

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

**FINANCIAL REPORT
December 31, 2017**

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

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As of and for the Year Ended December 31, 2017

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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, 2017, 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, 2017, 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 on pages 6-9 and the required supplementary information (part II) as listed 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 required supplemental information (part II) 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 24, 2018, 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.

In accordance with the requirements of the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, we have issued a report dated June 24, 2018 on the results of those procedures and management's responses on pages 37-46.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana

June 24, 2018

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

December 31, 2017

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, 2017. 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 \$95,362 or 2.52% during the year. At December 31, 2017, the assets of the Fire District exceeded its liabilities by \$3,875,201.

DeSoto Parish Fire Protection District No. 2's total revenues decreased \$36,680 or 4.71% to \$742,290 in 2017 from \$778,970 in 2016.

Ad valorem taxes (property taxes) decreased \$35,111 (4.85%) to \$689,110 during the year ended December 31, 2017 compared to \$724,221 during 2016.

DeSoto Parish Fire Protection District No. 2's governmental fund balance increased \$302,028 or 22.39%.

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, 2017

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, 2017, the Fire District's assets exceed its liabilities by \$3,875,201 (net position).

At December 31, 2017, \$2,151,232 or 55.51% of the Fire District's net position reflect net investment in capital assets with a historical cost of \$3,400,211 less accumulated depreciation of \$1,248,979.

Unrestricted net position of \$1,723,969 or 44.49% of total net position as of December 31, 2017, may be used to meet the ongoing obligations to the citizens of DeSoto Parish Fire Protection District No. 2.

Cash and cash equivalents increased \$291,304 (41%) from \$716,537 in 2016 to \$1,007,841 at December 31, 2017.

Accounts receivables (net), consisting of 97% property taxes and 3% parcel fees, decreased \$20,316 or 2.72% over 2016.

Total liabilities increased \$11,200 in 2017.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

December 31, 2017

A Summary of Statement of Net Position is as follows:

ASSETS	Governmental Activities	
	2017	2016
Cash and cash equivalents	\$ 1,007,841	\$ 716,537
Accounts receivable, net	726,473	746,789
Prepaid insurance	18,985	20,977
Deposits	200	200
Capital assets, net of accumulated depreciation	2,151,232	2,313,666
Total assets	\$ 3,904,731	\$ 3,798,169
LIABILITIES		
Current liabilities	\$ 29,530	\$ 18,330
Total liabilities	\$ 29,530	\$ 18,330
NET POSITION		
Net investment in capital assets	\$ 2,151,232	\$ 2,313,666
Unrestricted	1,723,969	1,466,173
Total net position	\$ 3,875,201	\$ 3,779,839

The following schedule compares revenues and expenses for the current and previous year. Total revenues decreased by \$36,680 or 4.71% from last year. Approximately, 92.84 percent of the Fire District's total revenues come from property taxes (ad valorem taxes), 1.81 percent from other state sources, 4.64 percent from parcel fees, and 0.71 percent from other revenue, which consist of oil and gas royalties, insurance reimbursements and interest income. Total expenses increased \$359 or 0.06 percent over the prior year.

Ad valorem tax revenue for the Fire District decreased by \$35,111 (4.85%), reflecting a decrease in the property tax revenue.

Depreciation expense of \$172,612 made up 26.68% of total expenses for December 31, 2017 compared to \$172,118 or 26.62% of total expenses in 2016.

A Summary of Statement of Activities is as follows:

	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for services- Parcel fees	\$ 34,430	\$ 34,465
Contributions	1,000	-
General Revenues:		
Ad valorem taxes	689,110	724,221
Intergovernmental revenues	13,467	12,858
Interest income	1,357	1,290
Loss on disposal of asset	(5,504)	-
Other revenue	8,430	6,136
Total revenues	742,290	778,970
Expenses		
Public safety	646,928	646,569
Total expenses	646,928	646,569
Increases in net position	95,362	132,401
Net Position, beginning	3,779,839	3,647,438
Net Position, ending	\$ 3,875,201	\$ 3,779,839

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
December 31, 2017

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S GOVERNMENT FUNDS

For the year ended December 31, 2017, differences between the government-wide presentation and the fund financial statements were due to acquisition of capital outlays, depreciation changes associated with capital assets, prepaid insurance, and deferred property tax.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Fire District adopted a budget for its General Fund for the year ended December 31, 2017. The budget was amended once 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, 2017, the Fire District had no debt on capital assets.

CAPITAL ASSETS

The Fire District acquired \$15,681 in capital assets in 2017. This amount included new doors at the Gloster Station and software.

