

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

Annual Financial Statements

December 31, 2021



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 pages 34 and 35, and the pension schedules on pages 36 and 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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.

Supplementary 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of governing board and the schedule of compensation, benefits, and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the District'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 the District's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
April 25, 2022

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

Management's Discussion and Analysis

As management of St. Tammany Parish Fire Protection District No. 2 (the District), we offer this discussion and analysis of the District's financial activities for the year ended December 31, 2021.

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

This annual report consists of a series of financial statements. The statement of net position and the statement of activities on pages 8 and 9 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements begin on page 11. These statements tell how these services were financed in the short-term as well as what remains for future spending. The District is a component unit of St. Tammany Parish, Louisiana. Its operations are conducted through a general fund.

Financial Highlights

Assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources on December 31, 2021 by \$7,156,115 (net position). The District's net position increased by \$1,293,928, or 22%.

At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,686,226, which is an increase of \$343,185 in comparison with the prior fiscal year. This amount includes \$408 in the 2016 Capital Projects Fund which is restricted for capital outlay. The remaining fund balance of \$7,685,818 is unassigned in the General Fund.

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

Summary Statements of Net Position

| | 2021 | 2020 | Change |
|---|---------------------|---------------------|---------------------|
| Assets | | | |
| Current Assets | \$ 8,001,734 | \$ 7,608,349 | \$ 393,385 |
| Capital Assets, Net of Accumulated Depreciation | 5,859,117 | 5,834,424 | 24,693 |
| Total Assets | 13,860,851 | 13,442,773 | 418,078 |
| Deferred Outflows of Resources | 2,346,508 | 2,379,371 | (32,863) |
| Liabilities | | | |
| Current Liabilities | 547,519 | 495,411 | 52,108 |
| Noncurrent Liabilities | 6,143,869 | 8,966,572 | (2,822,703) |
| Total Liabilities | 6,691,388 | 9,461,983 | (2,770,595) |
| Deferred Inflows of Resources | 2,359,856 | 497,974 | 1,861,882 |
| Net Position | | | |
| Net Investment in Capital Assets | 2,744,171 | 2,369,580 | 374,591 |
| Restricted | 408 | 9,449 | (9,041) |
| Unrestricted | 4,411,536 | 3,483,158 | 928,378 |
| Total Net Position | \$ 7,156,115 | \$ 5,862,187 | \$ 1,293,928 |

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

Management's Discussion and Analysis

Summary Statements of Activities

| | 2021 | 2020 | Change |
|--|---------------------|---------------------|---------------------|
| Revenues | | | |
| General Revenues | | | |
| Ad Valorem Taxes | \$ 5,346,001 | \$ 5,308,077 | \$ 37,924 |
| Supplemental Pay | 228,483 | 220,766 | 7,717 |
| Rentals | 81,581 | 78,354 | 3,227 |
| Fire Insurance Tax | 54,982 | 54,658 | 324 |
| State Revenue Sharing | 75,444 | 73,712 | 1,732 |
| Other Income | 132,171 | 87,078 | 45,093 |
| Interest Income | 71,562 | 68,160 | 3,402 |
| Grant Income | 4,666 | - | 4,666 |
| Operating Contributions | 266,985 | 232,668 | 34,317 |
| Total Revenues | 6,261,875 | 6,123,473 | 138,402 |
| Expenses | | | |
| Fire Protection | 4,881,799 | 5,075,418 | 193,619 |
| Interest on Long-Term Debt | 86,148 | 81,962 | (4,186) |
| Total Expenses | 4,967,947 | 5,157,380 | 189,433 |
| Change in Net Position | 1,293,928 | 966,093 | 327,835 |
| Net Position, Beginning of Year | 5,862,187 | 4,896,094 | 966,093 |
| Net Position, End of Year | \$ 7,156,115 | \$ 5,862,187 | \$ 1,293,928 |

Capital Assets and Debt

In 2021, capital assets increased by \$24,693, which was the result of additions in the current period exceeding depreciation and disposals. Total debt decreased by \$349,898, which was the result of making the required principal payments on certificates of indebtedness and leases.

General Fund Budgetary Highlights

In 2021, actual revenues exceeded budget by \$818,564 and actual expenditures were less than budget by \$924,714.

