

**SABINE PARISH FIRE PROTECTION DISTRICT NO. 1
WARDS NO. 3 AND 4
FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2019**



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EUGENE W. FREMAUX II

CERTIFIED PUBLIC ACCOUNTANT

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
DECEMBER 31, 2019

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS			1
 <u>BASIC FINANCIAL STATEMENTS</u>			
<u>Government Wide Financial Statements</u>			
Statement of Net Position	A	-	3
Statement of Activities	B	-	4
 <u>Fund Financial Statements - Governmental Funds</u>			
Balance Sheet - Governmental Funds	C	-	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	-	6
Statement of Revenues, Expenditures And Changes In Fund Balance - Governmental Funds	E	-	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, And Changes in Fund Balances to the Statement of Activities	F	-	8
<u>Notes to Financial Statements</u>	-	-	9
 <u>OTHER SUPPLIMENTARY INFORAMTION</u>			
Schedule of Compensation, Benefits and Other Payments to Agency Head	H		13
 <u>REQUIRED SUPPLEMENTARY INFORMATION - PART II</u>			
Budgetary Comparison - General Fund	G	-	15
 OTHER REPORTS REQUIRED BY <i>GOVERNMENTAL AUDITING STANDARDS</i>			
Schedule of Findings and Responses	-	-	16
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>	-	-	20
Management’s Corrective Action Plan	-	-	22

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4
Many, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of the Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4, a component unit of the Sabine 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 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 opinion.

Basis for Qualified Opinion

Recordkeeping and audit evidence necessary to assess the fair statement of amounts reported as revenues and expenses presented in the accompanying statement of financial position of the governmental activities and the major fund of the Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4 as of December 31, 2019 and the respective changes in financial position for the year then ended were not sufficient to allow us to form an unmodified opinion regarding these amounts.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, 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 Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4 as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information



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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Management has omitted management's discussion and analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

We have applied certain limited procedures to the required budgetary comparison information (page 15) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sabine Parish Tourist and Recreation Commission's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information listed in the table of contents is the responsibility of management and was derived from and relates 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 information directly to the underlying accounting 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, on our consideration of Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4's internal control over financial reporting and our tests on its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



EUGENE W. FREMAUX II, CPA
June 27, 2022

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
STATEMENT OF NET POSITION

December 31, 2019

ASSETS	
Cash	\$ 554,340
Receivables	338,355
Prepaid expenses	18,543
Capital assets, net of accumulated depreciation	<u>520,050</u>
TOTAL ASSETS	<u>1,431,288</u>
LIABILITIES	
Accounts payable	15,010
Payroll liabilities	<u>39,962</u>
TOTAL LIABILITIES	<u>54,972</u>
NET POSITION	
Invested in capital assets	520,050
Unrestricted	<u>856,266</u>
TOTAL NET POSITION	<u>\$ 1,376,316</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Capital Grants and Contributions	Net (Expenses) Revenue and changes in net position Governmental Unit
FUNCTIONS/PROGRAMS			
Governmental activities:			
Public safety	<u>\$ 280,574</u>	<u>\$ 10,000</u>	<u>\$ (270,574)</u>
Total governmental activities	<u>280,574</u>	<u>10,000</u>	<u>(270,574)</u>
General revenues:			
Taxes			334,200
State revenue sharing			12,049
Fire insurance rebate			35,247
Gain on sale of capital assets			-
Other			<u>400</u>
Total general revenues			<u>381,896</u>
Change in net position			111,322
Net position, beginning of year			<u>1,264,994</u>
Net position, end of year			<u>\$ 1,376,316</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2019

ASSETS

Cash	\$ 554,340
Receivables	338,355
Prepaid expenses	<u>18,543</u>
Total assets	<u><u>\$ 911,238</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 15,010
Payroll liabilities	<u>39,962</u>
Total liabilities	<u>54,972</u>

Fund balance:

Nonspendable-prepaid expenses	18,543
Unassigned	<u>837,723</u>
Total fund balance	<u>856,266</u>

Total liabilities and fund balance	<u><u>\$ 911,238</u></u>
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The accompanying notes are an integral part of these statements.

