

**DESOTO PARISH FIRE PROTECTION
DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana**

**FINANCIAL REPORT
December 31, 2019**

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana

TABLE OF CONTENTS
As of and for the Year Ended December 31, 2019

Table of Contents

	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		2-4
<u>Required Supplemental Information (Part I):</u>		
Management's Discussion and Analysis		6-9
<u>Basic Financial Statements:</u>		
Governmental Fund Balance Sheet / Statement of Net Position	A	11
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position	B	12
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities	C	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	D	14
<u>Notes to the Financial Statements:</u>		
Notes to the Financial Statements		16-23
<u>Required Supplemental Information (Part II):</u>		
Budgetary Comparison Schedule - General Fund	1	25
Notes to Budgetary Comparison Schedule		26
<u>Other Supplemental Information:</u>		
Schedule of Compensation, Benefits, and Other Payments to Agency Head of Chief Executive Officer	2	28
<u>Other Reports Required by Government Auditing Standards:</u>		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		30-31
Schedule of Findings and Responses		33-34
Schedule of Prior Year Findings		35
<u>Other Report:</u>		
Independent Accountant's Report on Applying Agreed-Upon Procedures		37-40



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

Maura Dees Gardner, CPA, CFE

Phone No. 318-872-3007

122 Jefferson Street

Mansfield, Louisiana

Fax No. 318-872-1357

Independent Auditor's Report

To the Board of Commissioners
DeSoto Parish Fire Protection District No. 2
Keatchie/Shiloh/Gloster, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 2, a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 2 as of December 31, 2019, and the respective changes in financial position for the year then ended in conformity 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, listed as "Required Supplementary Information Part 1" in the tables of contents and the budgetary comparison schedule-General Fund listed as "Required Supplementary Information Part II in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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.

The budgetary comparison schedule – General Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District's basic financial statements. The schedule of compensation, benefits and other payments to agency head of chief executive officer listed as other supplemental information in the table of contents as required by Louisiana Revised Statute 24:513 (A)(3), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The "other supplemental 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, on our consideration of the DeSoto Parish Fire Protection District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DeSoto Parish Fire Protection District No. 2's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, we have issued a report dated June 30, 2020, on the results of those procedures, in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Governmental Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
June 30, 2020

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
December 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the DeSoto Parish Fire Protection District No. 2 (Fire District), we offer the readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of DeSoto Parish Fire Protection District No. 2 as of and for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the Fire District's basic financial statements and supplementary information provided in the report in assessing the efficiency and effectiveness of our stewardship of public resources.

The Fire District was determined to be a component unit of the DeSoto Parish Policy Jury. The accompanying financial statements present information only on the funds maintained by DeSoto Parish Fire Protection District No. 2.

FINANCIAL HIGHLIGHTS

DeSoto Parish Fire Protection District No. 2 experienced an increase in its total net position of \$230,353 or 5.67% during the year. At December 31, 2019, the assets of the Fire District exceeded its liabilities by \$4,294,860.

DeSoto Parish Fire Protection District No. 2's total revenues increased \$56,523 or 7.17% to \$844,737 in 2019 from \$788,214 in 2018.

Ad valorem taxes (property taxes) increased \$18,668 (2.56%) to \$747,657 during the year ended December 31, 2019 compared to \$728,989 during 2018.

DeSoto Parish Fire Protection District No. 2's governmental fund balance increased \$413,589 or 20.56% from \$2,011,508 in 2018 to \$2,425,097 for the year ended December 31, 2019.

OVERVIEW OF FINANCIAL STATEMENTS

This Management Discussion and Analysis document introduces the basic financial statements which includes government-wide financial statements and fund financial statements. These two types of financial statements present the Fire District's financial position and results of operations from differing perspectives, which are described as follows:

Government-Wide Financial Statement

The government-wide financial statements report information about the Fire District as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Fire District's assets and all of its liabilities. All of the Fire District's activities are classified as governmental activities in the government-wide financial statements. The governmental activities are financed primarily by property taxes, assessed parcel fees and intergovernmental revenues that include fire insurance rebates, state revenue sharing and grants.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
December 31, 2019

Fund Financial Statements

Fund financial statements provide detailed information regarding the Fire District's most significant activities and are not intended to provide information for the Fire District as a whole. Funds are accounting devices that are used to account for specific sources of funds. All of the Fire District's funds are limited to its general fund, which is classified as a Governmental Fund. This fund is used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental fund uses a modified accrual basis of accounting that provides a short-term view of the Fire District's finances. Assets reported by the governmental fund are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Fire District adopts an annual budget for the general fund. A budgetary comparison statement is provided for the general fund to demonstrate budgetary compliance.