Requests for Information

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

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Net Position
December 31, 2021

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 2,999,914 |
| Receivables - Ad Valorem Taxes, Net | 4,951,962 |
| Receivables - State Revenue Sharing | 49,858 |
| Capital Assets, Net of Accumulated Depreciation | <u>5,859,117</u> |
| Total Assets | <u>13,860,851</u> |
| Deferred Outflows of Resources | |
| Deferred Outflows on Pension Obligation | <u>2,346,508</u> |
| Liabilities | |
| Accounts Payable | 26,950 |
| Accrued Expenses | 129,127 |
| Accrued Interest | 15,795 |
| Noncurrent Liabilities | |
| Compensated Absences | 92,606 |
| Net Pension Liability | 3,311,964 |
| Certificate of Indebtedness | |
| Due Within One Year | 280,000 |
| Due in More than One Year | 2,485,000 |
| Capital Leases | |
| Due Within One Year | 95,647 |
| Due in More than One Year | <u>254,299</u> |
| Total Liabilities | <u>6,691,388</u> |
| Deferred Inflows of Resources | |
| Deferred Inflows on Pension Obligation | <u>2,359,856</u> |
| Net Position | |
| Net Investment in Capital Assets | 2,744,171 |
| Restricted | 408 |
| Unrestricted | <u>4,411,536</u> |
| Total Net Position | <u>\$ 7,156,115</u> |

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Activities
For the Year Ended December 31, 2021

| Functions/Programs | Expenses | Program Revenue | | Net (Expense) Revenue and Changes in Net Position |
|--|---------------------|--|--|--|
| | | Capital Grants and Contributions | Operating Grants and Contributions | |
| Governmental Activities | | | | |
| Public Safety - Fire Protection | \$ 4,881,799 | \$ 4,666 | \$ 266,985 | \$ (4,610,148) |
| Interest on Long-Term Debt | 86,148 | - | - | (86,148) |
| Total Governmental Activities | \$ 4,967,947 | \$ 4,666 | \$ 266,985 | (4,696,296) |
| General Revenues | | | | |
| Ad Valorem Taxes | | | | 5,346,001 |
| Supplemental Pay | | | | 228,483 |
| Other Income | | | | 132,171 |
| Rentals | | | | 81,581 |
| State Revenue Sharing | | | | 75,444 |
| Interest Income | | | | 71,562 |
| Fire Insurance Tax | | | | 54,982 |
| Total General Revenues | | | | 5,990,224 |
| Change in Net Position | | | | 1,293,928 |
| Net Position, Beginning of Year | | | | 5,862,187 |
| Net Position, End of Year | | | | \$ 7,156,115 |

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Balance Sheet
Governmental Funds
December 31, 2021

| | General Fund | 2016 Capital Projects Fund | Total Governmental Funds |
|--|---------------------|----------------------------------|--------------------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 2,999,506 | \$ 408 | \$ 2,999,914 |
| Receivables - Ad Valorem Taxes, Net | 4,951,962 | - | 4,951,962 |
| Receivables - State Revenue Sharing | 49,858 | - | 49,858 |
| Total Assets | \$ 8,001,326 | \$ 408 | \$ 8,001,734 |
| Liabilities | | | |
| Accounts Payable | \$ 26,950 | \$ - | \$ 26,950 |
| Accrued Expenses | 129,127 | - | 129,127 |
| Total Liabilities | 156,077 | - | 156,077 |
| Deferred Inflows of Resources | | | |
| Unavailable Ad Valorem Taxes | 159,431 | - | 159,431 |
| Fund Equity | | | |
| Fund Balance | | | |
| Restricted | - | 408 | 408 |
| Unassigned | 7,685,818 | - | 7,685,818 |
| Total Fund Equity | 7,685,818 | 408 | 7,686,226 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Equity | \$ 8,001,326 | \$ 408 | \$ 8,001,734 |

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2021**

| | |
|--------------------------|---------------------|
| Total Fund Equity | \$ 7,686,226 |
|--------------------------|---------------------|

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. | 5,859,117 |
| Accrued interest on long-term liabilities is not reported in the governmental funds. | (15,795) |
| Deferred inflows of resources - unavailable ad valorem taxes are not reported on government-wide financial statements. | 159,431 |
| Deferred inflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | (2,359,856) |
| Deferred outflows of resources - pension used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 2,346,508 |
| Long-term liabilities, including certificates of indebtedness, are not due and payable in the current period and, therefore, are not reported in the governmental funds: | |
| Net Pension Liability | (3,311,964) |
| Certificate of Indebtedness | (2,765,000) |
| Capital Leases | (349,946) |
| Compensated Absences | (92,606) |

| | |
|--|----------------------------|
| Net Position of Governmental Activities | <u>\$ 7,156,115</u> |
|--|----------------------------|