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2019

Total fund balances - Governmental Funds		\$ 856,266
Cost of capital assets at December 31, 2019	\$ 2,774,992	
Less accumulated depreciation at December 31, 2019	<u>(2,254,942)</u>	<u>520,050</u>
Total net position at December 31, 2019 - Governmental Activities		<u>\$ 1,376,316</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
GENERAL FUND
Year ended December 31, 2019

Revenues:		
Taxes	\$	334,200
Intergovernmental-		
State revenue sharing		12,049
Fire insurance rebate		35,247
Other		<u>10,400</u>
Total revenues		<u>391,896</u>
Expenditures:		
Public Safety:		
Personnel costs		38,730
Occupancy		25,795
Insurance		39,198
Operating services		77,485
Capital outlay		<u>32,700</u>
Total general government		<u>213,908</u>
Excess (deficiency) of revenues over expenditures		177,988
Other financing sources-sale of assets		<u>-</u>
Net Change in Fund Balance		177,988
Fund balance, beginning of year		<u>678,278</u>
Fund balance, end of year	\$	<u><u>856,266</u></u>

The accompanying notes are an integral part of these statements.

EXHIBIT F

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

December 31, 2019

Excess of revenues over expenditures		\$	177,988
Capital assets:			
Capital outlay capitalized	\$	-	
Depreciation expense for year		<u>(99,366)</u>	<u>(99,366)</u>
Change in net assets - Governmental Activities			<u>\$ 78,622</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

(1) Summary of significant accounting policies

The Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4 was created by the Sabine Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492, for the purpose of providing fire protection within the District. The District is governed by a board of five commissioners appointed by the Police Jury and Town of Many. The commissioners serve two-year terms.

A. Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local government entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4 present information only as to the transactions of the programs of the Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4 as authorized by Louisiana statutes and administrative regulations.

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

The accounts of the Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4 are maintained in accordance with applicable statutory provisions:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting therefore, revenues are recognized in the accounting period in which they are earned and became measurable.

Expense Recognition

Expenses are recognized on the accrual basis, therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. Budgetary Accounting

Formal budgetary accounting is employed as a management control. The Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4's prepares and adopts a budget each year in accordance with the Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting. The Fund amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year end.

C. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, the Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4 defines cash and equivalents as follows:

Cash – includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents – includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments that, at the date of purchase, have a maturity date no longer than three months qualify under the definition.

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

D. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectable.

E. Bad debts

Uncollectable accounts receivable is recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectability of the particular receivable.

F. Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by the Sabine Parish fire Protection District No. 1, Wards No. 3 and 4 is charged as an expense against operations in the Statement of Activities. Capital assets net of accumulated depreciation are reported on the Statement of Net Position. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterment are capitalized.

G. Compensated Absences

Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4 does not have full time employees, therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

H. Restricted Net Position

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

1. Investment in capital assets, net of related debt – consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets;
2. Restricted net position – net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or b) law through constitutional provisions or enabling legislation.
3. Unrestricted – all other net position is reported in this category.

I. Fund Equality

In the fund financial statements, governmental fund equity is classified as fund balance and displayed in five components:

1. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
2. Restricted – amounts constrained to specific purposes by either a) creditors, grantors, contributors, or the laws or regulations of other governments, or b) constitutional provisions or enabling legislation.
3. Committed – amounts constrained to specific purposes by the governmental entity at its highest level of decision-making authority (Board of Commissioners). These amounts cannot be used for any other purposes unless the government takes the same highest-level action to remove or change the constraint;
4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed that are intended to be used for specific purposes as established by the Board of Commissioners or its management to which the Board of Commissioners has delegated the authority to assign amounts for specific purposes;
5. Unassigned – all other spendable amounts.

The Board of Commissioners established (and modifies or rescinds) fund balance commitments and assignments by passage of an ordinance or resolution.

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

The Commission typically uses restricted fund balances first, followed by committed, assigned and unassigned funds when an expenditure is incurred for purposes for which amounts in any of these fund classifications could be used.