Other Supplemental Information

The schedule of compensation, benefits and other payments to agency head or chief executive officer is presented to fulfil the requirements of Louisiana Revised Statute 24:513(A)(3).

FINANCIAL ANALYSIS OF THE FIRE DISTRICT AS A WHOLE

The comparison of net position from year to year serves to measure a government's financial position. As of December 31, 2019, the Fire District's assets exceed its liabilities by \$4,294,860 (net position).

At December 31, 2019, \$1,829,443 or 42.60% of the Fire District's net position reflect net investment in capital assets with a historical cost of \$3,405,385 less accumulated depreciation of \$1,575,942.

Unrestricted net position of \$2,465,417 or 57.40% of total net position as of December 31, 2019, may be used to meet the ongoing obligations to the citizens of DeSoto Parish Fire Protection District No. 2.

Cash and cash equivalents increased \$383,963 (29.60%) from \$1,297,238 in 2018 to \$1,681,201 at December 31, 2019.

Accounts receivables (net), consisting of 96.53% property taxes and 3.47% parcel fees, increased \$18,525 (2.37%) from \$780,714 in 2018 to \$799,239 at December 31, 2019.

Total liabilities decreased \$5,153 (22.58%) from \$22,823 in 2018 to \$17,670 at December 31, 2019.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
December 31, 2019

A Summary of Statement of Net Position is as follows:

ASSETS	Governmental Activities		
	2019	2018	% Change
Cash and cash equivalents	\$ 1,681,201	\$ 1,297,238	29.60%
Accounts receivable, net	799,239	780,714	2.37%
Prepaid insurance	2,447	24,150	-89.87%
Deposits	200	200	0.00%
Capital assets, net of accumulated depreciation	1,829,443	1,985,028	-7.84%
Total assets	\$ 4,312,530	\$ 4,087,330	5.51%
LIABILITIES			
Current liabilities	\$ 17,670	\$ 22,823	-22.58%
Total liabilities	\$ 17,670	\$ 22,823	-22.58%
NET POSITION			
Net investment in capital assets	\$ 1,829,443	\$ 1,985,028	-7.84%
Unrestricted	2,465,417	2,079,479	18.56%
Total net position	\$ 4,294,860	\$ 4,064,507	5.67%

The following schedule compares revenues and expenses for the current and previous year. Total revenues increased by \$56,523 or 7.17% from last year. Approximately, 88.51% of the Fire District's total revenues come from property taxes (ad valorem taxes), 1.55% from other state sources, 4.00% from parcel fees, and 5.83% from other revenue, which consist of oil and gas royalties, insurance reimbursements and interest income. Total expenses increased \$15,476 or 2.58% over the prior year.

Ad valorem tax revenue for the Fire District increased by \$18,668 (2.56%), reflecting an increase in the property tax revenue.

Expenses of the Fire District, without depreciation, increased \$15,626 (3.61%) from 2018. Depreciation expense of \$166,054 made up 27.03% of total expenses for December 31, 2019 compared to \$166,204 or 27.75% of total expenses in 2018.

A Summary of Statement of Activities is as follows:

	Governmental Activities		
	2019	2018	% Change
Program Revenues:			
Charges for services- Parcel fees	\$ 33,750	\$ 32,530	3.75%
Contributions	1,000	2,000	-50.00%
General Revenues:			
Ad valorem taxes	747,657	728,989	2.56%
Intergovernmental revenues	13,062	12,802	2.03%
Interest income	7,814	3,323	135.15%
Other revenue	41,454	8,570	383.71%
Total revenues	844,737	788,214	7.17%
Expenses			
Public safety	614,384	598,908	2.58%
Total expenses	614,384	598,908	2.58%
Increases in net position	230,353	189,306	21.68%
Net Position, beginning	4,064,507	3,875,201	4.89%
Net Position, ending	\$ 4,294,860	\$ 4,064,507	5.67%

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
December 31, 2019

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S GOVERNMENT FUNDS

For the year ended December 31, 2019, differences between the government-wide presentation and the fund financial statements were due to depreciation changes associated with capital assets, prepaid insurance and software, and deferred property tax.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Fire District adopted a budget for its General Fund for the year ended December 31, 2019. The budget was not amended during the year. Total budgeted revenues did not exceed actual revenues by more than 5%. Total actual expenditures were less than the final budget.