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 2021

| | General Fund | Capital Projects Fund | 2016 Capital Projects Fund | Total Governmental Funds |
|--|------------------|-----------------------------|----------------------------------|--------------------------------|
| Revenues | | | | |
| Ad Valorem Taxes | \$ 5,324,260 | \$ - | \$ - | \$ 5,324,260 |
| Supplemental Pay | 228,483 | - | - | 228,483 |
| Other Income | 133,588 | - | - | 133,588 |
| Rentals | 81,581 | - | - | 81,581 |
| State Revenue Sharing | 75,444 | - | - | 75,444 |
| Interest Income | 71,555 | 1 | 6 | 71,562 |
| Fire Insurance Tax | 54,982 | - | - | 54,982 |
| Grant Income | 4,666 | - | - | 4,666 |
| Total Revenues | 5,974,559 | 1 | 6 | 5,974,566 |
| Expenditures | | | | |
| Public Safety - Fire Protection | | | | |
| Salaries and Benefits | 3,981,978 | - | - | 3,981,978 |
| Repairs and Maintenance | 138,091 | - | - | 138,091 |
| Insurance | 104,110 | - | - | 104,110 |
| Emergency Equipment | 93,319 | - | - | 93,319 |
| Communications | 56,921 | - | - | 56,921 |
| Annual Renewals | 51,879 | - | - | 51,879 |
| Professional Services | 51,716 | - | - | 51,716 |
| Employee Welfare | 49,925 | - | - | 49,925 |
| Telephone and Utilities | 47,552 | - | - | 47,552 |
| Education and Training | 38,138 | - | - | 38,138 |
| Fuel | 29,660 | - | - | 29,660 |
| Uniforms | 21,876 | - | - | 21,876 |
| Miscellaneous | 18,120 | 100 | - | 18,220 |
| IT Support | 18,214 | - | - | 18,214 |
| Operating Supplies | 16,072 | - | - | 16,072 |
| Fire Prevention Expenses | 2,377 | - | - | 2,377 |
| Advertising | 171 | - | - | 171 |
| Capital Outlay | 473,015 | - | - | 473,015 |
| Debt Service | | | | |
| Principal | 349,899 | - | - | 349,899 |
| Interest | 88,248 | - | - | 88,248 |
| Total Expenditures | 5,631,281 | 100 | - | 5,631,381 |
| Excess (Deficiency) of Revenues Over Expenditures | 343,278 | (99) | 6 | 343,185 |

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Revenues, Expenditures,
and Changes in Fund Balance (Continued)
For the Year Ended December 31, 2021

| | General Fund | Capital Projects Fund | 2016 Capital Projects Fund | Total Governmental Funds |
|---|-----------------|-----------------------------|----------------------------------|--------------------------------|
| Other Financing Sources (Uses) | | | | |
| Transfers In | 8,948 | - | - | 8,948 |
| Transfers (Out) | - | (8,948) | - | (8,948) |
| Total Other Financing Sources (Uses) | 8,948 | (8,948) | - | - |
| Net Change in Fund Balances | 352,226 | (9,047) | 6 | 343,185 |
| Fund Balances, Beginning of Year | 7,333,592 | 9,047 | 402 | 7,343,041 |
| Fund Balances, End of Year | \$ 7,685,818 | \$ - | \$ 408 | \$ 7,686,226 |

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

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021**

| | | |
|--|-----------|----------------|
| Net Change in Fund Balance - Total Governmental Funds | \$ | 343,185 |
|--|-----------|----------------|

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

| | | |
|--|--|--------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | 26,110 |
|--|--|--------|

| | | |
|--|--|---------|
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. | | (1,417) |
|--|--|---------|

| | | |
|---|--|---------|
| The issuance of long-term debt (e.g., certificates of indebtedness, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | 349,899 |
|---|--|---------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

| | | |
|--|--|--------|
| Change in Unavailable Ad Valorem Taxes | | 21,741 |
|--|--|--------|

| | | |
|--|--|---------|
| 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. | | 549,477 |
|--|--|---------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

| | | |
|--|--|-------|
| Change in Compensated Absences Payable | | 2,833 |
| Change in Accrued Interest Payable | | 2,100 |

| | | |
|--|-----------|-------------------------|
| Change in Net Position of Governmental Activities | \$ | <u>1,293,928</u> |
|--|-----------|-------------------------|

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

Basis of Presentation

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10% of the corresponding total for all governmental funds.

