

ANNUAL FINANCIAL REPORT
ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
Slidell, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the St. Tammany Parish Fire Protection District No. 1 (the District), as of and for the year ended December 31, 2019, 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.

Auditors' Responsibility

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

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
June 23, 2020

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 St. Tammany Parish Fire Protection District No. 1, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, statement of revenues, expenditures, and changes in fund balance - budget to actual - governmental fund, schedule of proportionate share of the net pension liability, the schedule of contributions-retirement plan, the schedule of changes in net OPEB liability and related ratios, and the related notes to the required supplementary information on pages 4 through 8 and 38 through 43 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 St. Tammany Parish Fire Protection District No. 1's basic financial statements. The accompanying schedules of compensation paid to board members and compensation, benefits and other payments to agency head are presented to comply with the requirements issued by the State of Louisiana, and are not a required part of the basic financial statements.

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
June 23, 2020

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

Restatement of Net Position

The GASB has issued Statement No. 75, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*” The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The District implemented this standard in the year ended December 31, 2019, due to changes to the District’s OPEB policy and the effects on beginning net position are described in Note 14.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2020, on our consideration of St. Tammany Parish Fire Protection District No. 1’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Tammany Parish Fire Protection District No. 1’s internal control over financial reporting and compliance.

June 23, 2020
Mandeville, Louisiana


Certified Public Accountants

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

This section of the St. Tammany Parish Fire Protection District No. 1's (the District) annual financial report presents management's analysis of the District's financial performance for the year ended December 31, 2019. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

1. The District's net position decreased by \$491,490
2. The general revenues of the District were \$24,634,972
3. The total expenses of the District were \$25,126,462

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

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

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

The following pages present condensed financial information of the District.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF NET POSITION
AS OF DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	December 31, 2019	(Restated) December 31, 2018
Current assets	\$ 33,006,059	\$ 31,479,839
Capital assets, net of accumulated depreciation	<u>15,070,552</u>	<u>15,723,975</u>
Total assets	<u>48,076,611</u>	<u>47,203,814</u>
Deferred outflows of resources	<u>7,179,029</u>	<u>4,946,520</u>
<u>LIABILITIES</u>		
Current liabilities	1,110,565	1,165,939
Long-term liabilities	<u>32,590,594</u>	<u>23,239,496</u>
Total liabilities	<u>33,701,159</u>	<u>24,405,435</u>
Deferred inflows of resources	<u>2,081,668</u>	<u>2,073,633</u>
<u>NET POSITION</u>		
Net investment in capital assets	13,436,454	13,961,492
Unrestricted	6,036,359	11,709,774
OPEB implementation restatement	<u>-</u>	<u>(5,706,963)</u>
Total net position	<u>\$ 19,472,813</u>	<u>\$ 19,964,303</u>

Total assets increased by \$872,797 (2%) primarily due to a significant increase in ad valorem tax receivable offset by a significant decrease in the reserve fund in 2019. Total liabilities increased by \$9,295,724 (38%) primarily due to the implementation of Other Post-Employment Benefits. Net position decreased \$491,490 (2%).

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>December 31,</u> <u>2019</u>	<u>(Restated)</u> <u>December 31,</u> <u>2018</u>
General revenues	\$ 24,634,972	\$ 23,532,995
Expenditures/ expenses	(25,126,462)	(21,879,874)
OPEB implementation restatement	<u>-</u>	<u>(5,706,963)</u>
Change in net position	<u>\$ (491,490)</u>	<u>\$ (4,053,842)</u>
Ending net position	<u>\$ 19,472,813</u>	<u>\$ 19,964,303</u>

The change in net position decreased by \$491,490 (2%).

CAPITAL ASSETS

The following table presents the major categories of capital assets, net of accumulated depreciation:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Land	\$ 850,821	\$ 850,821
Buildings and improvements	8,621,999	6,158,414
Equipment	3,800,204	3,552,960
Computers	453,125	412,630
Vehicles	11,776,382	11,703,412
Construction in progress	<u>154,280</u>	<u>2,512,869</u>
	25,656,811	25,191,106
Less: accumulated depreciation	<u>(10,586,259)</u>	<u>(9,467,131)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 15,070,552</u>	<u>\$ 15,723,975</u>

There were no disposals of capital assets during 2019. New Fire Station 13 headquarters was put into service in November 2019 and moved from construction in progress to buildings.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

LONG-TERM DEBT

At December 31, 2019, the District had \$1,420,000 of long-term debt which consisted of bonds payable. Of that amount, \$340,000 will be repaid in 2020. Long-term debt decreased by \$330,000 due to scheduled principal payments.

NET PENSION LIABILITY

At December 31, 2019, the District reported \$24,171,906 for its proportionate share of net pension liability, \$6,027,564 for deferred outflow of resources and \$2,081,668 for deferred inflows of resources related to pension benefits. See Note 8 to the basic financial statements for further discussion of the pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions.