DEBT ADMINISTRATION

At December 31, 2019, the Fire District had no debt on capital assets.

CAPITAL ASSETS

The Fire District acquired \$10,470 in capital assets in 2019. This amount was for a generator replacement at the Keatchie Station.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary revenue source for the Fire District is property taxes. This tax is not subject to changes in the economy, in the short-term. However, in the long-term, the ability to sustain this income could affect the Fire District's revenue. The budget for year 2020 should not change significantly from the year 2019 budget.

CONTACTING THE FIRE DISTRICT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the finances for those funds maintained by the DeSoto Parish Fire Protection District No. 2 and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shepard Fields, Chairman, at 296 Depot Road, Keatchie, Louisiana, 71046.

BASIC FINANCIAL STATEMENTS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana

GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION

December 31, 2019

	Governmental Fund Financial Statements		Government-wide Statements
ASSETS	Balance Sheet		Statement of
	General Fund	Adjustments	Net Position
Cash and cash equivalents	\$ 1,681,201	\$ -	\$ 1,681,201
Accounts receivable, net of allowance	799,239	-	799,239
Deposits	200	-	200
Prepaid expenses	-	2,447	2,447
Capital assets, net of depreciation	-	1,829,443	1,829,443
TOTAL ASSETS	\$ 2,480,640	1,831,890	\$ 4,312,530
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 10,137	-	\$ 10,137
Payroll liabilities	7,533	-	7,533
TOTAL LIABILITIES	17,670	-	\$ 17,670
DEFERRED INFLOWS OF RESOURCES			
Unavailable ad valorem taxes	37,873	(37,873)	\$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	37,873	(37,873)	\$ -
FUND BALANCE / NET POSITION			
Fund Balances:			
Unassigned	2,425,097	(2,425,097)	\$ -
TOTAL FUND BALANCES	2,425,097	(2,425,097)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,480,640	(2,462,970)	-
Net Position:			
Net investment in capital assets		1,829,443	1,829,443
Unrestricted		2,465,417	2,465,417
TOTAL NET POSITION		\$ -	\$ 4,294,860

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

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
December 31, 2019

Total Net Position reported for Governmental Activities in the Statement of Net Position are different because:

Fund Balance, Total Governmental Fund	\$	2,425,097
Capital Assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds		1,829,443
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year		2,447
Unavailable ad valorem taxes are reported in the governmental funds but not in the Statement of Net Position		37,873
Net Position of Governmental Activities	\$	<u><u>4,294,860</u></u>

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

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE / STATEMENT OF ACTIVITIES**

For the year ended December 31, 2019

	Governmental Fund Financial Statements		Adjustments	Government-wide Statements
	Statement of Revenues, Expenditures, and Changes in Fund Balance			Statement of Activities
	General Fund			
EXPENDITURES/EXPENSES				
Public safety-fire:				
Personal services & related benefits	\$ 268,080	\$ -		\$ 268,080
Operating expenses	79,622	21,704		101,326
Material & supplies	78,018	-		78,018
Travel, training & other charges	906	-		906
Capital outlays	10,470	(10,470)		-
Depreciation	-	166,054		166,054
TOTAL EXPENDITURES/EXPENSES	437,096	177,288		614,384
PROGRAM REVENUES				
Charges for services	33,750	-		33,750
Operating grants and contributions	1,000	-		1,000
Capital grants and contributions	-	-		-
TOTAL PROGRAM REVENUES	34,750	-		34,750
NET PROGRAM EXPENSE	402,346	177,288		579,634
GENERAL REVENUES				
Ad valorem taxes	753,605	(5,948)		747,657
Intergovernmental revenue- state funds				-
Fire insurance rebate	8,657	-		8,657
State revenue sharing	4,405	-		4,405
Oil & gas royalties	188	-		188
Other revenues	41,266	-		41,266
Interest income	7,814	-		7,814
TOTAL GENERAL REVENUES	815,935	(5,948)		809,987
NET CHANGE IN FUND BALANCE/ CHANGE IN NET POSITION	413,589	(183,236)		230,353
FUND BALANCE / NET POSITION				
Beginning of the year	2,011,508			4,064,507
End of the year	\$ 2,425,097			\$ 4,294,860

The accompanying notes are an integral part of this statement.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2019