The District reports the following major governmental funds:

General Fund

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

Capital Projects Fund

The Capital Projects Fund accounts for the proceeds of the Series 2009 Certificate of Indebtedness which was used to renovate the Oak Park and Weldon Poole Memorial Fire Stations and to purchase a ladder truck. These projects have been completed and this fund was closed out in the current year.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)
Fund Financial Statements (Continued)

2016 Capital Projects Fund

The 2016 Capital Projects Fund accounts for the remaining proceeds of the Series 2016 Certificate of Indebtedness which was used to build a new fire station (Station 21), to purchase a ladder truck, and to purchase new equipment.

Measurement Focus/Basis of Accounting

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

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

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

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

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budget and Budgetary Accounting

The Board of Commissioners adopted a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the Board. Budgeted amounts included in the accompanying financial statements include all amendments. All budgeted amounts which are not expended or obligated through contracts lapse at year-end. The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The state supplemental pay is excluded from the budget schedule since this amount is not part of the District's budgeted expense. The General Fund's actual expenditures for the current year were less than budgeted expenditures by \$924,714.

Compensated Absences

The District's policy is to allow employees vacation pay based on length of service. Sick leave is provided for by the District but is noncumulative and the employee's right to unused sick leave does not vest. Vacation pay is cumulative with any unpaid amounts paid to employees upon separation from the District's service. At December 31, 2021, the District had compensated absences of \$92,606, which is reported as a liability on the statement of net position.

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 market value.

Receivables

Ad valorem taxes receivable are reported net of estimated uncollectible amounts. The allowance for uncollectible amounts was \$111,041, which represents 2% of the total ad valorem taxes receivable at December 31, 2021. This estimate is based on the District's history of collections within this revenue stream.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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.

Capital Assets

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

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

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

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

Depreciation expense amounted to \$446,905 for the year ended December 31, 2021.

Long-Term Debt

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

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Equity Classifications

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

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

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

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

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Recently Adopted Accounting Pronouncements

In the current year, the District adopted GASB 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. The adoption of this standard did not have an impact on the financial statements or the notes to the financial statements.

New Upcoming Accounting Pronouncements - Not Yet Adopted

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. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of GASB 87 to reporting periods beginning after June 15, 2021.

The GASB issued statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The Statement is effective for fiscal years beginning after June 15, 2022.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement amends Questions 4.3 and 4.5 of Implementation Guide 201-2. The requirements of this Statement related to the accounting and financial reporting for Internal Revenue Code Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2021:

| | |
|-----------------|---------------------|
| Demand Deposits | <u>\$ 2,999,914</u> |
|-----------------|---------------------|

These deposits are stated at cost, which approximates market.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, the District had \$3,027,126 in deposits (collected bank balances) of which \$2,777,126 was exposed to custodial credit risk. 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. As of December 31, 2021, the District's balances were fully collateralized.

Note 3. Ad Valorem Taxes

Ad valorem taxes for the operations of the District are levied each November 1st on the assessed value listed as of the prior January 1st for all real property, merchandise, and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed in 2020.

Note 4. 2% Fire Insurance Tax

The District is eligible for and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana (the State). The amounts received by the District are based on the population of the areas it serves. In accordance with Louisiana Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection, as the District shall direct.

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

Notes to Financial Statements

Note 5. Capital Assets

Capital assets activity for the year ended December 31, 2021 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|-------------------|---------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 867,167 | \$ 241,835 | \$ - | \$ 1,109,002 |
| Construction in Progress | - | 70,969 | - | 70,969 |
| Total Capital Assets Not Being Depreciated | 867,167 | 312,804 | - | 1,179,971 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 3,927,117 | - | - | 3,927,117 |
| Vehicles | 3,393,716 | 40,531 | - | 3,434,247 |
| Machinery and Equipment | 449,694 | 119,680 | (26,215) | 543,159 |
| Office Equipment | 54,632 | - | - | 54,632 |
| Total Capital Assets Being Depreciated | 7,825,159 | 160,211 | (26,215) | 7,959,155 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (811,303) | (106,388) | - | (917,691) |
| Vehicles | (1,683,569) | (294,263) | - | (1,977,832) |
| Machinery and Equipment | (315,356) | (45,323) | 24,798 | (335,881) |
| Office Equipment | (47,674) | (931) | - | (48,605) |
| Total Accumulated Depreciation | (2,857,902) | (446,905) | 24,798 | (3,280,009) |
| Total Capital Assets Being Depreciated, Net | 4,967,257 | (286,694) | (1,417) | 4,679,146 |
| Capital Assets, Net | \$ 5,834,424 | \$ 26,110 | \$ (1,417) | \$ 5,859,117 |

