

**DESOTO PARISH FIRE PROTECTION DISTRICT**  
**NO. 3**  
Stonewall, Louisiana

**ANNUAL FINANCIAL STATEMENTS**  
December 31, 2018

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**  
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## **Independent Auditor's Report**

Board of Commissioners  
DeSoto Parish Fire Protection District No. 3  
Stonewall, Louisiana

I have audited the accompanying financial statements of the governmental activities of the DeSoto Parish Fire Protection District No. 3 (the "District"), a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 10, The General Fund Budgetary Comparison Schedule presented on page 28, Notes to Required Supplementary Information on page 29 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeSoto Parish Ambulance Service District's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer on page 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated June 25, 2019 on my consideration of the DeSoto Parish Fire Protection District No. 3's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountant

Shreveport, Louisiana  
June 25, 2019

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**  
December 31, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the DeSoto Parish Fire Protection District No. 3 (Fire District), we offer the readers of our annual financial report our discussion and analysis of the Fire District's financial performance during the fiscal year that ended on December 31, 2018. Please read it in conjunction with the Fire District's financial statements, which follow this section.

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 the DeSoto Parish Fire Protection District No. 3.

**FINANCIAL HIGHLIGHTS**

DeSoto Parish Fire Protection District No. 3 experienced an increase in its total net position of \$42,503 or 3.78% during the year. At December 31, 2018, the assets of the Fire District exceeded its liabilities by \$1,166,398.

Unrestricted net position of \$662,709 (56.82% of total net position) represents the amount available to be used to meet the Fire District's ongoing obligations to its citizens. The remaining 43.18% of net position (\$503,689) is net investment in capital assets.

On November 21, 2015, the residents of the District voted to pass a 10 mill tax millage for a period of ten years beginning with the year 2016. The District recognized \$409,411 in ad valorem tax revenue in 2018. This is an increase of \$32,116 or 9% from 2017.

On October 14, 2017 the voters of the Fire District passed Louisiana RS 40:1502.16 which changed the way the Fire District would assess and collect their assessment fees. The assessment fees will now be billed and collected by the DeSoto Parish Sheriff's department the same as ad valorem taxes. The Fire District can also use any means to collect and enforce the collection of the fees, therefore deeming all assessments, beginning with the billing period October 2018, collectible. The District recognized \$139,336 in assessment fees revenue in 2018. This is an increase of \$37,284 or 37% from 2017.

**OVERVIEW OF FINANCIAL STATEMENTS**

This Management Discussion and Analysis document introduces the basic financial statements which include 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, parcel fees and intergovernmental revenues that include fire insurance rebates, state revenue sharing and grants.

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

Stonewall, Louisiana

December 31, 2018

### 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 fulfill 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, 2018, The Fire District's assets exceed its liabilities by \$1,166,398 (net position).

At December 31, 2018, \$503,689 or 43.18% of the Fire District's net position reflects capital assets with a historical cost of \$1,837,842 less accumulated depreciation of \$1,334,153.

Cash decreased \$8,610 (4.55%) from \$189,168 in 2017 to \$180,558 at December 31, 2018.

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December 31, 2018

Total net accounts receivable increased \$124,063 or 33.93%. Net parcel fees receivable increased \$105,998 (100%) from \$0 in 2017 to \$105,998 at December 31, 2018. Ad valorem tax receivable increased \$18,065 (4.94%) from \$365,654 in 2017 to \$383,719 at December 31, 2018.

Total liabilities for the Fire District increased \$11,841 or 137% from 2017. Liabilities of the Fire District consist of accrued payroll, payroll taxes payable and operating expenses payable.

