67,481	-	3,087,244
Capital Assets, Net	\$ 3,791,863	\$ 785,876	\$ -	\$ 4,577,739

During the year ended December 31, 2017, the District entered into an agreement for the acquisition for a fire protection vehicle in the amount of \$788,034. The costs associated with the fire truck were paid in full to capture a discount provided by the vendor. As of December 31, 2017, the fire truck had not been delivered. As a result, the capital asset will be recorded in 2018.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 7. Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 2017:

	Certificate of Indebtedness
January 1, 2017	\$ 4,050,000
Issued	-
Retired	(245,000)
Total	3,805,000
Less: Current Maturities	(250,000)
Total Long-Term Portion	<u>\$ 3,555,000</u>

Long-term debt consisted of the following at December 31, 2017:

\$4,050,000 Certificate of Indebtedness dated April 25, 2016, payable in annual principal installments of \$245,000 - \$340,000, plus semi-annual interest at 2.50%, through March 1, 2030, secured by ad valorem tax revenues.	<u>\$ 3,805,000</u>
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The following is a schedule of future principal debt service requirements:

Year Ending December 31,	Certificate of Indebtedness	
	Principal	Interest
2018	\$ 250,000	\$ 92,000
2019	255,000	85,688
2020	265,000	79,188
2021	270,000	72,500
2022	280,000	65,625
2023-2027	1,495,000	219,062
2028-2031	990,000	37,625
Total	<u>\$ 3,805,000</u>	<u>\$ 651,688</u>

Note 8. Capital Leases

During the year ended December 31, 2017, the District entered into two lease agreements for the acquisition of fire protection equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 8. Capital Leases (Continued)

The lease agreements are described as follows:

Lease dated August 21, 2015 for the acquisition of a Saber FR Pumper maturing on August 21, 2025, with ten annual payments of \$88,870 including	\$ 609,373
Lease dated May 13, 2016 for the acquisition of an upgrade to the Saber FR Pumper maturing on August 21, 2025, with ten annual payments of \$6,776 including interest.	<u>43,642</u>
	653,015
Less Due in One Year	<u>(69,205)</u>
Capital Leases - Long-Term Portion	<u>\$ 583,810</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, are as follows:

Year Ending December 31,	Amount
2018	\$ 95,647
2019	95,647
2020	95,647
2021	95,647
2022	95,647
Thereafter	<u>286,941</u>
Total Minimum Lease Payments	765,176
Less: Amount Representing Interest	<u>(112,161)</u>
Present Value of Minimum Lease Payments	<u>\$ 653,015</u>

At December 31, 2017, the book value of the leased equipment was \$659,583.

Note 9. Louisiana Firefighters' Retirement System Pension

Plan Description and Provisions

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 9. Louisiana Firefighters' Retirement System Pension (Continued)

Eligibility Requirements

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

Retirement Benefits

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

Deferred Retirement Option Plan

After completing 20 years of creditable service at age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months. Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System 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 the System. No payments may be made from the deferred retirement option plan account until the participant retires.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 9. Louisiana Firefighters' Retirement System Pension (Continued)

Initial Benefit Option Plan

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

Employer Contributions

Employer contributions are actuarially determined each year. For the plan year ended June 30, 2017, employer and employee contributions for members above the poverty line were 25.25% and 10.0%, respectively. For the plan year ending June 30, 2018, employer and employee contributions for members above the poverty line are 26.50% and 10.0%, respectively.

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

At December 31, 2017, the District reported a liability of \$3,653,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and was determined by actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all governments, actuarially determined. At June 30, 2017, the District's proportion was .637457%.