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

Notes to Financial Statements

Note 6. Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 2021:

| | Certificate of Indebtedness |
|--------------------------------|--|
| January 1, 2021 | \$ 3,035,000 |
| Issued | - |
| Retired | <u>(270,000)</u> |
| Total | 2,765,000 |
| Less: Current Maturities | <u>(280,000)</u> |
| Total Long-Term Portion | <u>\$ 2,485,000</u> |

Long-term debt consisted of the following at December 31, 2021:

| | |
|--|---------------------|
| \$4,050,000 Certificate of Indebtedness dated April 25, 2016, payable in annual principal installments of \$245,000 - \$340,000, plus semi-annual interest at 2.50%, through March 1, 2030, secured by ad valorem tax revenues. | <u>\$ 2,765,000</u> |
|--|---------------------|

The following is a schedule of future principal debt service requirements:

| Year Ending December 31, | Certificate of Indebtedness | |
|-------------------------------------|------------------------------------|--------------------------|
| | Principal | Interest |
| 2022 | \$ 280,000 | \$ 65,625 |
| 2023 | 285,000 | 58,563 |
| 2024 | 290,000 | 51,375 |
| 2025 | 300,000 | 44,000 |
| 2026 | 305,000 | 36,438 |
| 2027 - 2030 | <u>1,305,000</u> | <u>66,313</u> |
| Total | <u>\$ 2,765,000</u> | <u>\$ 322,314</u> |

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

Notes to Financial Statements

Note 7. Capital Leases

During the years ended December 31, 2015 and 2016, the District entered into two lease agreements for the acquisition of fire protection equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The lease agreements are described as follows:

| | |
|---|------------|
| Lease dated August 21, 2015 for the acquisition of a Saber FR Pumper, maturing on August 21, 2025, with ten annual payments of \$88,870 including interest. | \$ 325,966 |
|---|------------|

| | |
|---|--------|
| Lease dated May 13, 2016 for the acquisition of an upgrade to the Saber FR Pumper, maturing on August 21, 2025, with ten annual payments of \$6,776 including interest. | 23,980 |
|---|--------|

| | |
|-----------------------|-----------------|
| Less: Due in One Year | <u>(95,647)</u> |
|-----------------------|-----------------|

| | |
|---|-------------------|
| Capital Leases - Long-Term Portion | <u>\$ 254,299</u> |
|---|-------------------|

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021 are as follows:

| Year Ending December 31, | Amount |
|--|-------------------|
| 2022 | \$ 95,647 |
| 2023 | 95,647 |
| 2024 | 95,647 |
| 2025 | <u>95,647</u> |
| Total Minimum Lease Payments | 382,588 |
| Less: Amount Representing Interest | <u>(32,642)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 349,946</u> |

At December 31, 2021, the book value of the leased equipment was \$342,983.

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

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension

Plan Description and Provisions

Substantially all employees of the District are members of the Firefighters' Retirement System of Louisiana (the System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Benefit provisions are authorized within Act 434 of 1979 and amended by R.S. 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 R.S. 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. No person who has attained age 50 or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of 50. No person who has not attained the age of 18 years shall become a member of the System. Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the State, its agencies, or political subdivisions, and who is receiving retirement benefits therefrom may become a member of the System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with the System, or for any other purpose in order to attain eligibility or increase the amount of service credit in the System.

Retirement Benefits

Employees are eligible to retire at or after age 55 with at least 12 years of creditable service, at or after age 50 with at least 20 years of creditable service, or at any age with 25 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

Deferred Retirement Option Plan

After completing 20 years of creditable service and attaining the age of 50 years, or 25 years of service 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 member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to the member's regular monthly benefit. If employment is not terminated at the end of 36 months, the participant resumes regular contributions to the System. No withdrawals may be made from the DROP account until the participant retires.

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 and Non-Employer Contributions

Employer contributions are actuarially determined each year. For the plan year ended June 30, 2021, employer and employee contributions for members above the poverty line were 32.25% and 10.0%, respectively. For the plan year ending June 30, 2022, employer and employee contributions for members above the poverty line are 33.75% and 10.0%, respectively.