J. Estimates

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

(2) Cash

For reporting purposes, deposits with financial institutions including savings, demand deposits, time deposits, and certificates of Deposit. Under state law, the Sabine Parish Fire Protection District No. 1, Wards No. 3 and 4 may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Fund may invest in time certificates of deposit of state banks organized under the laws of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits 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 pledged 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. Of the total of \$554,340 deposited in demand and time deposits as of December 31, 2019, \$320,000 was secured through federal depository insurance and the remainder was secured by the pledge of securities owned by the depository bank

(3) Accounts receivable

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

Ad valorem taxes	\$334,159
Other	<u>4,196</u>
Total	<u>\$338,355</u>

(4) Capital assets

A summary of the District's capital assets at December 31, 2019 follows:

	Land	Vehicles and Equipment	Building Improvements	Total
Cost of capital assets, beginning of year	\$ 12,000	\$ 2,210,129	\$ 520,163	\$ 2,742,292
Deletions		-	-	-
Additions		-	-	-
Cost of capital assets, end of year	<u>\$ 12,000</u>	<u>\$ 2,210,129</u>	<u>\$ 520,163</u>	<u>\$ 2,742,292</u>
Accumulated depreciation, beginning of year		\$ 1,765,293	\$ 390,283	\$ 2,155,576
Deletions		-	-	-
Additions		82,732	16,634	99,366
Accumulated depreciation, end of year	<u>\$ -</u>	<u>\$ 1,848,025</u>	<u>\$ 406,917</u>	<u>\$ 2,254,942</u>
Capital assets, net of accumulated depreciation, end of year	<u>\$ 12,000</u>	<u>\$ 362,104</u>	<u>\$ 113,246</u>	<u>\$ 487,350</u>

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

(5) Leases

The Sabine Parish Fire Protection District No. 1, Wards 3 and 4 was not obligated under any capital or operating lease commitments at December 31, 2019.

(6) Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the District maintains commercial insurance policies covering; automobile liability, medical payments, uninsured motorist, and collision; business liability; property coverage; and surety bond coverage. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts

(7) Ad valorem taxes

The District is funded primarily with ad valorem taxes amounting to 4.81 mills, which amounted to collections of \$334,200 for 2019.

(8) Litigation

There was no outstanding litigation against the Sabine Parish Fire protection District No. 1, Wards 3 and 4 at December 31, 2019.

(9) Compensation paid to Commissioners

In accordance with Louisiana revised Statute 40:1498, members, including police jurors serving ex-officio, may be paid per diem of \$30 for attending board meetings – not to exceed two meetings in one calendar month. Compensation paid in 2019 to the Commissioners follows:

James Kennedy	\$180
David Davis	300
Charles Brown	270
Kenny Carter	360
Robert Hable	330
Kenneth Freeman	210

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1
WARDS NO. 3 AND 4
MANY, LOUISIANA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD
YEAR ENDED DECEMBER 31, 2019

Agency Head: David Davis, Chairman

<u>Purpose</u>	<u>Amount</u>
Per diem	\$300

OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended December 31, 2019

	Original Budget	Final Budget	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:				
Taxes	\$ 271,772	\$ 271,772	\$ 334,200	\$ 62,428
State revenue sharing	15,000	15,000	12,049	(2,951)
Fire insurance rebate	34,000	34,000	35,247	1,247
Grants	-	-	-	-
Interest income	-	-	-	-
Other	-	-	10,400	10,400
	<u>320,772</u>	<u>320,772</u>	<u>391,896</u>	<u>71,124</u>
Total revenues				
Expenditures:				
General government:				
Personnel costs	58,800	58,800	38,730	20,070
Occupancy	32,000	32,000	25,795	6,205
Insurance	40,000	40,000	39,198	802
Operating services	124,650	124,650	77,485	47,165
Capital outlay	160,000	160,000	32,700	127,300
	<u>415,450</u>	<u>415,450</u>	<u>213,908</u>	<u>201,542</u>
Total general government				
Excess (deficiency) of revenues over expenditures	(94,678)	(94,678)	177,988	272,666
Other financing sources-sale of assets	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	(94,678)	(94,678)	177,988	272,666
Fund balance, beginning of year	678,278	678,278	678,278	-
	<u>678,278</u>	<u>678,278</u>	<u>678,278</u>	<u> </u>
Fund balance, end of year	<u>\$ 583,600</u>	<u>\$ 583,600</u>	<u>\$ 856,266</u>	<u>272,666</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH FIRE PROTECTION DISTRICT NO. 1, WARDS NO. 3 AND 4
MANY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