For the year ended December 31, 2017, the District recognized pension expense of \$563,115. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 203,762
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	314,333	-
Changes in Proportion	-	298,263
Changes in Assumptions	151,951	-
District Contributions Subsequent to the Measurement Date	204,642	-
Total	\$ 670,926	\$ 502,025

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 9. Louisiana Firefighters' Retirement System Pension (Continued)

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

In the year ending December 31, 2018, \$204,642 reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date will be recognized. Other amounts reported as deferred inflows of resources and deferred outflows of resources will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2018	\$ 54,185
2019	117,128
2020	(22,333)
2021	(176,049)
2022	(33,603)
2023	<u>24,931</u>
Total	<u>\$ (35,741)</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining net pension liability as of December 31, 2017, are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Lives	7 Years
Investment Return	7.40%
Inflation Rate	2.775%
Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Cost-of-Living Adjustments	Only those previously granted

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 9. Louisiana Firefighters' Retirement System Pension (Continued)

Actuarial Assumptions (Continued)

The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected nominal rate of return was 8.09%, as of June 30, 2017. Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Expected Portfolio Real Rate of Return
Fixed Income	23%	2.04%
U.S. Equity	27%	6.15%
Non-U.S. Equity	20%	7.45%
Global Equity	10%	6.85%
Real Estate	6%	4.62%
Private Equity	4%	8.73%
Global Tactical Asset Allocation	5%	4.40%
Risk Parity	5%	4.79%
	100%	

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the District using the discount rate of 7.40% as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
District's Proportionate Share of the Net Pension Liability	\$ 5,250,380	\$ 3,653,807	\$ 2,311,658

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2017, the District carried insurance through various commercial carriers to cover all risks of loss. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Note 11. Excess Expenditures Over Appropriations

During the year ended December 31, 2017, the General Fund's actual expenditures of \$3,864,465 exceeded the budgeted expenditures of \$3,804,256, resulting in an unfavorable variance of \$60,209.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2017

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 3,639,547	\$ 3,639,547	\$ 4,035,330	\$ 395,783
Other Income	50,400	50,400	222,965	172,565
Grants	-	-	118,083	118,083
Rentals	4,309	4,309	65,181	60,872
State Revenue Sharing	42,000	42,000	64,893	22,893
Fire Insurance Tax	68,000	68,000	61,637	(6,363)
Interest Income	-	-	15,134	15,134
Total Revenues	3,804,256	3,804,256	4,583,223	778,967
Expenditures				
Public Safety - Fire Protection				
Salaries and Benefits	2,212,365	2,212,365	2,170,156	42,209
Insurance	617,000	617,000	579,795	37,205
Miscellaneous	34,856	34,856	65,550	(30,694)
Communications	63,000	63,000	85,326	(22,326)
Repairs and Maintenance	83,000	83,000	84,741	(1,741)
Professional Services	46,100	46,100	58,076	(11,976)
Emergency Equipment	57,000	57,000	56,640	360
Utilities	55,500	55,500	31,664	23,836
Education and Training	77,800	77,800	58,429	19,371
Fuel	25,000	25,000	21,681	3,319
Uniforms	15,000	15,000	17,530	(2,530)
Travel	6,000	6,000	10,493	(4,493)
Fire Prevention Expenses	3,500	3,500	3,872	(372)
Office Supplies	3,500	3,500	3,524	(24)
Operating Supplies	8,200	8,200	2,954	5,246
Rent	800	800	520	280
Drug Testing	5,000	5,000	434	4,566
Postage	800	800	403	397
Advertising	1,000	1,000	227	773
Capital Outlay	50,000	50,000	173,620	(123,620)
Debt Service				
Principal	314,205	314,205	314,205	-
Interest	124,630	124,630	124,625	5
Total Expenditures	3,804,256	3,804,256	3,864,465	(60,209)
Net Change in Fund Balance	\$ -	\$ -	\$ 718,758	\$ 839,176
Fund Balance, Beginning of Year			4,337,518	
Fund Balance, End of Year			\$ 5,056,276	

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of District's Proportionate Share of the
Net Pension Liability
For the Year Ended December 31, 2017

	2017	2016
District's Portion of the Net Pension Liability	0.637457%	0.615279%
District's Proportionate Share of the Net Pension Liability	\$ 3,653,807	\$ 4,024,481
District's Covered Payroll	\$ 1,440,171	\$ 1,385,586
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	253.71%	290.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.55%	68.16%

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

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of District's Contributions
For the Year Ended December 31, 2017