A Summary of Statement of Net Position is as follows:

ASSETS	Governmental Activities		
	2018	2017	% Change
Cash and cash equivalents	\$ 180,558	\$ 189,168	-5%
Accounts receivable, net	489,717	365,654	34%
Prepaid expenses	12,940	10,566	22%
Capital assets, net of accumulated depreciation	503,689	567,172	-11%
<b>Total assets</b>	<b>\$ 1,186,904</b>	<b>\$ 1,132,560</b>	<b>5%</b>
<b>LIABILITIES</b>			
Current liabilities	\$ 20,506	\$ 8,665	137%
<b>Total liabilities</b>	<b>\$ 20,506</b>	<b>\$ 8,665</b>	<b>137%</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 503,689	\$ 567,172	-11%
Unrestricted	662,709	556,723	19%
<b>Total net position</b>	<b>\$ 1,166,398</b>	<b>\$ 1,123,895</b>	<b>4%</b>

The following schedule compares revenues and expenses for the current and previous year. Total revenues decreased by 18.65% (\$146,578) since last year. This decrease was primarily due to the donation of a building with a value of \$244,820 to the Fire District from the DeSoto EMS in the prior year. Approximately 64.03% of the Fire District's total revenues come from property taxes, 21.79% from assessment fees, and 5.95% from grants and donations. Total expenses increased 20.11% (\$99,932) over the prior year.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
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A Summary of Statement of Activities is as follows:

	Governmental Activities		
	2018	2017	% Change
Program Revenues:			
Charges for Services-Parcel fees	\$ 139,336	\$ 102,052	37%
Grants & Contributions	38,052	247,865	-85%
General Revenues:			
Ad valorem taxes	409,411	377,295	9%
Intergovernmental revenues	13,142	14,244	-8%
Interest income	845	639	32%
Other Revenue	38,573	43,842	-12%
Total revenues	<u>639,359</u>	<u>785,937</u>	-19%
Expenses			
Public Safety	<u>596,856</u>	<u>496,924</u>	20%
Total expenses	596,856	496,924	20%
Increases (Decrease) in net position	42,503	289,013	-85%
Net Position beginning	<u>1,123,895</u>	<u>834,882</u>	35%
Net Position, ending	<u>\$ 1,166,398</u>	<u>\$ 1,123,895</u>	4%

**FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S GOVERNMENTAL FUNDS**

For the year ended December 31, 2018, differences between the government-wide presentation and the fund financial statements were due to depreciation associated with capital assets, changes in prepaid expenses and unavailable revenues.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Fire District adopted a budget for its General Fund for the year ended December 31, 2018. Actual revenues were \$73,075 over the final budget. Actual expenses were less than the budgeted amounts by \$5,388. The budget was amended twice during the year.

**DEBT ADMINISTRATION**

The DeSoto Parish Fire Protection District No. 3 does not currently carry any indebtedness other than normal trade payables.

**CAPITAL ASSETS**

The Fire District capital asset purchases for 2018 included repairs of the chief's truck purchased in 2017 in excess of the truck's cost basis.

## **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

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December 31, 2018

### **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 fiscal year 2019 should not change significantly from the fiscal year end 2018 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. 3 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 Greg Baker, Chairman, at P. O. Box 329, Stonewall, Louisiana, 71078 or call at (318) 925-0087.

## BASIC FINANCIAL STATEMENTS

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

**GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION**

December 31, 2018

	Governmental Funds Financial Statements		Government-wide Statements
	<b>General Fund Balance Sheet</b>	Adjustments	<b>Statement of Net Position</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 180,558	\$ -	\$ 180,558
Ad valorem tax receivables	383,719	-	383,719
Assessment fee receivables	105,998	-	105,998
Prepaid expenses	-	12,940	12,940
Capital assets, net of accumulated depreciation	-	503,689	503,689
TOTAL ASSETS	\$ 670,275	516,629	1,186,904
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 5,159	-	5,159
Payroll liabilities	15,347	-	15,347
TOTAL LIABILITIES	20,506	-	20,506
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable ad valorem taxes	3,904	(3,904)	-
Unavailable assessment fees	7,951	(7,951)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	11,855	(11,855)	-
<b>FUND BALANCE / NET POSITION</b>			
Fund Balance:			
Unassigned	637,914	(637,914)	-
TOTAL FUND BALANCE	637,914	(637,914)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 670,275	(649,769)	-
Net Position:			
Net investment in capital assets		503,689	503,689
Unrestricted		662,709	662,709
TOTAL NET POSITION		\$ -	\$ 1,166,398