OPEB LIABILITY

At December 31, 2019, the District reported \$7,209,616 for its other post-employment benefits liability and \$1,151,465 for deferred outflows of resources related to other post-employment benefits. See Note 9 to the basic financial statements for further discussion of the other post-employment benefits

BUDGET

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

	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance</u>
Revenues:			
Ad valorem taxes	\$ 17,299,857	\$ 19,978,283	\$ 2,678,426
Parcel fees	1,051,394	1,215,132	163,738
State revenue sharing	475,000	523,294	48,294
Other	<u>801,000</u>	<u>896,852</u>	<u>95,852</u>
Total	<u>\$ 19,627,251</u>	<u>\$ 22,613,561</u>	<u>\$ 2,986,310</u>
Expenditures:			
Fire protection and prevention	\$ 18,580,435	\$ 19,688,066	\$ (1,107,631)
Capital outlay	4,637,692	465,705	4,171,987
Debt service	<u>363,919</u>	<u>363,919</u>	<u>-</u>
Total	<u>\$ 23,582,046</u>	<u>\$ 20,517,690</u>	<u>\$ 3,064,356</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

ECONOMIC FACTORS AND A LOOK AT NEXT YEAR

St. Tammany Fire District No. 1 expects revenues from taxes to rise again in 2020; however, personnel costs are expected to continue to rise causing worries that the District may operate at a deficit in the future. The impact of COVID-19 is expected to last for some time in 2020 and possibly into 2021. There has been no immediate impact to the District's operations. Future potential impacts may include disruptions in the ability of citizens to continue making tax payments as a result of job loss or other pandemic related issues. With aging fleet costs rising, the District is implementing an aggressive equipment replacement program which will help offset some of the high maintenance costs. Additionally, the District may seek a future tax certificate to help fund a capital improvement program.

The District is proud to be distinguished with a Property Insurance Association of Louisiana (PIAL) rating of Class 2. The District is committed to keeping insurance rates low for all of its citizens and providing the highest level of hazard emergency response services. While being the only internationally accredited fire department in the State of Louisiana, the District is committed to being completely transparent, demonstrating fiscal responsibility, and maintaining the trust of its citizens.

CONTACTING THE DISTRICT'S MANAGEMENT

This report is designed to provide a general overview of the District and to demonstrate the District's accountability for its finances. If you have any questions about this report or need additional information, please contact Chief Chris Kaufmann, St. Tammany Parish Fire Protection District No. 1, 522 Robert Blvd., Slidell, Louisiana 70458.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	\$ 12,934,799
Taxes receivable, net of allowance for uncollectible taxes of \$1,425,023	18,271,167
Parcel fee receivable, net of allowance for uncollectible fees of \$66,341	1,185,461
Other receivables	504,276
Prepayments	110,356
Capital assets, net of accumulated depreciation	<u>15,070,552</u>
Total assets	<u>48,076,611</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Other post-employment benefits	1,151,465
Pensions	<u>6,027,564</u>
Total deferred outflows of resources	<u>7,179,029</u>
<u>LIABILITIES:</u>	
Retainage payable	115,514
Pension deduction payable	644,922
Accrued interest	10,129
Compensated absences	129,072
Other post-employment benefits	7,209,616
Net pension liability	24,171,906
Long-term liabilities:	
Due within one year	340,000
Due after one year	<u>1,080,000</u>
Total liabilities	<u>33,701,159</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Pensions	<u>2,081,668</u>
Total deferred inflows of resources	<u>2,081,668</u>
<u>NET POSITION:</u>	
Net investment in capital assets	13,436,454
Unrestricted	<u>6,036,359</u>
Total net position	<u>\$ 19,472,813</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

FUNCTIONS/PROGRAMS**GOVERNMENTAL ACTIVITIES:**

Public safety - fire protection	<u>\$ 25,126,462</u>
Total (expense) from governmental activities	<u>(25,126,462)</u>

GENERAL REVENUES & EXPENSES:

Property taxes	20,099,298
Parcel fee	1,213,190
Fire insurance rebate	378,543
State revenue sharing	523,294
State supplemental pay	924,533
Grant income	977,805
Interest income	286,996
Miscellaneous	<u>231,313</u>
Total general revenues	<u>24,634,972</u>
Change in net position	(491,490)

NET POSITION:

Beginning of the year, as restated	<u>19,964,303</u>
End of the year	<u><u>\$ 19,472,813</u></u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 2019

	<u>General Fund</u>
<u>ASSETS</u>	
<u>ASSETS:</u>	
Cash	\$ 12,934,799
Taxes receivable, net of allowance for uncollectible taxes of \$1,425,023	18,271,167
Parcel fee receivable, net of allowance for uncollectible fees of \$66,341	1,185,461
Other receivables	504,276
Prepayments	110,356
Total assets	\$ 33,006,059
 <u>LIABILITIES:</u>	
Retainage payable	\$ 115,514
Pension deduction payable	644,922
Total liabilities	760,436
 <u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable revenue - property taxes and parcel fees	1,340,719
Total deferred inflows of resources	1,340,719
 <u>FUND BALANCE:</u>	
Unrestricted	22,468,018
Nonspendable:	
Prepaid expenses	110,356
Committed to:	
Rolling stock, facilities and equipment	5,999,635
Disaster	1,000,000
Emergencies	1,326,895
Total fund balance	30,904,904
Total liabilities, deferred inflows of resources and fund balances	\$ 33,006,059

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Fund balance - total governmental funds	\$ 30,904,904
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	15,070,552
Deferred outflows of resources related to pensions and OPEB are not reported in governmental funds	7,179,029
Deferred inflows of resources related to pensions and OPEB are not reported in governmental funds	(2,081,668)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. All liabilities (both current and long-term), including the related accrued interest are reported in the Statement of Net Position:	
Accrued interest	(10,129)
Compensated absences	(129,072)
Long-term liabilities	(1,420,000)
OPEB liability	(7,209,616)
Net pension liability	(24,171,906)
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds.	<u>1,340,719</u>
Net position of governmental activities	<u><u>\$ 19,472,813</u></u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>
<u>GENERAL REVENUES:</u>	
Property taxes	\$ 19,978,283
Parcel fee	1,215,132
Fire insurance rebate	378,543
State revenue sharing	523,294
State supplemental pay	924,533
Investment earnings	286,996
Miscellaneous	231,313
Total general revenues	23,538,094
<u>EXPENDITURES/EXPENSES:</u>	
Current for fire protection:	
Salaries and related expenses	15,487,728
Repairs and maintenance	2,180,082
Deduction from ad valorem taxes for pension	644,922
Fire fighting equipment, supplies and related expenses	744,647
Legal and professional services	608,977
Insurance	796,169
Office supplies	87,352
Telephone and utilities	174,760
Training expenses	415,843
Miscellaneous	97,823
Total current fire protection expenditures/expenses	21,238,303
Capital outlay	465,705
Debt service:	
Principal	330,000
Interest	33,919
Total debt service expenditures/expenses	363,919
Total expenditures/expenses	22,067,927
Net change in fund balance	1,470,167
<u>FUND BALANCE:</u>	
Beginning of the year	29,434,737
End of the year	\$ 30,904,904