CURRENT YEAR FINDINGS

2019-01 Segregation of duties

Criteria: Adequate segregation of duties requires that critical functions of key accounting processes be assigned to and performed by more than one individual.

Condition: Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties over cash receipts, accounts payable, and general ledger preparation. The receipt of funds, bank deposits and posting of receipts are performed by the same individual. Invoices are received, processed and paid by one individual. The same individual prepares bank reconciliations and maintains the general ledger. See prior year finding 2015-01, 2016-01, 2017-01 and 2018-01.

Cause: The District does not have sufficient employees to adequately separate the key accounting processes.

Effect: Without adequate segregation of duties, intentional or unintentional errors could occur and not be detected, increasing the risk of loss or theft of the District's assets.

Recommendation: Since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we recommend that the District develop and implement procedures that provide as much segregation of duties possible utilizing the management and staff available. At a minimum, bank reconciliations should be reviewed by a Board member not involved in accounting functions or check signing, and checks should only be signed by Board members not involved in accounting functions.

Management's Response: See Management's Corrective Action Plan Attached

2019-02 Deposits not timely

Criteria: Deposits should be made within one day of receipt to minimize the risk of loss to the District.

Condition: The District receives most funds from monthly checks from the Sabine Parish Sheriff, however during 2019 deposits were made between one and two months after the date of the check issued by the Sheriff. Generally, bank deposit slips only indicated an amount and did not list individual checks or details that composed the deposit. Supporting records of deposits were not always complete. See prior year finding 2015-02, 2016-02, 2017-02 and 2018-02.

Cause: The District does not have adequate procedures in place (1) to insure deposits are made timely and recorded properly in the general ledger, (2) bank reconciliations are being properly reviewed and approved and (3) appropriate documentation is maintained in the accounting records.

Effect: Monthly financial statements furnished the Board were misleading as it related to monthly revenues collected. Without adequate procedures in place, intentional or unintentional errors could occur and not be detected, increasing the risk of loss or theft of the District's assets.

Recommendation: Procedures should be adopted and implemented to insure that (1) accounting records should be organized in a manner that will minimize the possibility of misplaced checks, (2) deposits should be made within one day of receiving the check, (3) the face of the deposit slip should contain proper identification information of what was deposited (payor and check number) and the amount of the deposit should match the posting of the deposit in the general ledger, and (4) accounting records of each deposit should be supported by copies of all checks deposited, along with any supporting documents.

Management's Response: See Management's Corrective Action Plan Attached

2019-03 Old outstanding checks

Criteria: Outstanding checks over six months old should be researched and either corrected or turned over to Louisiana as unclaimed property.

Condition: As of December 31, 2019, there were 142 outstanding checks over six months old amounting to \$42,823.49 with no written documentation of research into these items. There was also no written documentation of review of the bank reconciliation by a member of the Board that was not an authorized check signer. See prior year finding 2015-03, 2016-03, 2017-03 and 2018-03.

Cause: The District did not follow up on old outstanding checks.

Effect: Monthly financial statements furnished the Board were misleading as it related to cash balances and expenses. Without adequate procedures in place, intentional or unintentional errors could occur and not be detected, increasing the risk of loss or theft of the District's assets.

Recommendation: The District should adopt procedures to require written documentation of the reasons for outstanding checks over six months old and require the documentation to be attached to the monthly bank reconciliations.