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

December 31, 2018

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

Fund Balance - Governmental Fund	\$	637,914
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year		12,940
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds		503,689
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are reflected as income in the Government-wide statement		
Deferred ad valorem taxes		3,904
Deferred assessment fees		7,951
		1,166,398
Net Position of Governmental Activities	\$	1,166,398

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

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

For the year ended December 31, 2018

	Governmental Funds Financial Statements			Government-wide Statements
	<b>Statement of Revenues Expenditures, and Changes in Fund Balance</b>			<b>Statement of Activities</b>
	General Fund	Adjustments		
<b>EXPENDITURES/EXPENSES</b>				
Public Safety-Fire				
Personnel and related benefits	\$ 311,490	\$ -		\$ 311,490
Materials and supplies	194,669	(2,374)		192,295
General and administrative	24,292	-		24,292
Capital outlays	5,296	(5,296)		-
Depreciation	-	68,779		68,779
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>535,747</b>	<b>61,109</b>		<b>596,856</b>
<b>PROGRAM REVENUES</b>				
Charges for services	131,385	7,951		139,336
Operating grants & contributions	3,559	-		3,559
Capital grants & contributions	34,493	-		34,493
<b>TOTAL PROGRAM REVENUES</b>	<b>169,437</b>	<b>7,951</b>		<b>177,388</b>
<b>NET PROGRAM EXPENSE</b>	<b>(366,310)</b>	<b>(53,158)</b>		<b>(419,468)</b>
<b>GENERAL REVENUES</b>				
Ad valorem taxes	438,761	(29,350)		409,411
Interest earnings	845	-		845
Fire insurance rebate	13,142	-		13,142
Other income	2,214	-		2,214
<b>TOTAL GENERAL REVENUES</b>	<b>454,962</b>	<b>(29,350)</b>		<b>425,612</b>
<b>NET CHANGE IN FUND BALANCE/ CHANGE IN NET POSITION</b>	<b>88,652</b>	<b>(82,508)</b>		<b>6,144</b>
<b>OTHER FINANCING SOURCES(USES):</b>				
Compensation for damaged assets	36,359	-		36,359
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>36,359</b>	<b>-</b>		<b>36,359</b>
<b>EXCESS (Deficiency) of REVENUES OVER EXPENDITURES / CHANGE IN NET ASSETS</b>	<b>125,011</b>	<b>(82,508)</b>		<b>42,503</b>
<b>FUND BALANCE / NET POSITION</b>				
Beginning of the year, restated	512,903			1,123,895
End of the year	\$ 637,914			\$ 1,166,398

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

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

For the Year Ended December 31, 2018

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

Net Change in Fund Balances, Governmental Funds	\$ 125,011
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.	2,374
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:	
Capital outlays (\$5,296) less than depreciation expense (\$68,779)	(63,483)
Because of the timing of actual receipt, some revenues are not considered "available" to pay current obligations and are not reported in the governmental funds.	
Change in deferred ad valorem taxes	(29,350)
Change in deferred assessment fees	<u>7,951</u>
Change in Net Position of Governmental Activities	<u><u>\$ 42,503</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

# DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

## Stonewall, Louisiana

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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## INTRODUCTION

DeSoto Parish Fire Protection District No. 3 was created by the DeSoto Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492 on July 22, 1987. 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 Stonewall, and one, the chairman, by the other four members. The Fire District is responsible for maintaining and operating five fire stations and related equipment, and providing fire protection and rescue services to approximately 7,200 residents in the northern part of the parish. The Fire District is staffed by 15 part-time employees and around 40 volunteers.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the DeSoto Parish Fire Protection District No. 3 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 basic 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. 3 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. 3 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. 3's 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.

# DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

## Stonewall, Louisiana

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### B. BASIS OF PRESENTATION (continued)

###### 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.

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. A fund is considered major if it is the primary operating fund of the entity. The one fund of the Fire District is classified as a major governmental fund and is described below:

General Fund. The General Fund is the principal fund of the Fire District and is used to account for the operations of the Fire District. General operating expenditures are paid from this fund.

##### 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, transfers, 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

# DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

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### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING (continued)

(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.

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 property assessments 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 are recognized when the Fire District is entitled to funds. Interest income on time and demand 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.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

**Stonewall, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. ASSETS, LIABILITIES AND EQUITY**

**Cash and Interest-bearing Deposits**

For purposes of the Statement of Net Position, cash and interest-bearing deposits include all demand accounts, and interest bearing savings accounts of the Fire District. 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**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide financial statements.

**Accounts Receivable**

Major receivables for the governmental activities include ad valorem taxes and assessment fees. The Fire District feels that at this time there is no need for an allowance for doubtful accounts for uncollectible ad valorem tax or assessment fees receivables.

**Capital Assets**

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

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

Buildings	40 years
Firefighting equipment	5-10 years
Fire trucks	15 years
Office equipment	3 years

# DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

## Stonewall, Louisiana

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

---

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Unavailable revenues

Under the modified accrual basis of accounting, the Fire District's governmental funds will not recognize revenue until they are available (collected no later than 60 days after the Fire District's year end). Accordingly, ad valorem taxes assessed yet paid under protest are reported as unavailable revenues in the governmental funds balance sheet only.

##### 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 Fire 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 does 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 the unrestricted resources.

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

- Nonspendable- Resources that are not in spendable form (such as prepaid expenses) because they are legally or contractually required to be maintained intact,
- Restricted- Resources constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government), through constitutional provisions, or by enabling legislation,
- Committed- Resources 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- Resources the Fire District intends to use for a specific purpose, intent can be expressed by the governing body of by an official or body to which the governing body delegates the authority,
- Unassigned- Resources that are available for any purpose, positive amounts are reported only in the general fund.

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

### Stonewall, Louisiana

#### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### D. ASSETS, LIABILITIES AND EQUITY (continued)

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.

The General Fund, the Fire District's only governmental fund, has an unassigned fund balance of \$637,914.

### 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, 2018, the Fire District has cash and interest-bearing deposits totaling \$180,558 (book balance).

The cash of the DeSoto Parish Fire Protection District No. 3 are subject to the following risk:

*Custodial Credit Risk:* Custodial credit risk for deposits 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 or exceed 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 on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Fire District that the fiscal agent bank 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, 2018, the Fire District had \$181,110 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3****Stonewall, Louisiana****NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

**3. ACCOUNTS RECEIVABLES**

The following is a summary of receivables at December 31, 2018:

Service charge assessment fees receivable	\$ 105,998
Ad valorem tax receivables	383,719
Total accounts receivable	<u>\$ 489,717</u>

**4. CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2018 are as follows:

<u>Governmental Activities</u>	<u>Balance 1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2018</u>
Capital assets not being depreciated:				
Land	\$ 11,450	-	-	\$ 11,450
Capital assets being depreciated:				
Vehicles	1,101,016	5,296	-	1,106,312
Buildings	449,423	-	-	449,423
Firefighting Equipment	258,847	-	-	258,847
Office Equipment	11,810	-	-	11,810
Total assets being depreciated	<u>1,821,096</u>	<u>5,296</u>	<u>-</u>	<u>1,826,392</u>
Less Accumulated Depreciation				
Vehicles	912,858	42,919	-	955,777
Buildings	140,726	13,446	-	154,172
Firefighting Equipment	199,979	12,414	-	212,393
Office Equipment	11,811	-	-	11,811
Total	<u>1,265,374</u>	<u>68,779</u>	<u>-</u>	<u>1,334,153</u>
Capital Assets, Net	<u>\$ 567,172</u>	<u>(63,483)</u>	<u>-</u>	<u>\$ 503,689</u>