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balance - governmental fund \$ 1,470,167

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 that depreciation expense of \$1,119,128 exceeded capital outlays of \$465,705 in the current period. (653,423)

Repayments of note principal are reported as financing used in governmental funds and thus contribute to the reduction in fund balance. In the Statement of Net Position, however, repayment of debt decreases the long-term liabilities and does not affect the Statement of Activities. 330,000

Property tax revenues in the government-wide Statement of Activities include economic resources that are not reported as revenues in the governmental fund operating statement. This is the amount by which prior year deferred inflows of resources in the governmental funds of \$1,221,646 exceeded current year deferred inflows of resources in the governmental funds of \$1,340,719 119,073

Interest accrued on the government-wide financial statements are not expensed until paid under the modified accrual basis used in the governmental funds. 2,354

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:

Accrued annual leave - The change in the amount by which current year accrued annual leave recognized of \$129,072 was exceeded by prior accrued annual leave recognized of \$148,790	19,718
OPEB	(351,188)
Pensions	(2,405,996)
Non-employer contributions for pensions	977,805

Change in net position \$ (491,490)

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The St. Tammany Parish Fire Protection District No. 1 (the District) was created by the St. Tammany Parish Council as provided by Louisiana Revised Statute 40:1492. The District is responsible for fire protection in the City of Slidell and the immediate surrounding area. The administration of the District is governed by a board of commissioners consisting of five members. Two members are appointed by the parish governing authority and two by the governing body of the municipal corporation in the District. The fifth member is selected by the other four members and serves as chairman. Vacancies are filled by the governing bodies making the original appointments. Board members serve three-year terms without compensation. The District operates eight fire stations within the district and provides fire protection services in an area covering approximately 120 square miles. In addition to fire protection service, the District also provides fire prevention service to the public.

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

Governmental Accounting Standards Board Statement No. 14, as amended by Statement No. 39, established criteria for determining which component units should be considered part of the Parish 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 criteria include:

- a) Appointing a voting majority of an organization's governing body, and the ability of the Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burden on the organization.
- b) Organizations for which the Council does not appoint a voting majority but are fiscally dependent on the Council, along with a financial benefit or burden relationship.
- c) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The District was determined to be a component unit of the Parish, the reporting entity, because the reporting entity's financial statements would be misleading if data of the District was not included due to the significance of the relationship and scope of public services. The accompanying financial statements present information only on funds maintained by the District and do not present information on the Parish, the general government services provided by the Parish, or other governmental units that comprise the financial reporting entity.

Basis of Presentation

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

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

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

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

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

Basic Financial Statements – Fund Financial Statements (FFS)

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

Governmental Fund:

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

General Fund

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

Basis of Accounting

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Accrual

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

Modified Accrual

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

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

Revenues

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

Expenditures

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

Deposits and Investments

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (continued)

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

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

Receivables and Payables

Property tax and parcel fee receivables are shown net of 7% and 5% allowances, for uncollectibles, respectively. The allowance is based on prior years' experience.

Property taxes are levied on a calendar year basis, become due on December 31 and are considered delinquent on January 1. The District authorized and levied a 35.00 mill ad valorem tax for operations and maintenance for the year ended December 31, 2019.

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

	<u>Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Central LA Electric Co.	\$ 16,483,930	2.17%
Fremaux Town Center SPE LLC	6,002,190	0.79%
Atmos Energy Corporation	5,908,242	0.79%
JP Morgan Chase Bank	3,158,780	0.41%
Bell South Communications	3,144,227	0.41%
Wal-Mart Real Estate Business	2,708,405	0.36%
SC3 Fremaux LLX	2,551,161	0.34%
Capital One, N.A.	2,448,910	0.32%
Ford Lincoln-Mercury of Slidell	2,088,018	0.27%
Nissan of Slidell LLC	1,992,433	0.26%
	<u>\$ 46,486,296</u>	<u>6.12%</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables (continued)

St. Tammany Parish negotiates tax abatement agreements on the District's behalf on an individual basis. The agreements are negotiated under a special exemption through St. Tammany Parish Development District for a variety of economic development purposes, including business relocation, retention, and expansion. The abatements may be granted to any business located within the Parish for promising to relocate to the Parish's geographic area.