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

Net Change in Fund Balance, Governmental Fund	\$	413,589
Governmental funds report expenses that involve payments with current financial resources, such as insurance, in the year in which it is paid. In the Statement of Activities, payments that are attributable to current periods are recognized.		
Change in prepaid insurance		(21,704)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Depreciation expense (\$166,054) more than capital outlays (\$10,470)		(155,584)
Change in unavailable ad valorem taxes		(5,948)
Change in Net Postion of Governmental Activities	\$	<u><u>230,353</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2019

INTRODUCTION

DeSoto Parish Fire Protection District No. 2 was created by the DeSoto Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492 on February 10, 1993. The Fire District is governed by a five-member board appointed in accordance to LRS 40:1496 as follows: two members by the Police Jury, two members by the Town of Keatchie, and one, the chairman, by the other four members. Board members serve without compensation. The Fire District is responsible for maintaining and operating fire stations and equipment and providing fire protection to approximately 2,000 residents within the boundaries of the Fire District. The Fire District maintains and operates three stations within its boundaries. The Fire District is staffed by one part-time administrative employee, fourteen part-time firefighters and approximately 20 volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the DeSoto Parish Fire Protection District No. 2 have been prepared in conformity with governmental accounting principles generally accepted (GAAP) 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 basis financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Governmental Audit Guide*.

The more significant accounting policies established by GAAP and used by the DeSoto Parish Fire Protection District No. 2 are discussed below.

A. REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the governmental reporting entity and which component units should be included within the reporting entity. Under provisions of this Statement, the DeSoto Parish Fire Protection District No. 2 was determined to be a component unit of the DeSoto Parish Police Jury, the financial reporting entity. The Police Jury is financially accountable for the Fire District because it appoints or ratifies a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the Fire District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. BASIS OF PRESENTATION

The DeSoto Parish Fire Protection District No. 2's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the fund of the reporting entity, which is considered to be a governmental activity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Fire District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations. The major governmental fund of the Fire District is described below:

General Fund. The General Fund, as provided by Louisiana Revised Statute 47:1906 is the primary operating fund of the Fire District and is used to account for the operations of the Fire District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Fire District's policy,

C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues, expenditures, expenses, and transfers—and assets, deferred outflows of resources, liabilities, and deferred inflows of resources—are recognized in the accounts and reported in the financial statements.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets and liabilities (whether current or non-current) associated with its activities are reported. Government-wide fund equity is classified as net position.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on its balance sheet. The statement of revenues, expenditures, and changes in fund balance reports sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of available spendable financial resources during a given period. This approach is then reconciled, through adjustment, to a government-wide view of the operations.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are classified by source and expenditures are classified by function and character. Expenditures (including capital outlays) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. The governmental funds use the following practices in recording revenues and expenditures:

Revenues. Ad Valorem (property) taxes and parcel fees are recognized in the year in which the taxes are assessed or billed. Ad valorem taxes are assessed on a calendar year basis, attach as an enforceable lien, and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Intergovernmental revenues and grants are recognized when the Fire District is entitled to funds. Interest income on deposits are recorded monthly when the interest is earned and credited to the account.

Expenditures. Salaries are recorded when employee services are provided. Purchases of various operating supplies are recorded as expenditures in the accounting period in which they are purchased. Substantially all other expenditures are recognized when the related fund liability is incurred.

D. ASSETS, LIABILITIES AND EQUITY

Cash and interest-bearing deposits

Cash and cash equivalents include amounts in demand accounts, savings accounts, and certificates of deposits with 90-day or less maturity term at time of purchase. Under state law, the Fire District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Fire District may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Prepaid Expenses

Payments made to vendors for services that will benefit future accounting periods beyond December 31, 2019, are recorded as prepaid expenses.

Accounts Receivable

Major receivables for the governmental activities include ad valorem taxes, state revenue sharing, and parcel fees. The Fire District uses the allowance method to account for bad debts for parcel fees. Under this method, an estimate is made of the expected bad debts included in the year-end receivables. The provision is recorded as a decrease to the current revenue with a corresponding increase to the allowance for doubtful accounts. The Fire District feels that at this time there is no need for an allowance for doubtful accounts for uncollectible ad valorem tax receivables. Accounts receivable are reported in the financial statements net of the allowance account.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Fire District maintains a threshold level of \$2,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Firefighting equipment	5-10 years
Fire trucks	7-15 years
Furniture and fixtures	5 years

Unavailable ad valorem taxes

The Fire District recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of December 31, 2019, are recorded as a receivable. Those net property taxes receivable which were not collected within 60 days immediately following December 31, 2019, are recorded as unavailable tax revenue.