According to state statute, the System receives insurance premium assessments from the State of Louisiana. The assessment is considered support from a non-employer contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended December 31, 2021 and excluded from pension expense. Non-employer contributions made to the System on behalf of the District during the year ended December 31, 2021 were \$266,985.

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

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

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

At December 31, 2021, the District reported a liability of \$3,311,964 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 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, 2021, the District's proportion was .934566%.

For the year ended December 31, 2021, the District recognized pension expense of \$529,035. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between Expected and Actual Experience | \$ 47,264 | \$ 297,422 |
| Net Difference between Projected and Actual | | |
| Earnings on Pension Plan Investments | - | 2,009,893 |
| Changes in Proportion | 1,152,204 | 52,541 |
| Changes in Assumptions | 717,679 | - |
| District Contributions Subsequent to the Measurement Date | 429,361 | - |
| Total | \$ 2,346,508 | \$ 2,359,856 |

In the year ending December 31, 2022, \$429,361 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 June 30, | Amount |
|---------------------------------|---------------------|
| 2022 | \$ (110,618) |
| 2023 | (74,784) |
| 2024 | (197,450) |
| 2025 | (386,008) |
| 2026 | 190,413 |
| 2027 | 135,738 |
| Total | \$ (442,709) |

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

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining net pension liability as of December 31, 2021 are as follows:

| | |
|----------------------------------|--|
| Valuation Date | June 30, 2021 |
| Actuarial Cost Method | Entry Age Normal |
| Expected Remaining Service Lives | 7 Years |
| Investment Return | 6.90% |
| Inflation Rate | 2.50% |
| Salary Increases | Vary from 14.10% in the first two years of service and 5.20% with three or more years of service |
| Cost-of-Living Adjustments | Only those previously granted |

Actuarial assumptions utilized in the Employer Pension Report for fiscal year 2021 are based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2019, unless otherwise specified.

The mortality rate assumptions were updated in fiscal year 2020 to reflect changes from the recent experience study and rates set in the Pub-2010 Public Retirement Plans mortality tables, as compared to the RP-2000 Combined Healthy and Disabled Lives tables that were used for the previous valuation. For active members, annuitants and beneficiaries, and disabled retirees, mortality was set equal to rates set in the Pub-2010 Public Retirement Plans mortality tables. In all cases, the base table was multiplied by 105% for males and 115% for females, each with full generational projection using the appropriate MP2019 scale.

The June 30, 2021 estimated long-term expected rate of return on pension plan investments was determined by the System's actuary using the System's target asset allocation as of January 2021 and the G.S. Curran & Company Consultant Average Study for 2021. The Consultant Average Study included projected nominal rates of return, standard deviations of returns, and correlations of returns for a list of common asset classes collected from a number of investment consultants and investment management firms. Using the target asset allocation and the average values for expected real rates of return, standard deviation of returns, and correlation of returns, an arithmetic expected nominal rate of return and standard deviation for the portfolio was determined.

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

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

Actuarial Assumptions (Continued)

Subsequent to the actuary's calculation of the long-term expected real rate of return in January 2021, the System's board voted to amend the target asset allocation. These changes include an increase to target weight in public equity, a decrease in the target weight in fixed income, and the inclusion of a target weight in private real assets. The long-term assumed rate of inflation of 2.50% was used in this process. The discount rate used to measure the total pension liability was 6.90%.

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2021 are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------------------|--------------------------------|---|
| Equity | | |
| U.S. Equity | 27.5% | 5.86% |
| Non-U.S. Equity | 11.5% | 6.44% |
| Global Equity | 10.0% | 6.40% |
| Emerging Market Equity | 7.0% | 8.64% |
| Fixed Income | | |
| U.S. Core Fixed Income | 18.0% | 0.97% |
| U.S. TIPS | 3.0% | 0.40% |
| Emerging Market Debt | 5.0% | 2.75% |
| Multi-Asset Strategies | | |
| Global Tactical Asset Allocation | 0.0% | 4.17% |
| Risk Parity | 0.0% | 4.17% |
| Alternatives | | |
| Private Equity | 9.0% | 9.53% |
| Real Estate | 6.0% | 5.31% |
| Real Assets | 3.0% | *** |
| | 100.0% | |

*** Subsequent to the actuary's calculation of the long-term expected real rate of return in January 2021, the board voted to amend the target asset allocation (which included a target weight in private real assets.)

