

**ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 7**

Annual Financial Statements

December 31, 2018



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Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 7
Pearl River, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 7 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 5, the budgetary comparison schedule on page 31, and the supplementary schedules required by Governmental Accounting Standards Board (GASB) Statement No. 68 on pages 33 - 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of governing board and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2019, on our consideration of St. Tammany Parish Fire Protection District No. 7's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of St. Tammany Parish Fire Protection District No. 7's 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. 7's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
April 23, 2019

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Management's Discussion and Analysis For the Year Ended December 31, 2018

Our discussion and analysis of St. Tammany Parish Fire Protection District No. 7's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018.

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, issued in June 1999.

Financial Highlights

The financial statements included in this report provide insight into the financial status for the year-end. Based upon the 2018 operations, the District's net position decreased by \$60,996 and resulted in an ending net position of \$2,072,592.

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

Condensed Statements of Net Position

	2018	2017	Change
Current Assets	\$ 1,148,963	\$ 1,069,145	\$ 79,818
Capital Assets, Net	1,048,683	1,170,931	(122,248)
Total Assets	2,197,646	2,240,076	(42,430)
Deferred Outflows of Resources			
Pension	493,981	321,575	172,406
Current Liabilities	32,328	85,204	(52,876)
Non-Current Liabilities	545,130	324,749	220,381
Total Liabilities	577,458	409,953	167,505
Deferred Inflows of Resources			
Pension	41,577	18,110	23,467
Net Position			
Net Investment in Capital Assets	1,048,683	1,170,931	(122,248)
Unrestricted	1,023,909	962,657	61,252
Total Net Position	\$ 2,072,592	\$ 2,133,588	\$ (60,996)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Management's Discussion and Analysis For the Year Ended December 31, 2018

Condensed Statements of Activities

	2018	2017	Change
Revenues			
Operating Grants and Contributions	\$ 24,597	\$ 14,340	\$ 10,257
General Revenues	896,611	1,277,101	(380,490)
Total Revenues	921,208	1,291,441	(370,233)
Expenses			
Public Safety - Fire Protection	982,204	1,125,093	(142,889)
Total Expenses	982,204	1,125,093	(142,889)
Change in Net Position	(60,996)	166,348	(227,344)
Net Position, Beginning of Year	2,133,588	1,967,240	166,348
Net Position, End of Year	\$ 2,072,592	\$ 2,133,588	\$ (60,996)

Total expenses for governmental activities were \$982,204 for the year, which was \$60,996 more than the taxes, grants, contributions, and investment earnings of \$921,208.

The interest earned on checking accounts was \$334 for the year.

Using this Annual Report

This report consists of a series of financial statements. The statement of net position and the statement of activities found on pages 10 and 11 provide information about the financial activities of the District and illustrate a longer-term view of the District's finances. Fund financial statements start on page 13. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's significant funds.

The District's independent auditor attests in his report that the basic financial statements are fairly stated. The auditor is providing varying degrees of assurance regarding the required supplementary information, the levels of which are illustrated in the independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Management's Discussion and Analysis For the Year Ended December 31, 2018

Reporting on the District as a Whole, the Statement of Net Position, and the Statement of Activities

Our analysis of the District as a whole begins on page 10. These statements help to illustrate the status of the District resulting from the activities of the last year. The statements include all assets and liabilities using the accrual basis of accounting. In this method, all of the current year's revenues and expenses are taken into account, regardless of when cash is paid or received.

The District's net position is determined by examining the difference in assets and liabilities. Examining the District's net position is an effective way to determine the financial status of the District. Increases and decreases in net position are indicators of the District's overall increasing or decreasing financial performance.

In the statement of net position and the statement of activities, the District reports only governmental-type activities as well as grants. The majority of the District's activities are of this type. Taxes and grants finance most of the activities.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of the greater whole. The readers of these financial statements should take the time to read and evaluate all sections of this report, including the footnotes and the other required supplementary information that is provided in addition to this MD&A.