The Parish has not made any commitments as part of the agreements other than to reduce taxes. The District is not subject to any tax abatement agreements entered into by other governmental entities other than the Parish. The District does not have quantitative information for its tax abatement agreements at this time, but they are not expected to be material to the financial statements.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide statements. Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold of \$3,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and building improvements	40 Years
Vehicles	10 - 20 Years
Equipment	10 - 40 Years

Deferred Outflows and Inflows of Resources

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (continued)

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

Compensated Absences

Employees of the District are entitled to 18 to 30 days of annual leave each year, depending on length of service. Sick leave is granted to each regular employee for a period of not more than 52 weeks. The cost of current leave privileges, computed in accordance with GASB Codification C60, is recognized as a current-year expense when leave is actually taken. Annual and sick leave cannot be carried over; therefore, there are no accumulated leave benefits required to be reported in accordance with GASB Codification C60 for these types of leave. Employees can also earn annual leave by having perfect attendance during any three consecutive calendar months. Employees can earn no more than four such days per year and can accrue up to a maximum of six such days. Since this earned annual leave may be carried over, it is recorded as a liability in the Statement of Net Position. At December 31, 2019, compensated absences of \$129,072 have been recognized in the Statement of Net Position.

Long-term Obligations

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

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

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

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

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

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

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (continued)

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

Use of Estimates

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

Subsequent Events

Subsequent events have been evaluated through June 23, 2020 which is the date the financial statements were available to be issued. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the District's operations. Future potential impacts may include disruptions in the ability of citizens to continue making tax payments as a result of job loss or other pandemic related issues.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District published the proposed budget for the General Fund in the St. Tammany Farmer on November 14, 2018. A public hearing was held on November 20, 2018 and the board adopted the budget on December 18, 2018. The budget is prepared using the cash basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is employed as a management control device during the year. The board also reviews budget versus actual reports on a monthly basis. Changes or amendments are made upon approval of the board.

The actual on budgetary basis amounts reflect the modified cash basis of accounting, and state supplemental pay (\$924,533 in 2019) to fire fighters is not treated as budgeted revenues and expenditures of the General Fund.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(3) CASH AND CASH EQUIVALENTS

At December 31, 2019, the District has cash and cash equivalents (book balances) totaling \$12,934,799 as follows:

Major Apparatus and Facilities account	\$	5,999,635
Operating		40,002
Disaster account		1,000,000
Clearing account		50,241
Debt service account		500
Contingency account		1,326,895
CD – disaster fund		1,000,000
CD – reserve fund		3,500,000
Other		<u>17,526</u>
		<u>\$ 12,934,799</u>

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

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

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

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

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

At December 31, 2019, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

	Bank Balances Category			
	1	2	3	Bank Balance
Cash	<u>\$ 250,000</u>	<u>\$ 13,139,974</u>	<u>\$ -</u>	<u>\$ 13,310,014</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(4) RECEIVABLES

The receivables of \$19,960,904 at December 31, 2019 are as follows:

Class of Receivable	Amount
Taxes – ad valorem	\$ 19,696,190
Parcel fees	1,251,802
Intergovernmental – grants – state	504,526
Other	(250)
Taxes allowance	(1,425,023)
Parcel feel allowance	(66,341)
	\$ 19,960,904

(5) CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2019 is as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 850,821	\$ -	\$ -	\$ 850,821
Construction in progress	2,512,869	58,756	(2,417,345)	154,280
Total capital assets not being depreciated	3,363,690	-	-	1,005,101
Capital assets, being depreciated:				
Buildings	6,158,414	2,463,585	-	8,621,999
Equipment and furniture	15,669,002	406,949	-	16,075,951
Total capital assets being depreciated	21,827,416	2,870,534	-	24,697,950
Less accumulated depreciation	(9,467,131)	(1,119,128)	-	(10,586,259)
Total capital assets being depreciated, net	12,360,285	(1,751,406)	-	10,608,879
Total capital assets, net	\$ 15,723,975	\$ (653,423)	\$ -	\$ 15,070,552

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(5) CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$1,119,128 for the year ended December 31, 2019, was charged to fire protection.

(6) ACCOUNTS AND OTHER PAYABLES

At December 31, 2019, the payables totaled \$760,436 and are listed as follows:

Retainage payable	\$	115,514
Sheriff's pension payable		<u>644,922</u>
		<u>\$ 760,436</u>

(7) LONG-TERM DEBT

	<u>Balance at</u> <u>12/31/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/19</u>	<u>Due Within</u> <u>One Year</u>
Limited tax certificates of indebtedness Series 2014, interest rate at 2.14%, maturing on March 1, 2023.	\$ 1,750,000	\$ -	\$ 330,000	\$ 1,420,000	\$ 340,000
Total debt	<u>\$ 1,750,000</u>	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 1,420,000</u>	<u>\$ 340,000</u>

Following is a summary of future principal and interest requirements:

	<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2020	\$ 340,000	\$ 26,750	\$ 366,750
	2021	350,000	19,367	369,367
	2022	360,000	11,770	371,770
	2023	<u>370,000</u>	<u>3,959</u>	<u>373,959</u>
		<u>\$ 1,420,000</u>	<u>\$ 61,846</u>	<u>\$ 1,481,846</u>

Interest costs incurred and charged to expense for the year ended December 31, 2019 was \$33,919.

(8) PENSION PLAN

All full-time employees of the District are members of the Louisiana Firefighters' Retirement System (the System), a cost-sharing, and multiple-employer defined benefit plan administered by a separate board of trustees.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(8) PENSION PLAN (CONTINUED)

Membership in the System is mandatory for all full-time firefighters employed by a municipality, parish or fire district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. 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 percent 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 stated above and do not withdraw their employee contributions may retire at or after age 55 (or at or after 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 by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Louisiana Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling, (225) 925-4060.

Funding Policy

For the twelve months ended December 31, 2019, members of the System are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. At December 31, 2019, the employer contribution rate was 27.75% above poverty and 29.75% below poverty.