Management's Response: See Management's Corrective Action Plan Attached

2019-04 Annual Financial Statements

Criteria: LRS 24:514 requires the District to file its annual financial statements with the Louisiana Legislative Auditor's office within six months after the end of its fiscal year, which would be June 30, 2020. The District's annual financial statements were not filed within the timeframe required by state law.

Condition: The District is not in compliance with LRS 24:514. See prior year finding 2015-04, 2016-04, 2017-04 and 2018-04.

Cause: The District's financial information was not furnished to the District's independent auditor on timely basis for the audit to be completed by the June 30, 2020 deadline.

Effect: The District is prohibited from receiving state funds until the financial statements are filed with the Louisiana Legislative Auditor's office.

Recommendation: The District should comply with state law.

Management's Response: See Management's Corrective Action Plan Attached

2019-05 Payroll and payroll taxes

Criteria: The District should be in compliance with payroll regulations issued by the Internal Revenue Service (IRS) relating to volunteer firefighters, and filing and payment of payroll taxes.

Condition: The District pays a fixed monthly amount to the chief, two assistant chiefs, and bookkeeper, and reports these payments as payroll and withholds related payroll taxes. However, payments to station caretakers are reported as payments (\$12,356 in 2017) in accordance with Form 1099-MISC regulations for payments to independent contractors. There were no payments to station caretakers during 2019. IRS Publication 5138 "Quick Reference Guide for Public Employees" has a section entitled "Volunteer Firefighters" which states "Volunteer firefighters are considered employees and their remuneration is generally subject to all withholding taxes.". See prior year finding 2015-05, 2016-05, 2017-05 and 2018-05.

In addition, the federal and Louisiana quarterly payroll filings for 2015 through 2018 were all filed late, and the related payments were not made timely. At the end of 2019, the District owed \$28,999 in payroll taxes to the IRS and Louisiana. As of June 24, 2022, IRS records indicated the quarterly Form 941's for the years 2015-2018 have been filed and the related payments have been made.

Cause: The District has elected to treat the payments to station caretakers as payments to independent contractors. In addition, controls are not in place to ensure the timely filing and payment of payroll taxes.

Effect: Non-compliance with IRS regulations could expose the District, and potentially the District's board members, to substantial monetary penalties, in addition to having to pay the IRS for payroll taxes not paid in the past. Late filing of quarterly payroll reports, along with late payment of the payroll tax due, will result in substantial penalties and interest.

Recommendation: Based upon the wording in IRS Publication 5138, the payments being made to the station caretakers should be considered payments to employees and not independent contractors. The Board should require written documentation of timely filing and payment of payroll taxes each quarter.

Management's Response: See Management's Corrective Action Plan Attached. As of June 24, 2022 all past due federal payroll tax returns and tax payments have been made, and management is working to get all past due Louisiana payroll tax reports and payments completed.

2019-06 Cash Disbursements

Criteria: Adequate internal control should require proper approved support be attached to the check stub before the check is signed.

Condition: The District was unable to locate any of the accounting records for nine months of 2019 so no test of disbursements could be performed. See finding 2019-08. Prior year finding 2015-06, 2016-06, 2017-06 and 2018-06.

Cause: The District does not require supporting documents to be attached to the file copy of the check stub before the check is signed.

Effect: Without adequate support furnished to the check signers, intentional or unintentional payments could occur and not be detected, increasing the risk of loss or theft of the District's assets.

Recommendation: Check signers should not sign checks without proper approved supporting documents attached.

Management's Response: See Management's Corrective Action Plan Attached

2019-07 Minutes

Criteria: LRS 24:144 requires minutes of the Board to be published within ten days from the date of any meeting at which official proceedings were held.

Condition: No Board minutes for 2019 were published. See prior year finding 2015-07, 2016-07, 2017-07 and 2018-07.

Cause: The District has not published the minutes.

Effect: The Board is not in compliance with the state law.

Recommendation: The Board should adopt procedures to ensure compliance with state law.

Management's Response: See Management's Corrective Action Plan Attached

2019-08 Incomplete Financial Records

Criteria: Effective financial reporting requires that underlying documentation to support all transactions recorded in the financial records be maintained in a orderly manner.