Equity Classifications

Net Position

The Fire District classifies net position in the government-wide financial statements, as follows:

- Net investment in capital assets – Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the District's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
- Unrestricted net position – Consists of all other net position that do not meet the definition of the above two components and is available for general use by the Fire District.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Fire District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Fund Balances

In accordance with GASB 54, the Fire District classifies fund balances in governmental funds as follows:

- Nonspendable- amounts that are not in spendable form (such as prepaid expenses) or are legally or contractually required to be maintained intact,
- Restricted- amounts constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government), through constitutional provisions, or by enabling legislation,

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Committed- amounts constrained to specific purposes by the Fire District itself, using its highest level of decision making authority, to be reported as committed, amounts cannot be used for any other purpose unless the Fire District takes the same highest level action to remove or change the constraint,
- Assigned- amounts the Fire District 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,
- Unassigned- amounts that are available for any purpose, positive amounts are reported only in the general fund.

The Fire District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND INTEREST-BEARING DEPOSITS

At December 31, 2019, the Fire District has cash and cash equivalents totaling \$1,681,201 (book balance). Cash and cash equivalents are stated at cost, which approximates market.

The cash of the DeSoto Parish Fire Protection District No. 2 is subject to the following risk:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement of the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Fire District that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Fire District's name.

At December 31, 2019, the Fire District has \$1,682,098 in deposits (collected bank balances). These deposits are secured from risk by \$494,553 of federal deposit insurance and by \$1,187,545 of pledged marketable securities held by the custodial bank with a value of \$1,755,097.

3. ACCOUNTS RECEIVABLE

The following is a summary of receivables at December 31, 2019:

Ad valorem taxes	\$ 771,524
Parcel fees, net	27,715
	<u>\$ 799,239</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2019

4. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2019 are as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>December 31, 2018</u>	<u>Additions</u>	<u>Deletions /</u> <u>Reclassification</u>	<u>Balance</u> <u>December 31, 2019</u>
Capital assets not being depreciated				
Land	\$ 29,972	\$ -	\$ -	\$ 29,972
Capital assets being depreciated				
Vehicles	1,646,156	-	-	1,646,156
Buildings	1,332,584	-	-	1,332,584
Firefighting Equipment	375,068	10,470	-	385,538
Furniture & Fixtures	5,369	-	-	5,369
Office Equipment	5,766	-	-	5,766
Total	<u>3,364,943</u>	<u>10,470</u>	<u>-</u>	<u>3,375,413</u>
Less accumulated depreciation				
Vehicles	\$ 901,799	\$ 94,373	\$ -	\$ 996,172
Buildings	252,852	37,961	-	290,813
Firefighting Equipment	247,129	32,038	-	279,167
Furniture & Fixtures	4,500	319	-	4,819
Office Equipment	3,608	1,363	-	4,971
Total	<u>1,409,888</u>	<u>166,054</u>	<u>-</u>	<u>1,575,942</u>
Capital assets, net	\$ <u>1,985,028</u>	\$ <u>(155,584)</u>	\$ <u>-</u>	\$ <u>1,829,443</u>

Depreciation expense of \$166,054 was charged to the public safety function.

5. LEVIED TAXES

Ad Valorem Taxes

The Fire District levies taxes on real and business property located within the boundaries of the Fire District. Property taxes are levied by the Fire District on property values assessed by the DeSoto Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The DeSoto Parish Sheriff's office bills and collects property taxes for the Fire District. Collections are remitted to the Fire District monthly. The Fire District recognizes property tax revenues when levied.

The property tax calendar is as follows:

Assessment date	January 1, 2019
Levy date	June 30, 2019
Tax bills mailed	October 15, 2019
Total taxes are due	December 31, 2019
Penalties & interest added	January 31, 2020
Tax sale	May 15, 2020

The Fire District has authorized and levied an 8.68 ad valorem tax millage for 2019. The resolution assessing the taxes was approved by the district voters April 6, 2013, effective January, 2014, and expires in the year 2023. The assessment is to cover the cost of the purchase of fire protection equipment and the maintenance and operation of fire protection facilities and equipment, and for obtaining water for fire protection purposes.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2019

5. LEVIED TAXES (continued)

Ad valorem taxes are recorded in the year the taxes are assessed. The taxes are normally collected in December of the current year and January and February of the ensuing year. Total assessed value in the Fire District was \$90,155,079 in 2019. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was a total of \$3,591,318 in 2019. Total of ad valorem tax revenues recognized in 2019 by the Fire District was \$747,657.