The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Contributions

According to state statute, for the System, contribution requirements for all employees are actuarially determined each year. State statute requires covered employees to contribute a percentage of their salaries to the System. The actual employer contribution rate and the actuarially determined employer contribution differ due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

The amount of the District's employer contributions to the System for the year ended December 31, 2019 was \$2,545,706. The District's covered payroll for the System for the year ended December 31, 2019 was \$9,399,270.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(8) PENSION PLAN (CONTINUED)

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

At December 31, 2019, the District reported a liability totaling \$24,171,906 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Liability was based on the District's historical contributions to the Plan relative to the historical contributions of all participating employers. At June 30, 2019, the District's proportion was 3.860149% for the System, which was an increase of 0.092692% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the District recognized pension expense totaling \$5,008,717. Added to pension expense is the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions totaling \$238,811 for the System.

For the year ended December 31, 2019, the District recognized revenue from ad valorem taxes and revenue sharing funds received by the System. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities totaling \$1,034,814.

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the System:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,743,623
Change in assumptions	2,199,055	1,759
Net difference between projected and actual earnings on pension plan investments	1,625,493	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	902,883	336,286
Employer contributions subsequent to the measurement date	1,300,133	-
Total	\$ 6,027,564	\$ 2,081,668

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(8) PENSION PLAN (CONTINUED)

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

Employer contributions subsequent to the measurement date totaling \$1,300,134 and reported as deferred outflows of resources will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2020	\$	1,127,346
2021		5,232
2022		616,574
2023		608,668
2024		133,814
2025		<u>154,129</u>
Total	\$	<u>2,645,763</u>

Actuarial Assumptions

Assumptions were based on an experience study dated January 31, 2020. The total pension liability in the June 30, 2019 actuarial valuation for the System was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Estimated Remaining Service Life	7 years, closed period
Investment Rate of Return	7.15% per annum (net of fees)
Inflation Rate	2.500% per annum
Salary increases	Vary from 14.75% in the first years of service to 4.50% after 25 years
Cost of Living Adjustments	Only those previously granted included

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(8) PENSION PLAN (CONTINUED)

Mortality Rate

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

Long-term Expected Real Rate of Return

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected nominal rate of return was 7.94% as of June 30, 2019.

Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	31.0%	2.17%
U.S. equity	21.50%	5.98%
Non-U.S. equity	17.50%	7.52%
Global equity	10.0%	6.59%
Real estate	6.0%	4.14%
Private equity	4.0%	10.52%
Global tactical asset allocation	5.0%	4.37%
Risk parity	<u>5.0%</u>	<u>4.67%</u>
Totals	<u>100.0%</u>	<u>5.75%</u>
Inflation		2.75%
Expected arithmetic nominal return		7.94%

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(8) PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the Net Pension Liability using the discount rate of 7.15%, 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, or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
District’s proportionate share of the Net Pension Liability	\$ 35,002,555	\$ 24,173,665	\$ 15,081,483

Retirement System Audit Report

Firefighters’ Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2019. Access to the audit report can be found on the System’s website: www.lafirefightersret.com or on the Office of Louisiana Legislative Auditor’s official website: www.lla.state.la.us.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(9) OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The St. Tammany Parish Fire Protection District No. 1 (the Fire District) provides certain continuing health care and life insurance benefits for its retired employees. The St. Tammany Parish Fire Protection District No. 1's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Fire District. Substantially all employees are eligible for retirement benefits, and at age 65, are eligible for other post-employment benefits. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Fire District. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided

Medical and life insurance benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by a retirement system whose retirement eligibility requirements are age 55 and 12 years of service, age 50 and 20 years of service or completion of 25 years of service at any age. At retirement, the employer pays the first \$250 of retiree only medical benefits, ceasing upon the employee's Medicare eligibility.

Life insurance coverage is provided to retirees and retirees pay 100% of the blended rate (active and retired) is paid by the employee. A level amount of insurance coverage is provided after retirement until reductions at age 65, 70, and 75.

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	56
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	174
	230

Total OPEB Liability

The Fire District's total OPEB liability of \$7,209,616 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date. The amount paid by the employer for OPEB as the benefits came due during the reporting period totaled \$217,238

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and other inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%, including inflation
Discount rate	4.10% annually (Beginning of Year to Determine ADC)
	2.74%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2019, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Combined Table was used.

Employees who receive active benefits are assumed to also receive retiree benefits. It is also assumed that the same percentage of employees with spouse coverage would also have spouse coverage as retirees.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2019.

No assets are accumulated in a trust that meets the criteria in GASB No 75 paragraph 4, to pay related benefits, and information about factors that significantly affect trends in the amount reported, for example, changes in benefit terms, changes in population, or changes in assumptions used.

Changes in the Total OPEB Liability

Balance at December 31, 2018, restated	\$ 5,706,963
Changes for the year:	
Service cost	233,695
Interest	238,776
Differences between expected and actual experience	234,748
Changes in assumptions	1,012,672
Benefit payments and net transfers	(217,238)
Changes of benefit terms	-
Net changes	<u>1,502,653</u>
Balance at December 31, 2019	<u>\$ 7,209,616</u>
Covered-employee payroll	<u>\$ 6,962,670</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

The following presents the total OPEB liability of the Fire District, as well as what the Fire District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.74%</u>	<u>2.74%</u>	<u>3.74%</u>
Total OPEB Liability	\$ 8,191,909	\$ 7,209,616	\$ 6,377,549

Sensitivity of the Total OPEB Liability to Healthcare Cost Trend Rates

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

	1% Decrease	Current Trend Rate	1% Increase
	<u>4.50%</u>	<u>5.50%</u>	<u>6.50%</u>
Total OPEB Liability	\$ 6,370,696	\$ 7,209,616	\$ 8,219,930

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

For the year ended December 31, 2019, the Fire District recognized OPEB expense of \$568,427. At December 31, 2019, the Fire District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 934,775	\$ -
Differences between expected and actual experience	<u>216,690</u>	<u>-</u>
Total	<u>\$ 1,151,465</u>	<u>\$ -</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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

Years ending June 30:	
2019	\$ 95,955
2020	95,955
2021	95,955
2022	95,955
2023	95,955
Thereafter	<u>671,690</u>
Total	<u>\$ 1,151,465</u>

(10) CONSTRUCTION COMMITMENT

On May 11, 2017, the District entered into a \$2,845,678 contract for construction of a new headquarters and fire station. As of December 31, 2019, the full contract was completed. As of December 31, 2019, there are no contractor payables and \$115,514 of retainage payables outstanding related to the contract.