	2017	2016
Contractually Required Contribution	\$ 404,163	\$ 363,953
Contributions in Relation to the Contractually Required Contribution	<u>(404,163)</u>	<u>(363,953)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,581,412	\$ 1,385,586
Contributions as a Percentage of Covered Payroll	25.56%	26.27%

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Governing Board
December 31, 2017

<u>Governing Board</u>	<u>Compensation</u>
Rosalie Boudreaux 201 Hawthorne Hollow Drive Madisonville, LA 70447	\$ -
Myron Bourg P. O. Box 607 Madisonville, LA 70447	\$ -
Dale Shows 602 Pine Street Madisonville, LA 70447	\$ 1,150
Mike Murphy 176 Coquille Drive Madisonville, LA 70447	\$ -
Don Lagarde 32 Green Briar Covington, LA 70433	\$ 500

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2017

Agency Head
Chief Randy Hess

Purpose	Amount
Salary	\$113,005 *
Benefits - Insurance	\$14,410 **
Benefits - Retirement	\$28,408 ***
Benefits - Other	\$1,184
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$75
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

* This amount represents gross salary, including State supplemental pay of \$6,000.

** This is the employer portion of the insurance expense.

*** This is the employer portion of the retirement contribution.

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 2
Madisonville, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2017, 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 11, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

A Professional Accounting Corporation

Covington, LA
June 11, 2018

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2017**

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to the financial statements? | No |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None

Part III - Compliance and Other Matters

None

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Prior Audit Findings
For the Year Ended December 31, 2016

2016-001 Securities Pledged

Current Status: Resolved.

AGREED-UPON PROCEDURES REPORT

St. Tammany Parish Fire Protection District No. 2

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period of January 1, 2017 - December 31, 2017

To the Management of
St. Tammany Parish Fire Protection District No. 2:

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

Management of the St. Tammany Parish Fire Protection District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the District's compliance with certain laws and regulations during the period of January 1, 2017 through December 31, 2017, in accordance with Act 774 of 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the District and the Legislative Auditor. 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 results are as follows:

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

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

Results: We obtained management's representation that the listing provided is complete.

2. Using the listing prepared by management, randomly select 5 cards (or at least one-third of the cards if the entity has less than 5 cards) that were used during the fiscal period.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Randomly select one monthly statement or combined statement for each card and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: Viewed the monthly statements for the two cards selected from the complete listing. Both cards were reviewed and approved, in writing, by someone other than the authorized card holder. There were no finance charges or late fees on the selected statements.

3. Using the monthly statements or combined statements selected under #2 above, obtain supporting documentation for all transactions for each of the 5 cards selected (i.e., each of the 5 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt that identifies precisely what was purchased (or equivalent documentation for fuel purchases). In the absence of an original itemized receipt, equivalent documentation is acceptable for fuel card purchases only. Acceptable forms of equivalent documentation would include evidence that the authorized card holder(s) reviewed and approved the accuracy of transactions on the fuel card statement, in writing, prior to payment.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization).

Results: For the 43 transactions tested, we noted 1 transaction on the fuel statement that did not have an original receipt. We did note that the employee followed District policy and completed a lost fuel receipt form which was authorized by the employee and reviewed and authorized by the Fire Chief.

Payroll and Personnel

1. Obtain the entity's written policies and procedures over payroll/personnel (or report that the entity does not have any written policies and procedures over payroll/personnel) and report whether those written policies and procedures address (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: The policies and procedures in place address payroll processing and the reviewing and approving time and attendance records.

2. Report whether the entity's written policies and procedures over payroll/personnel include a process to verify that the number of regular and overtime hours, or the authorized pay rates, electronically transmitted to the payroll processing company have been properly entered.

Results: The written policies and procedures address the criteria listed.

3. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: We obtained the listing of employees with their related salaries and management's representation that the list provided is complete. We randomly selected five employees and reviewed the compensation paid to each employee as well as their hourly pay rate/salary change reports. The payroll for each employee is in accordance with the terms and conditions of the District's policies.

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

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



A Professional Accounting Corporation

Covington, Louisiana
June 11, 2018