The following are the principal taxpayers for the Fire District (2019 amounts):

	TYPE OF BUSINESS	ASSESSED VALUATION	% OF TOTAL ASSESSED VALUATION	AD VALOREM TAX REVENUE FOR FIRE DISTRICT
Covey Park Operating LLC	Oil & Gas	11,436,458	12.69%	94,843
Indigo Minerals LLC	Oil & Gas	10,542,064	11.69%	87,425
ETC Tiger Pipeline, LLC	Oil & Gas	7,643,547	8.48%	63,388
Chesapeake Operating, LLC	Oil & Gas	6,952,979	7.71%	57,661
Exco Operating Company	Oil & Gas	5,995,917	6.65%	49,724
Gulf South Pipeline Co., LP	Oil & Gas	5,075,890	5.63%	42,094
Louisiana Midstream Gas	Oil & Gas	4,056,572	4.50%	33,641
TGG Pipeline, LTD	Oil & Gas	3,278,683	3.64%	27,190
GEP Haynesville, LLC	Oil & Gas	3,169,312	3.52%	26,283
Whiskey Bay Gathering Co	Oil & Gas	2,457,724	2.73%	20,382
Total		<u>60,609,146</u>	<u>67.23%</u>	<u>502,632</u>

Parcel fees

As per Louisiana R.S. 40:1502, DeSoto Parish Fire Protection District No. 2 annually levies a service charge of \$35 to persons owning property located within its boundaries. The resolution assessing the service charges was approved by the district voters November 5, 2002, and effective January, 2004, to continue for ten years. The assessment was reapproved on April 6, 2013. The assessment is to cover the cost of the purchase of fire protection equipment and the maintenance and operation of fire protection facilities and equipment, and for obtaining water for fire protection purposes.

The assessment calendar:

Assessment date	January 1, 2019
Levy date	June 30, 2019
Bills mailed	October 1, 2019
Total service charge due	December 31, 2019
Lien date	not applicable

The Fire District assessed \$33,750 in service charges in 2019 and recognized \$33,750 in revenue.

The service charge receivables at December 31, 2019, are as follows:

Service charge (parcel) fees receivable	\$ 203,079
Allowance for bad debts	<u>(175,364)</u>
Parcel fees receivable	<u>\$ 27,715</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2019

6. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fire District has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in the category. Accordingly, the item, unavailable ad valorem tax revenue, is reported only in the governmental funds balance sheet.

7. RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to limited torts, theft of or damage to and destruction of asset and errors and omissions. To handle some of the risk, the Fire District maintains surety bond coverage. No settled claims from these risks have exceeded insurance coverage in the last three years. There were no significant changes to insurance coverage during the year ended December 31, 2019.

8. LITIGATION

There is no litigation pending against the Fire District, at December 31, 2019, nor is it aware of any unasserted claims.

9. RELATED PARTY TRANSACTIONS

FASB 57 requires the disclosure of the description of the relationship, the transactions, the dollar amount of the transactions, and any amounts due to or from that result from related party transactions. There were no related party transactions noted.

10. COMPENSATION PAID TO BOARD MEMBERS

The members of the Board of Commissioners of the Fire District receive no compensation for their services.

11. RETIREMENT COMMITMENTS

The Fire District had twenty-one employees who are members of the Federal Social Security System. The Fire District and its employees contribute a percentage of the employee's salary to the System (6.2% by the employee). The Fire District's contribution was \$15,325 for the year ended December 31, 2019.

12. COOPERATIVE ENDEAVOR AGREEMENTS

During 2019, the Fire District, along with 5 other Parish Fire Districts, entered into a Cooperative Endeavor Agreement with the DeSoto Parish Sheriff's Office. The Sheriff's Office will provide the Fire Districts with adequate dispatching services for the annual sum of \$275,000 (payable in four quarterly payments) to be paid proportionally by each of the Fire Districts based on 2018 millage revenues. The total portion of Fire District 2 is \$23,254 (\$5,813.50 due quarterly). The DeSoto Sheriff agreed to hire 4 full time employees to provide the dispatching services and to employ a communications supervisor for those employees dispatching for the Fire Districts. The agreement is undated and terminates June 30, 2020 unless amended by all the parties to the agreement.