Depreciation expense of \$68,779 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.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

**Stonewall, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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**5. LEVIED TAXES (continued)**

The property tax calendar is as follows:

Assessment date	January 1, 2018
Levy date	June 30, 2018
Tax bills mailed	October 15, 2018
Total taxes are due	December 31, 2018
Penalties & interest added	January 31, 2019
Tax sale	May 15, 2019

The Fire District has authorized and levied a 10.00 ad valorem tax millage of 10.00 for 2018. The resolution assessing the taxes was approved by the district voters November 21, 2015, effective January, 2016, and expires in the year 2025. 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.

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 \$54,217,311 in 2018. 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 \$13,276,265 in 2018. Total of ad valorem tax revenues recognized in 2018 by the Fire District was \$409,411.

The following are the principal taxpayers for the Fire District (2018 amounts):

	TYPE OF BUSINESS	ASSESSED VALUATION	% OF TOTAL ASSESSED VALUATION	AD VALOREM TAX REVENUE FOR FIRE DISTRICT
GEP Haynesville, LLC	Oil & Gas	\$ 3,862,145	7.12%	\$ 29,150
Chesapeake Operating, LLC	Oil & Gas	3,623,977	6.68%	27,349
Magnolia Midstream Gas Services	Oil & Gas	1,945,007	3.59%	14,698
Stonewall Ford, Inc.	Auto Dealer	1,354,694	2.50%	10,235
Marketplace Chevrolet/Buick	Auto Dealer	784,115	1.45%	5,936
Exco Operating Company	Oil & Gas	772,965	1.43%	5,855
Chesapeake Operating, Inc	Oil & Gas	735,890	1.36%	5,568
Covey Park Operating LLC	Oil & Gas	711,440	1.31%	5,363
MAW Real Estate, LLC	Real Estate	610,197	1.13%	4,626
Indigo Minerals LLC	Oil & Gas	583,024	1.08%	4,422
Total		\$ 14,983,454	27.65%	\$ 113,202

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

### Stonewall, Louisiana

#### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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#### 5. LEVIED TAXES (continued)

##### Parcel fees

As per Louisiana RS 40:1502, the Fire District annually levies a service charge of \$50 to persons owning assessed property located within its boundaries. The resolution assessing the service charges was reapproved by the district voters October 14, 2017, to continue for ten years through December, 2028. 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. On October 14, 2017, the voters of the Fire District approved Louisiana RS 40:1502.16. This statute states assessment fees are to be charged on all residential or commercial structures, whether occupied or unoccupied located in the district and will be billed and collected through the DeSoto Parish Sheriff's office in October of each year when property tax assessments are billed. Due dates and dates of penalties assessed will also follow the property tax calendar dates.

The Fire District assessed \$135,349 in service charges in 2018, and recognized \$139,336 in revenue.

#### 6. RETIREMENT COMMITMENTS

All employees of the DeSoto Parish Fire Protection District No. 3 are members of the Federal Social Security System. The Fire District and its employees contribute a percentage of each employee's salary to the System (6.2% by the employee). The Fire District's contribution during the year ended December 31, 2018, amounts to \$17,744.

#### 7. LEASE AGREEMENTS

Desoto Parish Fire Protection District No. 3 has the following lease agreements:

- 40-year lease commencing April 1, 1990, with North DeSoto Water System to provide water to the Fire District. Annual payment due of \$1.
- 25-year lease commencing April 1, 1990, with Town of Stonewall to lease the land at 5200 Hwy. 3276 on which Central Station is located. Annual payment due of \$1.
- 99-year lease (or as long as the Fire District exists) commencing October 1, 1990, with J. U. Burford to lease the land at 2426 Hwy. 171 for Station 2. Annual payment due of \$1.