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 2018 should not change significantly from the year 2017 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 Kathy Tucker, Clerk, at P. O. Box 249, 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, 2017

	Governmental Fund Financial Statements		Government-wide Statements
	Balance Sheet		Statement of
	General Fund	Adjustments	Net Position
ASSETS			
Cash and cash equivalents	\$ 1,007,841	\$ -	\$ 1,007,841
Accounts receivable, net of allowance	726,473	-	726,473
Deposits	200	-	200
Prepaid expenses	-	18,985	18,985
Capital assets, net of depreciation	-	2,151,232	2,151,232
TOTAL ASSETS	\$ 1,734,514	2,170,217	\$ 3,904,731
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 23,417	-	23,417
Payroll liabilities	6,113	-	6,113
TOTAL LIABILITIES	29,530	-	29,530
DEFERRED INFLOWS OF RESOURCES			
Unavailable ad valorem taxes	53,980	(53,980)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	53,980	(53,980)	-
FUND BALANCE / NET POSITION			
Fund Balances:			
Unassigned	1,651,004	(1,651,004)	-
TOTAL FUND BALANCES	1,651,004	(1,651,004)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,734,514	(1,704,984)	-
Net Position:			
Net investment in capital assets		2,151,232	2,151,232
Unrestricted		1,723,969	1,723,969
TOTAL NET POSITION		\$ -	\$ 3,875,201

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, 2017

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

Fund Balance, Total Governmental Fund	\$	1,651,004
Capital Assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds		2,151,232
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year		18,985
Unavailable ad valorem taxes are reported in the governmental funds but not in the Statement of Net Position		53,980
Net Position of Governmental Activities	\$	<u><u>3,875,201</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, 2017

	Governmental Fund Financial Statements		Government-wide Statements	
	Statement of Revenues, Expenditures, and Changes in Fund Balance		Statement of Activities	
	General Fund	Adjustments		
EXPENDITURES/EXPENSES				
Public safety-fire:				
Personal services & related benefits	\$ 280,570	\$ -	\$	280,570
Operating expenses	106,594	1,991		108,585
Material & supplies	83,874	-		83,874
Travel, training & other charges	1,287	-		1,287
Capital outlays	15,681	(15,681)		-
Depreciation	-	172,612		172,612
TOTAL EXPENDITURES/EXPENSES	488,006	158,922		646,928
PROGRAM REVENUES				
Charges for services	34,430	-		34,430
Operating grants and contributions	1,000	-		1,000
Capital grants and contributions	-	-		-
TOTAL PROGRAM REVENUES	35,430	-		35,430
NET PROGRAM EXPENSE	452,576	158,922		611,498
GENERAL REVENUES				
Ad valorem taxes	731,350	(42,240)		689,110
Intergovernmental revenue- state funds				-
Fire insurance rebate	9,326	-		9,326
State revenue sharing	4,141	-		4,141
Oil & gas royalties	382	-		382
Other revenues	8,048	-		8,048
Interest income	1,357	-		1,357
TOTAL GENERAL REVENUES	754,604	(42,240)		712,364
NET CHANGE IN FUND BALANCE/ CHANGE IN NET POSITION	302,028	(201,162)		100,866
OTHER FINANCING SOURCES (USES)				
Gain (loss) on disposal of assets	-	(5,504)		(5,504)
TOTAL OTHER FINANCING SOURCES (USES)	-	(5,504)		(5,504)
EXCESS (Deficiency) of REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES(USES)/ CHANGE IN NET ASSETS	302,028	(206,666)		95,362
FUND BALANCE / NET POSITION				
Beginning of the year	1,348,976			3,779,839
End of the year	\$ 1,651,004		\$	3,875,201

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, 2017

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

Net Change in Fund Balance, Governmental Fund	\$	302,028
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		(1,991)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Capital outlays (\$15,681) less than depreciation expense (\$172,612)		(156,931)
In the Statement of Net Assets only the gain or loss from the disposal of an asset or insurance reimbursement from assets is reported, whereas in the governmental funds, the gross proceeds is reported		
		(5,504)
Change in unavailable ad valorem taxes		(42,240)
Change in Net Postion of Governmental Activities	\$	<u><u>95,362</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, 2017

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, 2017

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, 2017

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, 2017, 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 \$1,000 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, 2017

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

Unavailable ad valorem taxes

Unavailable ad valorem taxes arise when resources are received by the Fire District before it has a legal claim to them, as when the ad valorem taxes are paid under protest to the tax collector. In subsequent periods, when the Fire District has a legal claim to the resource and the revenue becomes available, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

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, 2017

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, 2017, the Fire District has cash and cash equivalents totaling \$1,007,841 (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, 2017, the Fire District has \$1,010,988 in deposits (collected bank balances). These deposits are secured from risk by \$494,066 of federal deposit insurance and by \$516,922 of pledged marketable securities held by the custodial bank with a value of \$1,871,202.