13. SUBSEQUENT EVENTS

Management has evaluated events through June 30, 2020, which is the date the financial statements were available. There are no subsequent events that require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Ad valorem taxes	\$ 728,989	\$ 728,989	\$ 753,605	\$ 24,616
Parcel fees	31,500	31,500	33,750	2,250
Intergovernmental revenue- state funds				
Fire insurance rebate	9,500	9,500	8,657	(843)
State revenue sharing	4,500	4,500	4,405	(95)
Contributions	-	-	1,000	1,000
Oil & gas royalties	750	750	188	(562)
Other revenues	-	-	41,266	41,266
Interest income	1,500	1,500	7,814	6,314
Total Revenues	776,739	776,739	850,685	73,946
Expenditures				
Current public safety-fire:				
Personal services & related benefits	350,000	350,000	268,080	81,920
Operating expenses	129,500	129,500	79,622	49,878
Materials & supplies	81,500	81,500	78,018	3,482
Travel, training & other charges	5,000	5,000	906	4,094
Capital outlays	1,000,000	1,000,000	10,470	989,530
Total Expenditures	1,566,000	1,566,000	437,096	1,128,904
Net Change in Fund Balance	(789,261)	(789,261)	413,589	(1,202,851)
Fund balance, beginning of year	2,011,508	2,011,508	2,011,508	-
Fund balance, end of year	\$ 1,222,247	\$ 1,222,247	\$ 2,425,097	\$ (1,202,851)

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

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
NOTES TO BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2019

Budgetary Information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for most governmental funds are adopted annually on the cash basis of accounting. The budget comparison schedules present the original adopted budget and the final amended budget. The Fire District did not amend the budget during the year.

The Fire District is required by state law to adopt an annual budget. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

A proposed budget is prepared by the governing board in November and made available for public inspection no later than 15 days prior to December 31, of each year. In open meeting prior to December 31, the budget is adopted and becomes part of the official minutes of the Fire District. The proposed budget for the General Fund is prepared on the modified accrual basis of accounting.

Once a budget is approved, it can be amended by approval of a majority of the Board. Amendments are presented at a regular open meeting for Board approval. The Board approved the 2019 budget at a meeting on December 11, 2018.

For the year ended December 31, 2019, actual revenues were more than budgeted amounts by \$73,946 or 9.52% and expenditures were less than appropriations in the General Fund by \$1,202,851 or 72.09%.

The Fire District is in compliance with the Local Government Budget Act R.S. 39:1301-1316 and the budget requirements of R.S. 39-1331-1342.

OTHER SUPPLEMENTAL INFORMATION

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

For the year ended December 31, 2019

	Noel Tucker
	<u>Fire Chief</u>
Salary	37,381
Benefits-insurance (Medicare)	542
Benefits- retirement (Social Security)	2,318
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Training	721
Housing	-
Unvouchered expenses	-
Special meals	-
Total	<u>\$ 40,962</u>

See independent auditor's report.

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING
STANDARDS*



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

122 Jefferson Street

Maura Dees Gardner, CPA, CFE

Mansfield, Louisiana

Phone No. 318-872-3007

Fax No. 318-872-1357

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

DeSoto Parish Fire Protection District No. 2
Keatchie/Shiloh/Gloster, 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 the major fund of the DeSoto Parish Fire Protection District No. 2, a component unit of the DeSoto Parish Policy Jury, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the DeSoto Parish Fire Protection District No. 2's basic financial statements and have issued our report thereon dated June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the DeSoto Parish Fire Protection District No. 2'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 DeSoto Parish Fire Protection District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire 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. We consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses and is listed as 2019-01.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DeSoto Parish Fire Protection District No. 2's basic financial statements are free of 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 did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

DeSoto Parish Fire Protection District No. 2's Responses to Findings

DeSoto Parish Fire Protection District No. 2's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. DeSoto Parish Fire Protection District No. 2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

This report is intended for the information and use of the DeSoto Parish Fire Protection District No. 2, management, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit the distribution of this report which is a matter of public record and is distributed by the Louisiana Legislative Auditor under Louisiana Revised Statute 21:513.

Deas Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
June 30, 2020

AUDIT FINDINGS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
 Schedule of Findings and Responses
 For the Year ended December 31, 2019

Part I. Summary of Auditor's Results

INDEPENDENT AUDITOR'S REPORT:

We have audited the basic financial statements of the DeSoto Parish Fire Protection District No. 2 as of and for the year ended December 31, 2019, and have issued our report thereon dated June 30, 2020. 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. Our audit of the financial statements as of December 31, 2019, resulted in an unmodified opinion.