#### 8. RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to limited torts, theft of or damage to and destruction of assets 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, 2018.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

**Stonewall, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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**9. LITIGATION**

There is no litigation pending against the Fire District, at December 31, 2018, nor is it aware of any unasserted claims.

**10. 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. The Fire District had no identified related party transactions for the year ended December 31, 2018.

**11. COMPENSATION PAID TO BOARD MEMBERS**

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

**12. SUBSEQUENT EVENTS**

Management has evaluated events through June 25, 2019, 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. 3**  
**Stonewall, Louisiana**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Service charge parcel fees	\$ 160,000	\$ 135,350	\$ 131,385	\$ (3,965)
Ad valorem taxes	358,458	365,817	438,761	72,944
Intergovernmental revenue- state funds				
Fire insurance rebate	14,000	13,142	13,142	-
State and other grants	-	34,492	34,492	-
Contributions	-	-	3,560	3,560
Other revenues	150	2,221	2,214	(7)
Interest income	150	302	845	543
<b>Total Revenues</b>	<b>532,758</b>	<b>551,324</b>	<b>624,399</b>	<b>73,075</b>
<b>Expenditures</b>				
Current:				
Public safety-fire				
Personal and related benefits	320,149	320,149	311,490	8,659
Materials and supplies	139,650	199,774	194,669	5,105
General and administrative	26,900	21,212	24,292	(3,080)
Capital outlays	-	-	5,296	(5,296)
<b>Total Expenditures</b>	<b>486,699</b>	<b>541,135</b>	<b>535,747</b>	<b>5,388</b>
Net Change in Fund Balance before other financing sources	46,059	10,189	88,652	67,687
Other financing source				
Insurance proceeds for damaged vehicle	-	35,359	36,359	1,000
<b>Total other financing source</b>	-	35,359	36,359	1,000
Net Change in Fund Balance	46,059	45,548	125,011	68,687
<b>Fund balances, beginning of year</b>	512,903	512,903	512,903	-
<b>Fund balances, end of year</b>	<b>\$ 558,962</b>	<b>\$ 558,451</b>	<b>\$ 637,914</b>	<b>\$ 68,687</b>

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
Year Ended December 31, 2018

**Budgetary Information**

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 original budget was approved by the board on December 21, 2017. The budget was amended twice during the year.

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 Louisiana Local Government Budget Act provides that "the total proposed expenditures shall not exceed the total of estimated funds available for the ensuing year." The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year. Amendments to the adopted budget are required if total revenues fail to meet budgeted revenues by 5% or more, and/or total actual expenditures exceed total budgeted expenditures by 5% or more. Total revenues were more than budgeted revenues. Actual cash expenditures were less than budgeted amounts.

The Fire District is in compliance with the Local Government Budget Act R.S. 39:1301-14 and the budget requirements of LSA-RS 39:34.

## OTHER SUPPLEMENTAL INFORMATION

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

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

For the Year Ended December 31, 2018

	<b>David Jenkins</b>
	<u>Chief</u>
Salary	60,250
Benefits-insurance (Medicare)	874
Benefits- retirement (Social Security)	3,736
Benefits - other	-
Auto use	-
Vehicle provided by government	-
Per diem	-
Reimbursements	390
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Dues	254
Unvouchered expenses	-
Special meals	-
Total	<u><u>65,504</u></u>

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING  
STANDARDS*



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Shreveport, Louisiana 71105  
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**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***

Board of Commissioners  
DeSoto Parish Fire Protection District No. 3  
Stonewall, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities of the DeSoto Parish Fire Protection District No. 3 (the "Fire District"), a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued my report thereon dated June 25, 2019.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, I 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

A handwritten signature in blue ink that reads "James D. McElland, CPA LLC". The signature is written in a cursive style.