Reporting the District's Most Significant Funds, Fund Financial Statements

The analysis of the District's major funds begins on page 13. The fund financial statements provide detailed information about the most significant funds rather than the District as a whole.

The District uses governmental-type funds. This includes the General Fund. All of the District's services are reported in the General Fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation of the fund financial statements on pages 14 and 16.

The District's Funds

As previously mentioned, the District uses funds to help control and manage money for particular purposes. At the completion of the year, the District reported total fund balance of \$1,078,270. This reflects an increase of \$94,418 from last year.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Management's Discussion and Analysis For the Year Ended December 31, 2018

General Fund Budgetary Highlights

Information on the District's General Fund balance is reported on page 13. The General Fund's budgetary information is reported in the budgetary comparison schedule on page 31.

Capital Assets

At the end of 2018, the District had \$1,048,683 invested in capital assets, including building, furniture, firefighting equipment, and vehicles, net of accumulated depreciation of \$1,863,119. More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Taking all factors into consideration, the District's General Fund balance is expected to remain unchanged by the close of 2019.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to: St. Tammany Parish Fire Protection District No. 7, 73469 Highway 41, Pearl River, LA 70452.

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Statement of Net Position
December 31, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 436,978
Receivables - Ad Valorem Taxes, Net	692,851
Receivables - State Revenue Sharing	14,242
Receivables - LGAP Grant	4,666
Receivables - Other	226
Capital Assets, Net of Accumulated Depreciation	<u>1,048,683</u>
Total Assets	<u>2,197,646</u>
Deferred Outflows of Resources	
Deferred Outflows on Pension Obligation	<u>493,981</u>
Liabilities	
Accounts Payable	7,434
Accrued Expenses	24,894
Noncurrent Liabilities	
Net Pension Liability	<u>545,130</u>
Total Liabilities	<u>577,458</u>
Deferred Inflows of Resources	
Deferred Inflows on Pension Obligation	<u>41,577</u>
Net Position	
Net Investment in Capital Assets	1,048,683
Unrestricted	<u>1,023,909</u>
Total Net Position	<u><u>\$ 2,072,592</u></u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Statement of Activities
For the Year Ended December 31, 2018

Function/Program	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities			
Public Safety - Fire Protection	\$ 982,204	\$ 24,597	\$ (957,607)
Total	\$ 982,204	\$ 24,597	(957,607)
General Revenues			
Ad Valorem Taxes			778,331
Fire Insurance Premium Tax			30,170
Other Income			27,378
Intergovernmental Revenue			23,767
State Revenue Sharing			21,329
Cell Tower Lease			15,302
Interest			334
Total General Revenues			896,611
Change in Net Position			(60,996)
Net Position, Beginning of Year			2,133,588
Net Position, End of Year			\$ 2,072,592

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
 Balance Sheet
 Governmental Funds
 December 31, 2018

	General Fund
Assets	
Cash and Cash Equivalents	\$ 436,978
Receivables - Ad Valorem Taxes, Net	692,851
Receivables - State Revenue Sharing	14,242
Receivables - LGAP Grant	4,666
Receivables - Other	226
Total Assets	\$ 1,148,963
Liabilities	
Accounts Payable	\$ 7,434
Accrued Expenses	24,894
Total Liabilities	32,328
Deferred Inflows of Resources	
Unavailable Ad Valorem Taxes	38,365
Fund Balance	
Assigned	49,997
Unassigned	1,028,273
Total Fund Balance	1,078,270
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,148,963

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2018

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

Total Fund Balance	\$ 1,078,270
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,048,683
Deferred inflows of resources - unavailable ad valorem taxes are not reported on government-wide financial statements.	38,365
Deferred inflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(41,577)
Deferred outflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	493,981
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net Pension Liability	<u>(545,130)</u>
Net Position of Governmental Activities	<u>\$ 2,072,592</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2018