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

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the District using the discount rate of 6.90% as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

| | 1% Decrease (5.90%) | Current Discount Rate (6.90%) | 1% Increase (7.90%) |
|--|--------------------------------|--|--------------------------------|
| District's Proportionate Share of the Net Pension Liability | <u>\$ 6,353,758</u> | <u>\$ 3,311,964</u> | <u>\$ 775,140</u> |

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2021, the District carried insurance through various commercial carriers to cover all risks of loss. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Note 10. On-Behalf Payments by the State of Louisiana

For the year ended December 31, 2021, the State of Louisiana made on-behalf payments in the form of supplemental pay to 39 district firemen. In accordance with GASB Statement No. 24, the District has recorded \$228,483 of on-behalf payments as revenue and as salary expense.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2021

| | Budget | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Ad Valorem Taxes | \$ 4,976,445 | \$ 4,976,445 | \$ 5,324,260 | \$ 347,815 |
| Supplemental Pay | - | - | 228,483 | 228,483 |
| Other Income | - | - | 133,588 | 133,588 |
| Rentals | 77,550 | 77,550 | 81,581 | 4,031 |
| State Revenue Sharing | 47,000 | 47,000 | 75,444 | 28,444 |
| Interest Income | - | - | 71,555 | 71,555 |
| Fire Insurance Tax | 55,000 | 55,000 | 54,982 | (18) |
| Grants | - | - | 4,666 | 4,666 |
| Total Revenues | 5,155,995 | 5,155,995 | 5,974,559 | 818,564 |
| Expenditures | | | | |
| Public Safety - Fire Protection | | | | |
| Salaries and Benefits | 3,795,892 | 3,795,892 | 3,981,978 | (186,086) |
| Repairs and Maintenance | 125,000 | 125,000 | 138,091 | (13,091) |
| Insurance | 92,324 | 92,324 | 104,110 | (11,786) |
| Emergency Equipment | 246,176 | 246,176 | 93,319 | 152,857 |
| Communications | 65,000 | 65,000 | 56,921 | 8,079 |
| Annual Renewals | 53,656 | 53,656 | 51,879 | 1,777 |
| Professional Services | 68,200 | 68,200 | 51,716 | 16,484 |
| Employee Welfare | 52,500 | 52,500 | 49,925 | 2,575 |
| Telephone and Utilities | 55,000 | 55,000 | 47,552 | 7,448 |
| Education and Training | 52,500 | 52,500 | 38,138 | 14,362 |
| Fuel | 31,000 | 31,000 | 29,660 | 1,340 |
| Uniforms | 22,000 | 22,000 | 21,876 | 124 |
| IT Support | 20,000 | 20,000 | 18,214 | 1,786 |
| Miscellaneous | 1,000 | 1,000 | 18,120 | (17,120) |
| Operating Supplies | 25,100 | 25,100 | 16,072 | 9,028 |
| Fire Prevention Expenses | 12,000 | 12,000 | 2,377 | 9,623 |
| Advertising | 500 | 500 | 171 | 329 |
| Capital Outlay | 1,400,000 | 1,400,000 | 473,015 | 926,985 |
| Debt Service | | | | |
| Principal | 365,647 | 365,647 | 349,899 | 15,748 |
| Interest | 72,500 | 72,500 | 88,248 | (15,748) |
| Total Expenditures | 6,555,995 | 6,555,995 | 5,631,281 | 924,714 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,400,000) | (1,400,000) | 343,278 | 1,743,278 |

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended December 31, 2021

| | Budget | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|-----------------------|-----------------------|---------------------|---|
| | Original | Final | | |
| Other Financing Sources (Uses) | | | | |
| Transfers In | - | - | 8,948 | 8,948 |
| Total Other Financing Sources (Uses) | - | - | 8,948 | 8,948 |
| Net Change in Fund Balance | <u>\$ (1,400,000)</u> | <u>\$ (1,400,000)</u> | 352,226 | <u>\$ 1,752,226</u> |
| Fund Balance, Beginning of Year | | | <u>7,333,592</u> | |
| Fund Balance, End of Year | | | <u>\$ 7,685,818</u> | |

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of District's Proportionate Share of the
Net Pension Liability
For the Year Ended December 31, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| District's Portion of the Net Pension Liability | 0.934566% | 0.830433% | 0.783273% | 0.704902% | 0.637457% | 0.615279% |
| District's Proportionate Share of the Net Pension Liability | \$ 3,311,964 | \$ 5,756,187 | \$ 4,904,785 | \$ 4,054,651 | \$ 3,653,807 | \$ 4,024,481 |
| District's Covered Payroll | \$ 2,330,577 | \$ 2,082,340 | \$ 1,739,515 | \$ 1,770,991 | \$ 1,440,171 | \$ 1,385,586 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 142.11% | 276.43% | 281.96% | 228.95% | 253.71% | 290.45% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.78% | 72.61% | 73.96% | 74.76% | 73.55% | 68.16% |