3. ACCOUNTS RECEIVABLE

The following is a summary of receivables at December 31, 2017:

Ad valorem taxes	\$ 708,126
Parcel fees, net	18,347
	<u>\$ 726,473</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, 2017

4. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2017 are as follows:

<u>Governmental Activities</u>	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Deletions / Reclassification</u>	<u>Balance December 31, 2017</u>
Capital assets not being depreciated				
Land	\$ 29,972	\$ -	\$ -	\$ 29,972
Capital assets being depreciated				
Vehicles	1,646,156	-	-	1,646,156
Buildings	1,328,763	11,591	(7,770)	1,332,584
Firefighting Equipment	375,068	-	-	375,068
Furniture & Fixtures	8,017	-	(2,648)	10,665
Office Equipment	1,676	4,090	-	5,766
Total	<u>3,359,680</u>	<u>15,681.00</u>	<u>(10,418)</u>	<u>3,370,239</u>
Less accumulated depreciation				
Vehicles	\$ 706,766	\$ 100,661	\$ -	\$ 807,427
Buildings	179,309	37,849	(2,267)	214,891
Firefighting Equipment	181,832	33,162	-	214,994
Furniture & Fixtures	6,403	372	(2,648)	9,423
Office Equipment	1,676	568	-	2,244
Total	<u>1,075,986</u>	<u>172,612</u>	<u>(4,915)</u>	<u>1,248,979</u>
Capital assets, net	<u>\$ 2,313,666</u>	<u>\$ (156,931)</u>	<u>\$ (5,503)</u>	<u>\$ 2,151,232</u>

Depreciation expense of \$172,612 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, 2017
Levy date	June 30, 2017
Tax bills mailed	October 15, 2017
Total taxes are due	December 31, 2017
Penalties & interest added	January 31, 2018
Tax sale	May 15, 2018

The Fire District has authorized and levied an 8.05 ad valorem tax millage for 2017. 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, 2017

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 \$89,187,777 in 2017. 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 \$3,581,401 in 2017. Total of ad valorem tax revenues recognized in 2017 by the Fire District was \$731,350.

The following are the principal taxpayers for the Fire District (2017 amounts):

	TYPE OF BUSINESS	ASSESSED VALUATION	% OF TOTAL ASSESSED VALUATION	AD VALOREM TAX REVENUE FOR FIRE DISTRICT
Covey Park Operating LLC	Oil & Gas	10,361,233	11.62%	83,427
ETC Tiger Pipeline, LLC	Oil & Gas	9,543,018	10.70%	76,822
Indigo Minerals LLC	Oil & Gas	7,813,424	8.76%	62,894
Chesapeake Operating, Inc	Oil & Gas	6,462,499	7.25%	52,052
Exco Operating Company	Oil & Gas	6,261,258	7.02%	50,401
Gulf South Pipeline Co., LP	Oil & Gas	5,576,370	6.25%	44,873
Louisiana Midstream Gas	Oil & Gas	4,183,770	4.69%	33,673
TGG Pipeline, LTD	Oil & Gas	3,502,518	3.93%	28,216
GEP Haynesville, LLC	Oil & Gas	3,282,410	3.68%	26,421
Whiskey Bay Gathering Co	Oil & Gas	2,548,311	2.86%	20,534
Total		<u>31,817,136</u>	<u>35.68%</u>	<u>256,170</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, 2017
Levy date	June 30, 2017
Bills mailed	October 1, 2017
Total service charge due	December 31, 2017
Lien date	not applicable

The Fire District assessed \$33,355 in service charges in 2017 and recognized \$34,430 in revenue.

The service charge receivables at December 31, 2017, are as follows:

Service charge (parcel) fees receivable	\$ 159,409
Allowance for bad debts	<u>(141,062)</u>
Parcel fees receivable	<u>\$ 18,347</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, 2017

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, 2017.

8. LITIGATION

There is no litigation pending against the Fire District, at December 31, 2017, 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.

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 \$15,686 for the year ended December 31, 2017.

12. COOPERATIVE ENDEAVOR AGREEMENT

On August 1, 2017, the Fire District entered into a cooperative endeavor agreement with the DeSoto Parish Police Jury to donate \$40,000 to the Police Jury to facilitate in the purchase of emergency equipment to be housed in the newly constructed building of the DeSoto Parish Communications District.