	General Fund
Revenues	
Ad Valorem Taxes	\$ 740,055
Fire Insurance Premium Tax	30,170
Other Income	27,378
Intergovernmental Revenue	23,767
State Revenue Sharing	21,329
Cell Tower Lease	15,302
Interest	334
	<hr/>
Total Revenues	858,335
	<hr/>
Expenditures	
Public Safety - Fire Protection	
Salaries and Benefits	538,740
Insurance	89,267
Repairs	41,043
Professional Services	23,185
Fuel	16,599
Utilities	16,058
Dispatching	12,000
Firefighting Supplies	10,531
Office	7,605
Telephone	4,100
Training	1,501
Other	554
Capital Outlay	2,734
	<hr/>
Total Expenditures	763,917
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Net Change in Fund Balance	94,418
Fund Balance, Beginning of Year	983,852
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Fund Balance, End of Year	\$ 1,078,270
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The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balance - Total Governmental Funds	\$ 94,418
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(122,248)
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Governmental funds report retirement contributions as expenditures, but pension expense on the statement of activities includes the change in net pension liability as well as the change in deferred inflows and outflows of resources related to pensions.	(71,442)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in Unavailable Ad Valorem Taxes	38,276
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Change in Net Position of Governmental Activities	\$ (60,996)
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The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity

St. Tammany Parish Fire Protection District No. 7 (the District) was created by St. Tammany Parish, Louisiana (the Parish), as authorized by Louisiana Revised Statute (LRS) 40:1492, on August 20, 1972, to purchase and maintain fire equipment and provide fire protection for the residents of District No. 7 of St. Tammany Parish. The District is governed by a five-member board which is appointed by the Parish.

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

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100, the District is a component unit of the Parish because the Parish appoints members of the District and as such is financially accountable for the District. While the District is an integral part of the Parish reporting entity and should be included within the financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63 in June 2011.

Government-Wide Financial Statements

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Measurement Focus/Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus/Basis of Accounting (Continued)

Ad valorem taxes are considered to be collected when they are collected by the St. Tammany Parish Sheriff. Ad valorem taxes collected after 60 days are recorded as a deferred inflow on the governmental fund balance sheet. State revenue sharing associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Budgets and Budgetary Accounting

The District adopts an annual budget for the General Fund on the cash basis of accounting. The budget is legally adopted and amended as necessary by the District.

The District's General Fund expenditures of \$766,109 (budgetary basis) were \$9,121 less than its budgeted expenditures of \$775,230.

Cash and Cash Equivalents and Investments

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

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

Receivables

All receivables are reported net of estimated uncollectible amounts. The allowance for uncollectibles was \$32,640, which represents 4% of the total ad valorem tax receivable at December 31, 2018. This estimate is based on the District's history of collections within this revenue stream.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that are reported as deferred inflows or outflows of resources: deferred inflows/outflows of resources related to pensions and unavailable revenue. Unavailable revenue arises only under a modified accrual basis of accounting, so it is reported only on the governmental funds balance sheet.

Capital Assets

Capital assets, which include property, equipment, and buildings, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The following estimated useful lives and methods are used to compute depreciation:

Buildings and Improvements	40 Years	Straight-Line
Vehicles	5 - 20 Years	Straight-Line
Equipment	5 - 20 Years	Straight-Line

Depreciation expense amounted to \$124,982, for the year ended December 31, 2018.

Estimates

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firefighters' Retirement System of Louisiana (the 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. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Equity Classifications

In accordance with GASB Statement No. 34, as amended by GASB Statement No. 63, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

1. *Net Investment in Capital Assets* - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.
2. *Restricted* - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted* - All other net position is reported in this category.

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

In the governmental fund financial statements, fund balances are classified as follows, in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

1. *Restricted Fund Balance* - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors, creditors, or contributors.
2. *Assigned Fund Balance* - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
3. *Unassigned Fund Balance* - All amounts not included in other spendable classifications.