(11) OTHER RETIREMENT BENEFITS

The District provides group major medical, group dental and group life insurance coverage to its retirees under the provisions of a defined contribution plan adopted as a resolution of its Board of Commissioners during 2008. The plan can be amended by a resolution of the Board of Commissioners. Under the provisions of the plan, the Fire District limits its contribution for the premium for these policies to \$3,000 annually per retiree who elects to participate in the group plan, paid in monthly installments of \$250. The retiree is responsible for the remaining premium. For the years ended December 31, 2019, contributions made by plan members totaled \$211,018 and contributions made by the District totaled \$465,188.

(12) RISK MANAGEMENT

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(13) NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 87, “*Leases*.” The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The District plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.” The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District adopted this Statement as applicable by the effective date.

The GASB has issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*.” The primary objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 90, “*Majority Equity Interests* an amendment of GASB Statements No. 14 and No. 61.” The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District adopted this Statement as applicable by the effective date.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(14) PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2019, the District implemented GASB Statement No. 75. The adoption of GASB Statement No. 75 requires other post-employment benefits to be recognized on the statement of net position. The effects of this statement were applied retroactively by reporting the cumulative effect of the application as a restatement of beginning net position or fund balance, as appropriate. The impact of the implementation of this to the District's financial statements was a restatement of beginning net position of \$5,706,963 for governmental activities.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund					
	Budgeted Amounts	Amended Amounts	Actual Amounts	Adjustments to Budgetary Basis	Non-GAAP Budgetary Basis	Variance Favorable (Unfavorable)
GENERAL REVENUES:						
Property taxes	\$ 17,077,231	\$ 17,299,857	\$ 19,978,283	\$ -	\$ 19,978,283	\$ 2,678,426
Parcel fee	1,058,433	1,051,394	1,215,132	-	1,215,132	163,738
Fire insurance rebate	350,000	350,000	378,543	-	378,543	28,543
State revenue sharing	475,000	475,000	523,294	-	523,294	48,294
State supplemental pay	-	-	924,533	(924,533)	-	-
Grant income	-	-	-	-	-	-
Interest income	300,000	300,000	286,996	-	286,996	(13,004)
Miscellaneous	151,000	151,000	231,313	-	231,313	80,313
Total general revenues	19,411,664	19,627,251	23,538,094	(924,533)	22,613,561	2,986,310
EXPENDITURES/EXPENSES:						
Current for fire protection:						
Salaries and related expenses	15,330,097	14,936,941	15,487,728	(924,533)	14,563,195	373,746
Repairs and maintenance	1,218,500	1,218,500	2,180,082	-	2,180,082	(961,582)
Deduction from ad valorem taxes for pension	-	-	644,922	(625,704)	19,218	(19,218)
Fire fighting equipment, supplies and related expenses	733,600	755,000	744,647	-	744,647	10,353
Legal and professional services	455,880	455,880	608,977	-	608,977	(153,097)
Insurance	444,000	444,000	796,169	-	796,169	(352,169)
Office supplies	92,000	92,000	87,352	-	87,352	4,648
Telephone and utilities	212,000	212,000	174,760	-	174,760	37,240
Training expenses	391,614	369,614	415,843	-	415,843	(46,229)
Miscellaneous	40,000	96,500	97,823	-	97,823	(1,323)
Total current fire protection expenditures/expenses	18,917,691	18,580,435	21,238,303	(1,550,237)	19,688,066	(1,107,631)
Capital outlay	3,694,800	4,637,692	465,705	-	465,705	4,171,987
Debt service:						
Principal	330,000	330,000	330,000	-	330,000	-
Interest	33,919	33,919	33,919	-	33,919	-
Total debt service expenditures/expenses	363,919	363,919	363,919	-	363,919	-
Total expenditures/expenses	22,976,410	23,582,046	22,067,927	(1,550,237)	20,517,690	3,064,356
Net change in fund balance	(3,564,746)	(3,954,795)	1,470,167	625,704	2,095,871	6,050,666
Beginning of the year	29,434,737	29,434,737	29,434,737	-	29,434,737	-
End of the year	\$ 25,869,991	\$ 25,479,942	\$ 30,904,904	\$ 625,704	\$ 31,530,608	-

(See Independent Auditors' Report)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2019

The District published the proposed budget for the General Fund in the St. Tammany Farmer on November 14, 2018. A public hearing was held on November 20, 2018 and the board adopted the budget on December 18, 2018. The budget is prepared using the cash basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is employed as a management control device during the year. The board also reviews budget versus actual reports on a monthly basis. Changes or amendments are made upon approval of the board.