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

See independent auditor's report.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of District's Contributions
For the Year Ended December 31, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 780,662 | \$ 692,375 | \$ 538,436 | \$ 490,640 | \$ 404,163 | \$ 363,953 |
| Contributions in Relation to the Contractually Required Contribution | (780,662) | (692,375) | (538,436) | (490,640) | (404,163) | (363,953) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 2,361,486 | \$ 2,293,755 | \$ 1,983,049 | \$ 1,851,472 | \$ 1,581,412 | \$ 1,385,586 |
| Contributions as a Percentage of Covered Payroll | 33.06% | 30.19% | 27.15% | 26.50% | 25.56% | 26.27% |

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. 2
MADISONVILLE, LOUISIANA
Schedule of Governing Board
December 31, 2021

| Governing Board | Compensation |
|---|---------------------|
| Myron Bourg P. O. Box 607 Madisonville, LA 70447 | \$ - |
| Dale Shows 602 Pine Street Madisonville, LA 70447 | \$ 800 |
| Mike Murphy 176 Coquille Drive Madisonville, LA 70447 | \$ - |
| Kennie Glass P. O. Box 693 Madisonville, LA 70447 | \$ - |
| John Beyl 24 Dahlia Drive Covington, LA 70433 | \$ - |

See independent auditor's report.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2021**

Agency Head
Chief Randy Hess

| Purpose | Amount |
|--|---------------|
| Salary | \$122,003* |
| Benefits - Insurance | \$15,997** |
| Benefits - Retirement | \$39,630*** |
| Benefits - Other | \$0 |
| Car Allowance | \$0 |
| Vehicle Provided by Government | \$0 |
| Per Diem | \$0 |
| Reimbursements | \$0 |
| Travel | \$0 |
| Registration Fees | \$50 |
| Conference Travel | \$0 |
| Continuing Professional Education Fees | \$0 |
| Housing | \$0 |
| Unvouchered Expenses | \$0 |
| Special Meals | \$0 |

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

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

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

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2021, 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 25, 2022.

Report on 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) as a basis for designing 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

A Professional Accounting Corporation

Covington, LA
April 25, 2022

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2021**

Part I - Summary of Auditor's Results

Financial Statements

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

None.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Prior Audit Findings
For the Year Ended December 31, 2021

None.

AGREED-UPON PROCEDURES REPORT

St. Tammany Parish Fire Protection District No. 2

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of January 1, 2021 - July 31, 2021

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified by the Louisiana Legislative Auditor's (LLA) Agreed-Upon Procedures (AUPs) in accordance with the authority of Act 774 of the 2014 Regular Legislative Session for the period from January 1, 2021 through July 31, 2021. St. Tammany Parish Fire Protection District No. 2's (the District) management is responsible for those C/C areas identified in the AUPs.

Management of St. Tammany Parish Fire Protection District No. 2, a component unit of St. Tammany Parish, Louisiana, has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified by the LLA's AUPs in accordance with the authority of Act 774 of the 2014 Regular Legislative Session for the period January 1, 2021 to July 31, 2021. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures (follow-up)

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 public funds and the entity's operations:
 - a) **Purchasing**, including how vendors are added to the vendor list.
 - b) **Disbursements**, including processing, reviewing, and approving.

- c) **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).
- d) **Contracting**, including (1) types of services requiring written contracts.
- e) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- f) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- g) **Bank Reconciliations**, including the process for addressing items outstanding for more than 12 months from the statement closing date.

Results: No exceptions noted.

Capital Assets

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

Results: No exceptions noted.

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

Results: No exceptions noted.

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

Results: No exceptions noted.

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

Results: No exceptions noted.

Fraud Notice

1. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the Legislative Auditor and the district attorney of the parish in which the entity is domiciled.

Results: Not applicable.

2. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions noted.

We were engaged by St. Tammany Parish Fire Protection District No. 2 to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified by the LLA AUPs. 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.

We are required to be independent of St. Tammany Parish Fire Protection District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon engagement.

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



A Professional Accounting Corporation

Covington, LA
June 24, 2022