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Principles

GASB Statement No. 85, *Omnibus 2017*. The objective of GASB 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This implementation did not significantly impact the financial statements or notes.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This implementation did not significantly impact the financial statements or notes.

New Upcoming Accounting Pronouncements

The GASB issued Statement No. 84, *Certain Asset Retirement Obligations*. The objective of GASB 84 is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This Statement will be effective for the District for reporting periods beginning after June 15, 2018.

The GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement will be effective for the District for reporting periods beginning after December 15, 2019.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement will be effective for the District for reporting periods beginning after December 15, 2019.

Management is currently evaluating the effects of the new GASB pronouncements scheduled for implementation for year ending December 31, 2019.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 2. Ad Valorem Taxes

Ad valorem taxes are recorded in the year taxes are levied. Ad valorem taxes are assessed on a calendar-year basis, billed in November of each year, and become delinquent on January 1st of the subsequent year.

The following is a summary of authorized and levied ad valorem taxes for 2018:

Taxes Due for:	Authorized Millage	Levied Millage	Millage Expiration Date
Maintenance	10.00	9.99	2021
Operations and Maintenance	5.00	4.99	2019
Operations and Maintenance	5.21	5.19	2019

Note 3. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (carrying value) at December 31, 2018:

Governmental Funds	Amount
Unrestricted Demand Deposits	<u>\$ 436,978</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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be recovered. The District does not have a policy for custodial risk. At December 31, 2018, the District had \$453,105 in deposits (collected bank balances) of which \$203,105 was exposed to custodial credit risk. However, these deposits were secured from risk by the pledge of securities owned by the fiscal agent bank.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 4. Fire Insurance Premium Tax

The District is eligible and receives a pro-rata share of the fire insurance premium taxes collected by the State of Louisiana, in accordance with LRS 22:345. The amounts received by the District are based on the population of the areas that it serves. In accordance with the Revised Statutes, such money shall be used only for the purpose of “rendering more efficient and efficacious” fire protection, as the District shall direct. For the year ended December 31, 2018, the District received \$30,170 of such funds.

Note 5. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 28,400	\$ -	\$ -	\$ 28,400
Capital Assets Being Depreciated				
Buildings and Improvements	688,174	-	-	688,174
Firefighting and Rescue Vehicles	1,484,922	-	-	1,484,922
Firefighting Equipment	541,921	-	-	541,921
Computer Equipment	50,324	-	-	50,324
Station Equipment	117,246	2,734	(1,919)	118,061
Total Capital Assets Being Depreciated	2,882,587	2,734	(1,919)	2,883,402
Less Accumulated Depreciation for:				
Buildings and Improvements	(317,783)	(14,082)	-	(331,865)
Firefighting and Rescue Vehicles	(896,271)	(72,211)	-	(968,482)
Firefighting Equipment	(368,266)	(36,378)	-	(404,644)
Computer Equipment	(50,236)	(89)	-	(50,325)
Station Equipment	(107,500)	(2,222)	1,919	(107,803)
Total Accumulated Depreciation	(1,740,056)	(124,982)	1,919	(1,863,119)
Total Capital Assets Being Depreciated, Net	1,142,531	(122,248)	-	1,020,283
Capital Assets, Net	\$ 1,170,931	\$ (122,248)	\$ -	\$ 1,048,683

Note 6. Louisiana Firefighters’ Retirement System Pension

The District began participating in the Firefighters’ Retirement System of Louisiana (the System) in September 2016.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 6. Louisiana Firefighters' Retirement System Pension (Continued)

Plan Description and Provisions

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

Eligibility Requirements

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

Retirement Benefits

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

Deferred Retirement Option Plan

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 6. Louisiana Firefighters' Retirement System Pension (Continued)

Initial Benefit Option Plan

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

Employer Contributions

Employer contributions are actuarially determined each year. For the plan year ended June 30, 2018, employer and employee contributions for members above the poverty line were 26.50% and 10.0%, respectively. For the plan year ending June 30, 2019, employer and employee contributions for members above the poverty line are 26.50% and 10%, respectively.