13. SUBSEQUENT EVENTS

Management has evaluated events through June 24, 2018, 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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Ad valorem taxes	\$ 724,240	\$ 724,240	\$ 731,350	\$ 7,110
Parcel fees	31,640	31,640	34,430	2,790
Intergovernmental revenue- state funds				-
Fire insurance rebate	9,500	9,500	9,326	(174)
State revenue sharing	4,500	4,500	4,141	(359)
Oil & gas royalties	750	750	382	(368)
Other revenues	-	-	8,048	8,048
Interest income	1,500	1,500	1,357	(143)
Total Revenues	<u>772,130</u>	<u>772,130</u>	<u>789,034</u>	<u>16,904</u>
Expenditures				
Current public safety-fire:				
Personal services & related benefits	350,000	350,000	280,570	69,430
Operating expenses	85,500	85,500	106,594	(21,094)
Materials & supplies	75,500	101,500	83,874	17,626
Travel, training & other charges	10,000	10,000	1,287	8,713
Capital outlays	800,000	800,000	15,681	784,319
Total Expenditures	<u>1,321,000</u>	<u>1,347,000</u>	<u>488,006</u>	<u>858,994</u>
Net Change in Fund Balance	(548,870)	(574,870)	301,028	(875,899)
Fund balance, beginning of year	<u>1,348,976</u>	<u>1,348,976</u>	<u>1,348,976</u>	<u>-</u>
Fund balance, end of year	<u>\$ 800,106</u>	<u>\$ 774,106</u>	<u>\$ 1,650,004</u>	<u>\$ (875,899)</u>

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, 2017

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 amended their budget once 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 2017 budget at a meeting on December 13, 2016. It was amended at the November 14, 2017, board meeting.

For the year ended December 31, 2017, actual revenues were more than budgeted amounts by \$16,904 or 2% and expenditures were less than appropriations in the General Fund by \$858,994 or 64%.

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, 2017

	Noel Tucker
	<u>Fire Chief</u>
Salary	26,617
Benefits-insurance (Medicare)	386
Benefits- retirement (Social Security)	1,650
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	584
Training	-
Housing	-
Unvouchered expenses	-
Special meals	-
Total	<u>\$ 29,237</u>

See independent auditor's report.

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING
STANDARDS*



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Deborah D. Dees, CPA/CFF

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Mansfield, Louisiana

318-872-3007

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, 2017, 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 24, 2018.

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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses and are listed as 2017-01.

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 solely 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.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
June 24, 2018

AUDIT FINDINGS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
 Schedule of Findings and Responses
 For the Year ended December 31, 2017

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, 2017, and have issued our report thereon dated June 24, 2018. 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, 2017, 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
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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

2017-01. 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, 2017

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, 2017

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

Unresolved. See Finding 2017-01.

OTHER REPORTS



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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, 2017 through December 31, 2017. 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
Written policies and procedures were obtained and 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 address the functions noted above except as to how vendors are added to the vendor list.
 - c) **Disbursements**, including processing, reviewing, and approving
Written policies and procedures were obtained and address the functions noted above.
 - d) **Receipts**, including receiving, recording, and preparing deposits
Written policies and procedures were obtained and 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 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 address the functions noted above except for standard terms and conditions.

- 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, and (5) monitoring card usage

Written policies and procedures were obtained and 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 do not address the functions noted above. The written policies did contain several reimbursement forms but they do not specifically address the items listed 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. Note: Ethics requirements are not applicable to nonprofits.

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and do not address the items noted above. It should be noted that the entity does not currently maintain any debt.

Management Response: *Management will review current policies and procedures and make changes and additions that are warranted.*

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

No exceptions were noted as a result of this procedure.

Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

No exceptions were noted as a result of this procedure.

- b) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No exceptions were noted as a result of this procedure.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

A listing of client bank accounts from management and management's representation that the listing is complete were obtained.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank statements and reconciliations for all months in the fiscal period were obtained. The reconciliations have been prepared for all months for each of the entities four total accounts.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Bank statements and reconciliations for all months in the fiscal period were obtained. Evidence of management review is not present.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No reconciling items outstanding for more than six months were noted.

Management Response: *Management will begin signing or initialing reconciliations to clearly demonstrate review has taken place.*

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

A listing of cash collection locations and management's representation that the listing was complete were obtained.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Entity has a Fidelity Bond in place that covers all employees. The same employee responsible for making collections is also responsible for depositing collections, recording the transaction and also reconciling the related bank account. The entity does not have a register and does not accept cash payments.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

As stated in section 6(a), the employee responsible for reconciling collections to the general ledger is also responsible for collections.