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER THE FINANCIAL REPORTING:

Internal Control

Significant Deficiency	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Material Weaknesses	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Compliance

Compliance Material to Financial Statements	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
---	------------------------------	--

A management letter was not issued.

FEDERAL AWARDS

Not applicable

Part II. Findings relating to the Financial Statements which are required to be Reported under *Government Auditing Standards*.

FINDINGS RELATED TO INTERNAL CONTROL

2019-01. Inadequate design of internal control over financial statement preparation.

Criteria: In the past, auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 expands management's responsibility to ensure the propriety and completeness of the financial statements and related footnotes.

Finding: The Desoto Parish Fire Protection District No. 2's staff responsible for preparation of the financial statements and related footnote disclosure in accordance with generally accepted accounting principles (GAAP) lacks the resources and/or knowledge necessary to internally complete the reporting requirements.

Recommendation: The Fire District should either: 1) obtain the resources and/or knowledge necessary to internally prepare or review the auditor's preparation of the financial statements and related footnote disclosures in accordance with GAAP, or 2) determine if the cost of 1) overrides the benefit of correcting this control deficiency.

Management's Response: Based upon the cost versus benefit of obtaining the necessary resources and/or training, management has determined it is not cost effective and in our best interest to continue to outsource this task to the independent auditor, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
Schedule of Findings and Responses
For the Year ended December 31, 2019

FINDINGS RELATED TO COMPLIANCE

None noted.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
Schedule of Prior Year Findings
For the Year ended December 31, 2019

2018-01; 2017-01; 2016-01; 2015-01; 2014-01; 2013-01; 2012-01; 2011-01 Financial Statement preparation.

Unresolved. See Finding 2019-01.

OTHER REPORTS



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

Maura Dees Gardner, CPA, CFE

122 Jefferson Street

Mansfield, Louisiana 71052

Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Members of the Board of Commissioners
of the DeSoto Parish Fire Protection District No. 2
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the DeSoto Parish Fire Protection District No. 2 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

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 public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

Written policies and procedures were obtained and were found to address the functions noted above.

- 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.

Written policies and procedures were obtained and were found to address the functions noted above.

- c) **Disbursements**, including processing, reviewing, and approving.

Written policies and procedures were obtained and were found to address the functions noted above.

- 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).

Written policies and procedures were obtained and were found to address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained and were found to address the functions noted above.

- 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.

Written policies and procedures were obtained and were found to address the functions noted above..

- 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).

Written policies and procedures were obtained and were found to address the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Written policies and procedures were obtained and were found to address the functions noted above.

- 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.

Written policies and procedures were obtained and were found to address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were obtained and were not found to address the functions noted above. The entity does not maintain any debt.

- k) **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.

Written policies and procedures were obtained and were found to address the functions noted above.

Collections

2. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposits sites and management's representation that the listing is complete were obtained. The only site of the entity selected for review.

3. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures

relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations and management's representation that the listing is complete were obtained. The only location of the entity selected for review.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

The District does not utilize a cash drawer or register. Collections are primarily received by mail and physical collections are stored in an unsecured basket.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The District does not employ full time personnel responsible for collecting cash. A part time clerk is responsible for preparing deposits and can also collect cash and make deposits if volunteer firefighters are not available to do same.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The part time clerk noted under 5(b) is also responsible for posting deposits.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation

The District does not have an employee responsible for reconciling collections to the general ledger. A board member is responsible for reviewing bank statements and reconciliations.

4. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions were noted as a result of this procedure.

5. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

The entity only has 4 bank accounts total. Of those accounts, only 3 have applicable collections to test, with 2 of those only having 1 applicable collection to test. 4 total collections were selected for testing.

- a) Observe that receipts are sequentially pre-numbered.

The District does not utilize sequentially numbered receipts. .

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted as a result of this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions were noted as a result of this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

The District does not log collections to allow for confirmation of timely deposits.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were noted as a result of this procedure.

Management Response: *The District has a part time clerk and rotating firefighters available to manage the roles necessary for making the seasonal collections of the District. Management does not believe a collection log and sequentially numbered receipts system can be realistically implemented in a consistent and effective manner with a part time clerk and rotating group of firefighters. Invoices mailed for the service fee encourage mailed check payments and a sign is posted at the collection location highlighting that no cash is accepted.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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.

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

Dees Gardner, Certified Public Accountants, LLC

Mansfield, LA
June 30, 2020