The Actual on Budgetary Basis amounts reflect the modified accrual basis of accounting, except that state supplemental pay for fire fighters (\$924,533) is not treated as budgeted revenues and expenditures in the General Fund.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE SIX YEARS ENDING DECEMBER 31, 2019*

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
<u>Louisiana Firefighters' Retirement System</u>						
District's Proportion of the Net Pension Liability	3.860149%	3.767457%	3.803541%	3.753668%	3.838968%	3.693880%
District's Proportionate Share of the Net Pension Liability \$	24,171,906	\$ 21,670,706	\$ 21,801,323	\$ 24,552,382	\$ 20,719,342	\$ 16,437,446
District's Covered-Employee Payroll	9,323,610	\$ 8,961,973	\$ 8,875,186	\$ 8,476,204	\$ 8,162,706	\$ 7,614,345
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	259.25%	241.81%	245.64%	289.66%	253.83%	215.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.96%	74.76%	73.55%	68.16%	72.45%	76.02%

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

**The amounts presented have a measurement date of June 30, 2019, 2018, 2017, 2016, 2015, and 2014, respectively.*

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF CONTRIBUTIONS - RETIREMENT PLAN
FOR THE SIX YEARS ENDING DECEMBER 31, 2019

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
<u>Louisiana Firefighters' Retirement System</u>						
Contractually Required Contribution	\$ 2,545,706	\$ 2,428,720	\$ 2,309,511	\$ 2,278,318	\$ 2,338,762	\$ 2,302,838
Contributions in Relation to the Contractually Required Contribution	<u>(2,545,706)</u>	<u>(2,428,720)</u>	<u>(2,309,511)</u>	<u>(2,277,038)</u>	<u>(2,337,342)</u>	<u>(2,302,812)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,280</u>	<u>\$ 1,420</u>	<u>\$ 26</u>
District's Covered-Employee Payroll	\$ 9,399,270	\$ 9,164,982	\$ 8,927,750	\$ 8,681,369	\$ 8,280,390	\$ 8,008,458
Contributions as a Percentage of Covered-Employee Payroll	27.08%	26.50%	25.87%	26.23%	28.23%	28.75%

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>12/31/2019</u>
Total OPEB Liability:	
Service cost	\$ 233,695
Interest	238,776
Differences between expected and actual experience	234,748
Changes of assumptions	1,012,672
Benefit payments	<u>(217,238)</u>
 Net change in total OPEB liability	 1,502,653
Total OPEB liability - beginning	<u>5,706,963</u>
Total OPEB liability - ending	<u><u>\$ 7,209,616</u></u>
 Covered-employee payroll	 \$ 6,962,670
Total OPEB liability as a percentage of covered employee payroll	103.55%

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2019

(1) PENSION PLAN SCHEDULES

Changes of Benefit Terms

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

Changes of Assumptions

For the year ended December 31, 2019 (measurement date of June 30, 2019), the Firefighter's Retirement System inflation rate assumption was lowered from 2.700% to 2.500% annually, and the real investment rate of return was lowered from 7.30% to 7.15%.

For the year ended December 31, 2018, the Firefighter's Retirement System's inflation rate assumption was lowered to 2.700%, and the discount rate, or investment rate of return, assumption was lowered from 7.40% to 7.30%.

There were no changes of assumptions during 2017.

For the year ended December 31, 2016, the Firefighter's Retirement System inflation rate assumption was lowered to 2.875% annually, and the salary increase range assumption was lowered to 4.75% - 15.0%.

For the year ended December 31, 2015, the Firefighter's Retirement System inflation rate assumption was lowered from 3% to 2.875% annually, and the salary increase range assumption was lowered from 5.5% - 15.0% to 4.75% - 15.0%.

(2) OTHER POST-EMPLOYMENT BENEFITS SCHEDULE

Change of Benefit Terms

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

Changes of Assumptions

For the year ended December 31, 2019, the Assessor changed its assumptions related to trends, mortality and discount rates. These changes had a cumulative effect of \$1,012,672.

OTHER SUPPLEMENTAL INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Board members serve without compensation

(See Independent Auditors' Report)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Chief Chris Kaufmann</u>
Salary	\$ 131,306
Benefits	3,900
Travel and conferences	-
Cell phone allowance	936
Reimbursements	-
Membership dues	<u>125</u>
 Total compensation, benefits, and other payments	 \$ <u><u>136,267</u></u>

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

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
Slidell, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 1 (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the St. Tammany Parish Fire Protection District No. 1's basic financial statements, and have issued our report thereon dated June 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Tammany Parish Fire Protection District No. 1'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Tammany Parish Fire Protection District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Tammany Parish Fire Protection District No. 1's internal control.

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

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

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
June 23, 2020

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Fire Protection District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 23, 2020
Mandeville, Louisiana



Certified Public Accountants

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED CECEMBER 31, 2019

SECTION I SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the St. Tammany Parish Fire Protection District No. 1.
2. No significant deficiencies in internal control relating to the audit of the financial statements were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the St. Tammany Parish Fire Protection District No. 1 were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. No management letter was issued for the year ended December 31, 2019.

SECTION II FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended December 31, 2019.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION II FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended December 31, 2018.

ST. TAMMANY PARISH FIRE
PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED
DECEMBER 31, 2019



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
Slidell, Louisiana

We have performed the procedures enumerated below, which were agreed to by the St. Tammany Parish Fire Protection District No. 1 and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the St. Tammany Parish Fire Protection District No. 1's compliance with certain laws and regulations during the period of January 1, 2019 to December 31, 2019, in accordance with Act 774 of 2014 Regular Legislative Session. Management of the St. Tammany Parish Fire Protection District No. 1 is responsible for its financial records, establishing internal controls over financial reporting, compliance with applicable laws and regulations, and providing a corrective action plan that addresses all exceptions noted. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

This report is intended solely for the use of management of the St. Tammany Parish Fire Protection District No. 1 and the Legislative Auditor, State of Louisiana, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 23, 2020
Mandeville, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
AGREED-UPON PROCEDURES
JANUARY 1, 2019 TO DECEMBER 31, 2019

Bank Reconciliations

1. **Procedures:** Obtain and inspect the entity's written policies and procedures over bank reconciliations and observe that they address (1) process for addressing items outstanding for more than 12 months from the statement closing date, if applicable.