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

The highest (dollar) week of cash collections for the selected location was obtained along with collection documentation, deposit slips, & bank statements. Entity's procedure calls for making deposits within one day of collection, however, entity does not have a collection log or equivalent to confirm collections were made within one day of collection. Logging of collections is called for in entity policy.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Partial documentation observed to identify what was collected but no collection log or receipts observed to confirm collection date.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Entity has a written policy for determining completeness of collections but it was not observed in reviewing selected collections.

Management Response: *The District has been working to develop adequate procedures to allow for reasonable controls for collections given the limited staffing of the District. Our current written policies will be reviewed and updated as necessary to address any changes made.*

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

A listing of disbursements from management and management's representation that the listing was complete were obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The supporting documentation for the 25 disbursements selected was reviewed and a requisition/purchase order system or equivalent electronic system was not found to be used.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

No purchase order system found to be utilized.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

No purchase order system or receiving report found to be utilized. Approved invoices found for all transactions except for the first two transactions of the fiscal year in the sample tested.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The entity does not have written documentation prohibiting the person responsible for processing payments from adding vendors to the purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The current policy for entity requires all disbursements to be made by check. Each check requires two signatures. One of the signatories is also responsible for recording purchases and is not prohibited from initiating purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Entity electronically prints checks. A person with signatory authority also has system access to print checks.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The entity does not utilize a signature stamp. Signed checks are routinely mailed on the same day checks are signed by the required two signatories.

Management Response: *Management will review its procedures regarding disbursements and make changes that are practical and warranted given the limited staffing options of the District.*

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

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

A listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards and management's representation that the listing was complete was obtained.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

There were three card accounts with a total of eight cards active during the fiscal period and they were selected for testing.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Monthly statements were obtained for the selected cards, and there was evidence that each statement was reviewed and approved by management.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Monthly statements were obtained for the selected cards and no finance charges and/or late fees were found.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

No exceptions were noted as a result of this procedure.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exceptions were noted as a result of this procedure.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Policy requires that inconsistencies with fuel card purchases be investigated and documented. Inconsistencies were observed and no documentation of investigation noted. Policy also requires a log of card use that is to include the user of the card and the purpose of the use. No such log observed.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions were noted as a result of this procedure

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted as a result of this procedure.

Management Response: *Management will review its policies and procedures for cards and make adjustments that are warranted. Fuel card inconsistencies will be reviewed and documented in cases where inconsistencies cannot be reconciled. Management will begin to implement current policies regarding the logging of credit card use.*

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

A listing of all travel and related expense reimbursements by person during the fiscal period was obtained. Management's representation that the listing was complete was obtained.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Entity does not have written policies and procedures for travel and expense reimbursements but does have reimbursement forms in their policy manual. The reimbursement forms do not specifically reference rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Entity did not have any travel reimbursements during the fiscal year.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions were noted as a result of applying this procedure.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions were noted as a result of applying this procedure.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions were noted as a result of applying this procedure.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted as a result of applying this procedure.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were noted as a result of applying this procedure.

Management Response: *Management will adopt formal written procedures regarding travel and expense reimbursements.*

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

A listing of all contracts in effect and management's representation that the listing is complete was obtained.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No formal written contracts were found for the selected vendors.

Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

There were no instances of noncompliance noted as a result of applying this procedure.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

For the observed vendor payments, board minutes reference solicitation of quotes for one of the contracts reviewed.

- b) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

There were no instances of noncompliance noted as a result of applying this procedure.

- c) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

There were no instances of noncompliance noted as a result of applying this procedure.

- d) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

There were no instances of noncompliance noted as a result of applying this procedure.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Obtained listing of employees (and elected officials, if applicable) with their related salaries and management's representation that the listing was complete.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions were noted as a result of applying this procedure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exceptions were noted as a result of applying this procedure.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Entity utilizes a time clock to document daily attendance.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

No exceptions were noted as a result of applying this procedure.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions were noted as a result of applying this procedure.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions were noted as a result of applying this procedure.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exceptions were noted as a result of applying this procedure.

Ethics (excluding nonprofits)

- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

No exceptions were noted as a result of applying this procedure.

- 27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that they have received no allegations during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No debt was issued during the fiscal period.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No debt was maintained during the fiscal period.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

No debt was maintained during the fiscal period.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The entity maintains a website and has the notice posted there and on its premises.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions were observed or identified regarding management's representations in the procedures above.

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 24, 2018