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

At December 31, 2018, the District reported a liability of \$545,130 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and was determined by actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all governments, actuarially determined. At June 30, 2018, the District's proportion was .094771%.

For the year ended December 31, 2018, the District recognized pension expense of \$71,442. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources relative to its pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 41,491
Net Difference between Projected and Actual Earnings on Pension Plan Investments	35,447	-
Changes in Proportion	383,159	-
Changes in Assumptions	38,028	86
District Contributions Subsequent to the Measurement Date	37,347	-
Total	\$ 493,981	\$ 41,577

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 6. Louisiana Firefighters' Retirement System Pension (Continued)

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

In the year ended December 31, 2019, \$37,347 reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date will be recognized. Other amounts reported as deferred inflows of resources and deferred outflows of resources will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2019	\$ 101,856
2020	81,123
2021	56,513
2022	74,031
2023	72,335
2024	<u>29,199</u>
Total	<u>\$ 415,057</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining net pension liability as of December 31, 2018, are as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Lives	7 Years
Investment Return	7.30%
Inflation Rate	2.70%
Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Cost-of-Living Adjustments	Only those previously granted

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 6. Louisiana Firefighters' Retirement System Pension (Continued)

Actuarial Assumptions (Continued)

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation, 2.75%. The long-term expected nominal rate of return was 8.09%, as of June 30, 2018.

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Expected Portfolio Real Rate of Return
Fixed Income	26%	1.76%
U.S. Equity	22%	6.14%
Non-U.S. Equity	22%	7.46%
Global Equity	10%	6.74%
Real Estate	6%	4.38%
Private Equity	4%	8.73%
Global Tactical Asset Allocation	5%	4.31%
Risk Parity	5%	4.89%
	<u>100%</u>	

Sensitivity to Changes in Discount Rate

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

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
District's Proportionate Share of the Net Pension Liability	<u>\$ 795,474</u>	<u>\$ 545,130</u>	<u>\$ 334,755</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

Notes to Financial Statements

Note 7. Deferred Compensation Plan

One employee of the District participates in the Louisiana Public Employees' Deferred Compensation Plan (the Plan) adopted under the provisions of the Internal Revenue Code, Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

Note 8. Risk Management

The District is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the District carries commercial insurance. The District had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual (Cash Basis) - General Fund
For the Year Ended December 31, 2018

	<u>Budgetary Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 712,656	\$ 712,656	\$ 714,733	\$ 2,077
Fire Insurance Premium Tax	30,000	30,000	30,170	170
Other Income	14,424	14,424	27,378	12,954
Intergovernmental Revenue	-	-	23,767	23,767
State Revenue Sharing	18,000	18,000	21,196	3,196
Cell Tower Lease	-	-	15,302	15,302
Interest	150	150	334	184
Total Revenues	775,230	775,230	832,880	57,650
Expenditures				
Public Safety - Fire Protection				
Salaries and Benefits	585,730	585,730	538,843	46,887
Insurance	55,000	55,000	90,101	(35,101)
Repairs	40,000	40,000	41,043	(1,043)
Professional Services	21,800	21,800	23,072	(1,272)
Fuel	20,000	20,000	16,599	3,401
Utilities	15,200	15,200	16,058	(858)
Dispatching	12,000	12,000	12,000	-
Firefighting Supplies	4,500	4,500	10,199	(5,699)
Office	7,000	7,000	7,605	(605)
Telephone	4,500	4,500	4,100	400
Training	5,000	5,000	1,501	3,499
Other	-	-	554	(554)
Capital Outlay	4,500	4,500	4,434	66
Total Expenditures	775,230	775,230	766,109	9,121
Net Change in Fund Balance	\$ -	\$ -	66,771	\$ 66,771
Fund Balance, Beginning of Year			370,207	
Fund Balance, End of Year			\$ 436,978	