Condition: The District was unable to locate supporting records for recorded revenues and expenses for nine months of 2019.

Cause: The District did not have procedures in place to maintain proper control over supporting documentation of revenues and expenses.

Effect: There are no records available to support recorded revenues and expenses.

Recommendation: The Board should adopt procedures to ensure proper control over accounting records.

Management's Response: Management agrees with the auditor's recommendations and has taken steps to address deficiencies in controls over recordkeeping.

PRIOR YEAR FINDINGS

2018-01 Segregation of duties

See corresponding current year finding above.

2018-02 Deposits not timely

See corresponding current year finding above.

2018-03 Old outstanding checks

See corresponding current year finding above.

2018-04 Annual Financial Statements

See corresponding current year finding above.

2018-05 Payroll and payroll taxes

See corresponding current year finding above.

2018-06 Cash Disbursements

See corresponding current year finding above.

2018-07 Minutes

See corresponding current year finding above.

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

The Board of Directors
Sabine Parish Fire Protection District No. 1, Wards 1 and 2
Florien, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Sabine Parish Fire Protection District No. 1, Wards 3 and 4, Many, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 27, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described as Finding 2019-01, 2019-02, 2019-03, 2019-06 and 2019-08 in the accompanying Schedule of Findings and Responses that we consider to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 my audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Findings 2019-04, 2019-05, and 2019-07.



Sabine Parish Fire District No. 1, Wards 3 and 4's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The District's responses were 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 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.



EUGENE W. FREMAUX II, CPA
June 27, 2022

Resolution #1001

Page 1 of 2

One Tuesday, January 14, 2020, at 7:00 PM, The Fire District 1, Wards 3 and 4 of Sabine Parish, State of Louisiana, Met in open and regular session. The following resolution was offered by David Davis and seconded by Kenny Carter.

Fire District 1, Wards 3 and 4 will follow all recommendations by Mr. Eugene W. Fremaux, Certified Public Accountant, made in his findings report of year 2014, during his audit of Fire District 1, Wards 3 and 4, and continue in all years to follow. The recommendations are as follows:

- 1) **Bank reconciliations** will be reviewed by a Board member not involved in accounting functions or check signing. This Board Member will be appointed this night and shall review the reconciliations prior to regular meetings of this Board each MONTH. He will also monitor any outstanding checks and ask for corrections if outstanding more than 90 days. If for any reason any outstanding check is more than six months outstanding, a written explanation will be presented to the Board. We shall title this duty Reconciliation Reviewer.
 - 2) **All deposits** will be made within one day of receipt, with deposit slip properly completed (amount, payer and check number). *Copy of the check deposited* attached to deposit slips, then posted in ledger.
 - 3) **All financial records** will be presented to the Fire District's local Auditors Office within 90 days following the year end close out on December 31st each year. This giving our auditor time to complete and send to the Louisiana Legislative Auditor before the six-month deadline. Each Board Member will receive a copy of the Audit Report when locally completed.
 - 4) If for any reason we should employ contract labor a 1099 will be presented to contractor. **Station Caretaker** will not be considered contract labor. Volunteer Firefighters are considered employees and are subject to withholding taxes, along with caretakers. All Payroll Taxes will be paid on a timely basis (when due), with documentation of payments each quarter presented to Board.
 - 5) Before any check is signed, supporting documents will be attached to each check stub.
 - 6) All minutes will be published, within 10 days of meetings, at which official proceedings were held.
 - 7) The Board will nullify the agreement with the Sabine Parish Sheriff Department on the Radio Console Unit in the amount of \$15,000.00. Check #14178 will be canceled.
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The voting was as follows:

Yeas: 3

Nays:0

Absent:2

Therefore, the forgoing resolution was declared duly adopted on the 14th day of January, 2020, at which meeting a quorum was present.

A handwritten signature in black ink, appearing to read "David Davis", is written over a horizontal line.

David Davis

Board Chairman

Fire District 1, Wards 3&4