Results: The District's written policies and procedures address items outstanding for more than 12 months.

2. **Procedures:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect corresponding bank statement and reconciliation for each account, and observe that:
 - a) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged).

Results: Obtained listing of client bank accounts and management's representation that the listing is complete. We noted that bank reconciliations do not include evidence that a member of management/board member has reviewed the reconciliation, however all reconciliations are approved by the Fire Chief and the Board of Commissioners.

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

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

Results: Obtained listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) and management's assertion that the listing is complete.

3. **Procedures:** Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

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AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2019 TO DECEMBER 31, 2019

Results: Not all monthly statements had written evidence of approval on them. However, all statements were supported by a P.O., invoice, or receiving report, which were marked as approved by the Fire Chief. The Chief reviewed and approved all statements/supporting documentation. All disbursements require at least one board member signature and supporting documentation is reviewed before disbursements are authorized. No finance charges/late fees were assessed on selected statements.

Non-Payroll Disbursements (excluding credit card/debit card/fuel card/P-Card purchases or payments)

1. **Procedures:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: Obtained listing of locations that process payments and management's representation that the listing is complete.

2. **Procedures:** For each location selected under #2 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions noted during testing.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2019 TO DECEMBER 31, 2019

Information Technology Disaster Recovery/Business Continuity

1. **Procedures:** Obtain and inspect the entity's written policies and procedures over information technology disaster recovery/business continuity (or the equivalent contractual terms if IT services are outsourced) and observe that they address (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: The District's written policies over information technology disaster recovery/business continuity addresses all required procedures.

2. **Procedures:** Perform the following sub-procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e. up-to-date).

Results: We performed the procedure and discussed the results with management.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2019 TO DECEMBER 31, 2019

Sexual Harassment

1. **Procedures:** Obtain and inspect the entity's written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

Results: The sexual harassment policy was obtained and addresses all the requirements of the Louisiana Revised Statutes.

2. **Procedures:** Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year.

Results: All employees sampled have completed at least one hour of sexual harassment training.

3. **Procedures:** Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Results: Observed that the entity has posted its sexual harassment policy and complaint procedure on its website.

4. **Procedures:** Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344...

Results: No exceptions noted during testing.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2019 TO DECEMBER 31, 2019

Fund Balance Commitment

1. **Procedures:** Obtain and report the entity's written justification for establishing a fund balance commitment for "rolling stock, facilities and equipment," "disaster," and "emergencies."

Results: We have reviewed the Fire District's written documentation supporting the fund balance commitment for rolling stock, facilities and equipment; disaster reserve, and emergency reserve. The commitment for rolling stock, facilities and equipment is reserved for funding replacement of Fire District equipment, including new fire trucks and radio systems, and future construction projects such as the planned Station 1 rebuild. The commitment for the disaster reserve and emergency reserve are to provide funding to the department during a natural disaster such as a hurricane or other emergency during which expenditures can increase significantly and tax revenue can be greatly reduced.

2. **Procedures:** Obtain a copy of the formal instrument (e.g. resolution, ordinance) committing the fund balance to rolling stock, facilities and equipment, disaster, and emergencies. Compare the terms of the instrument to the requirements of the Governmental Accounting Standards Board Codification section 1800.180 and report those terms of the formal instrument that define the circumstances or conditions that constitute "rolling stock, facilities and equipment," "disaster," or "emergencies" and the terms under which the committed fund balance may be used.

Results: We have reviewed the Fire District's resolutions, adopted by the Board of Commissioners, which authorized the commitment of the Fire District's fund balance for rolling stock, facilities and equipment; disaster reserve and emergency reserve. While the Fire District's documentation related to the resolutions contains specific information related to the purpose of the fund balance commitment in each area, the actual resolutions adopted are not as specific. We recommend that resolutions be adopted that contain terms that specifically define the circumstances and conditions under which the committed funds may be released from commitment and expended by the Fire District.

Louisiana Legislative Auditor

The St. Tammany Fire Protection District No.1 (The District) respectfully submits the following corrective action plan for items identified pursuant to the Agreed-Upon Procedures Engagement required by Act 774 of the 2014 Regular Legislative Session.

Name and address of independent public accounting firm:

Ericksen Krentel L.L.P.
2895 Highway 190, Ste 213
Mandeville, LA 70471

Engagement Period: January 1, 2019 – December 31, 2019

The results of the Agreed-Upon Procedures Report are discussed below.

Fund Balance Commitment

Results: We have reviewed the Fire District's resolutions, adopted by the Board of Commissioners, which authorized the commitment of the Fire District's fund balance for rolling stock, facilities and equipment; disaster reserve and emergency reserve. While the Fire District's documentation related to the resolutions contains specific information related to the purpose of the fund balance commitment in each area, the actual resolutions adopted are not as specific. We recommend that resolutions be adopted that contain terms that specifically define the circumstances and conditions under which the committed funds may be released from commitment and expended by the Fire District.

Management's Response: Management has noted and agrees with the above results. Management will consider the effects of the results and will ensure that resolutions are adopted that contain terms that specifically define the circumstances and conditions under which committed funds may be released from commitment and expended.

If there are any questions regarding this plan, please contact Chris Kaufmann, Fire Chief at (985) 649-3665.

Sincerely,


Signature


Title