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual (Cash Basis) - General Fund (Continued)
For the Year Ended December 31, 2018

Note A. Reconciliation of Cash Basis to GAAP Basis

The District maintains its accounting records and prepares and adopts its budget under the cash basis of accounting. Accounting principles generally accepted in the United States of America (GAAP) require the statement of revenues, expenditures, and changes in fund balance for the General Fund to be reported using the modified accrual basis of accounting. The budgetary comparison schedule is presented using the cash basis, which is the same as the legally adopted budget. A reconciliation to the GAAP basis has been provided below:

	Actual Amounts (Budgetary Basis)	Budget to GAAP Adjustments	Actual Amounts GAAP Basis
Revenues			
Ad Valorem Taxes	\$ 714,733	\$ 25,322	\$ 740,055
Fire Insurance Premium Tax	30,170	-	30,170
Other Income	27,378	-	27,378
Intergovernmental Revenue	23,767	-	23,767
State Revenue Sharing	21,196	133	21,329
Cell Tower Lease	15,302	-	15,302
Interest	334	-	334
Total Revenues	832,880	25,455	858,335
Expenditures			
Public Safety - Fire Protection			
Salaries	538,843	(103)	538,740
Insurance	90,101	(834)	89,267
Repairs	41,043	-	41,043
Professional Services	23,072	113	23,185
Fuel	16,599	-	16,599
Utilities	16,058	-	16,058
Dispatching	12,000	-	12,000
Firefighting Supplies	10,199	332	10,531
Office	7,605	-	7,605
Telephone	4,100	-	4,100
Training	1,501	-	1,501
Other	554	-	554
Capital Outlay	4,434	(1,700)	2,734
Total Expenditures	766,109	(2,192)	763,917
Net Change in Fund Balance	66,771	27,647	94,418
Fund Balance, Beginning of Year	370,207	613,645	983,852
Fund Balance, End of Year	\$ 436,978	\$ 641,292	\$ 1,078,270

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of District's Proportionate Share of the
Net Pension Liability
For the Year Ended December 31, 2018

	2018	2017
District's Portion of the Net Pension Liability	0.094771%	0.056657%
District's Proportionate Share of the Net Pension Liability	\$ 545,130	\$ 324,749
District's Covered Payroll	\$ 226,754	\$ 140,675
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	240.41%	230.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.76%	73.55%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. 2016 data not readily determinable.

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of District's Contributions
For the Year Ended December 31, 2018

	2018	2017	2016
Contractually Required Contribution	\$ 67,808	\$ 57,499	\$ 12,182
Contributions in Relation to the Contractually Required Contribution	<u>(67,808)</u>	<u>(57,499)</u>	<u>(12,182)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 255,883	\$ 202,110	\$ 48,246
Contributions as a Percentage of Covered Payroll	26.50%	28.45%	25.25%

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of Governing Board
For the Year Ended December 31, 2018

<u>Board of Commissioners</u>	<u>Compensation</u>
Charles Graves, Chairman 34695 Edgar Kennedy Road Pearl River, LA 70452 (985) 863-2901	\$ 1,400
Albert Hollie 75309 Hollie Road Pearl River, LA 70452 (985) 863-9319	\$ 1,400
David Howell 73320 Bud Howell Road Pearl River, LA 70452 (985) 863-5587	\$ 1,200
Larry O'Berry 37089 Howard O'Berry Road Pearl River, LA 70452 (985) 863-5481	\$ 1,300
Eddie Smith, Sr. 73456 Highway 41 Pearl River, LA 70452 (985) 863-2457	\$ 1,000

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of Compensation, Benefits and Other Payments
to Agency Head
For the Year Ended December 31, 2018

Agency Head
Chief Gary Whitehead

Purpose	Amount
Salary	\$79,789 *
Benefits - Insurance	\$7,974 **
Benefits - Retirement	\$21,144 ***
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$1,200
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

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

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

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

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 7
Pearl River, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 7 (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 23, 2019

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Fire Protection District No. 7'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA
April 23, 2019

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7
Schedule of Findings and Responses
For the Year Ended December 31, 2018

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to the financial statements identified? | No |
| d. Other matters identified? | No |
| 3. Management letter comment provided? | No |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

Part III - Compliance and Other Matters

Compliance

None.

Other Matter

None.

AGREED-UPON PROCEDURES REPORT

St. Tammany Parish Fire Protection District No. 7

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period of January 1, 2018 - December 31, 2018

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 7
and the Louisiana Legislative Auditor:

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

Management of St. Tammany Parish Fire Protection District No. 7 (the District), a component unit of St. Tammany Parish, Louisiana, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the District's compliance with certain laws and regulations during the period of January 1, 2018 through December 31, 2018, in accordance with Act 774 of the 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the District and the Legislative Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c) **Disbursements**, including processing, reviewing, and approving.
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Bank Reconciliations**, including (1) monthly bank statement reconciliations, (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 12 months from the statement closing date, if applicable.
- l) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: We obtained and inspected the entity's written policies and procedures which addressed Purchasing, Disbursements, and Credit Cards and no exceptions were noted.

The District was not able to provide written policies and procedures that addressed the remaining categories and subcategories.

Bank Reconciliations

2. 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 the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. We selected the District's main operating account and in addition 1 other bank account which comprise all accounts for the District.

For procedure 2a, no exceptions were noted. For procedure 2b, we were not able to observe that bank reconciliations include evidence that a member of management/board member, who does not handle cash, post ledgers, or issue checks, reviewed the bank reconciliation. Procedure 2c was not applicable as no accounts contained reconciling items for more than 12 months from the statement closing date.

Ethics

3. Obtain a listing of employees (and elected officials) and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period; and
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period

Results: We obtained a listing of employees (and elected officials) and obtained management's representation that the listing is complete. We randomly selected 5 employees for testing.

For procedure 3a, no exceptions were noted in our testing. For procedure 3b, the District was not able to provide documentation which demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

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

This report is intended solely for the use of management of St. Tammany Parish Fire Protection District No. 7 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA
June 7, 2019



St. Tammany Parish Fire Protection District 7

Fire Chief Gary C. Whitehead

73469 Highway 41 Pearl River La. 70452

Office: 985-863-5111 Fax: 985-863-51110

Mr. Daryl Purpera
Louisiana Legislative Auditor
1600 N 3rd St.
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Act 774 Agreed-upon Procedures

The management of the St. Tammany Parish Fire Protection District No. 7 wishes to provide the following responses relative to the results of the 2018 Act 774 agreed-upon procedures engagement:

Written Policies and Procedures

The District did not have written policies and procedures for the following sub-categories: Budgeting, Receipts/ Collections, Payroll/ Personnel, Contracting, Travel and expense reimbursements, Ethics, Debt Service, Bank Reconciliations, and Disaster Recovery/ Business Continuity.

Response: The District will prepare and adopt written policies and procedures listed above. This will be done by the end of the 2019 fiscal year.

Bank Reconciliations

The District's bank reconciliations did not include evidence that a member of management/ board member, who does not handle cash, post ledgers, or issue checks, has reviewed each bank reconciliation.

Response: An amendment will be made to the policies to include the items that were excluded. Amendments will be made by the end of the 2019 fiscal year.

Ethics

The District was unable to provide documentation for the 5 employees tested which demonstrated that each employee attested through signature verification that he or she has read the District's ethics policy during the fiscal period.

Response: The District will adopt a policy that will require each employee to verify that he or she has read the District's ethics policy during each year through signature verification.

Sincerely,

A handwritten signature in black ink that reads "Charles Graves".

Charles Graves
Chairman

Charles Graves
Chairman

Larry Oberry
Vice-Chairman

Ed Smith
Treasurer

Albert Hollie
Commissioner

David Howell
Commissioner