Certified Public Accountant

Shreveport, Louisiana  
June 25, 2019

## DeSoto Parish Fire Protection District No. 3

### Stonewall, Louisiana

Schedule of Audit Results, Findings, Responses and  
Prior Year Findings

#### **Summary of Audit Results**

1. The independent auditor's report expressed an unmodified opinion on the financial statements of the DeSoto Parish Fire Protection District No. 3 ("Fire District").
2. No instances of internal control deficiencies were disclosed during the examination.
3. No instances of noncompliance were disclosed during the examination.
4. No separate management letter was issued to the Fire District.

#### **Findings for the Year Ended December 31, 2018**

There were no findings for the year ended December 31, 2018.

#### **Status of Findings for the Year Ended December 31, 2018**

<b>Ref. No.</b>	<b>Fiscal Year Finding Initially Occurred</b>	<b>Description of Findings</b>	<b>Corrective Action</b>	<b>Corrective Action Taken</b>
2017-001	2016	Inadequate design of internal control over financial statement preparation.	Yes	Outside CPA was engaged to perform bookkeeping duties.
2017-02	2016	Inadequate segregation of duties.	Yes	Outside CPA was engaged to perform bookkeeping duties.
2017-03	2016	Inadequate controls over accounts receivables.	Yes	The DeSoto Sheriff is now charged with collecting taxes and fees.

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the board of commissioners of the DeSoto Parish Fire Protection District No. 3 and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the DeSoto Parish Fire Protection District No. 3 (Fire 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, 2018 through December 31, 2018. The Fire 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, I 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***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

*Obtained the Fire District's written policies and procedures and noted all the Budgeting functions described above were addressed without exception.*

- 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.

*Obtained the Fire District's written policies and procedures regarding the above Purchasing functions and noted all the Purchasing functions described above were addressed with one exception: How vendors are added to the vendor list was not addressed (Exception).*

Management's response:

We use a third-party accountant who does not have purchasing authority and do not deem this necessary from a control standpoint.

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

*Obtained the Fire District's written policies and procedures and noted all the Disbursement functions described above were addressed without exception.*

- d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*Obtained the Fire District's written policies and procedures and noted the policies and procedures manual does not directly address management's actions to determine the completeness of all collections for each type of revenue (Exception).*

Management's response:

We agree and will amend our policies and procedures to address current practices that meet this control objective.

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

*Obtained the Fire District's written policies and procedures and noted all the Payroll/Personnel functions described above were addressed without exception.*

- 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.

*Obtained the Fire District's written policies and procedures regarding the above Contracting functions and noted all the functions were addressed except for item #2, standards terms and conditions (Exception).*

Management's response:

We agree and will update our policy document to correct this exception.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.

*Obtained the Fire District's written policies and procedures and noted all the Credit Card functions described above were addressed without exception.*

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

*Obtained the Fire District's written policies and procedures and noted none of the functions described above were addressed (Exception).*

Management's response:

We agree and will update our policy document to correct this exception.

- 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.

*Obtained the Fire District's written policies and procedures noted none of the Ethics functions describe above were addressed (Exception).*

Management's response:

We agree and will update our policy document to correct this exception.

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

*Obtained the Fire District's written policies and procedures and noted none of the Debt Service functions described above were addressed due to the Fire District not having any debt.*

**Practitioner's Note:** *The financial internal control and compliance procedures described in the Fire District's policy and procedure manual have not been updated to reflect current operations. For example, the policy and procedure manual references functions performed by the clerk. The Fire District no longer employs a clerk and many of those activities have been outsourced to an outside accounting firm.*

### **Board or Finance Committee**

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2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*Noted without exception.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

*Noted without exception.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*No negative fund balances were noted in the prior year audit report.*

### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*Noted without exception by reference to the date/timestamp printed on the reconciliation report.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*There was no documentary evidence that a member of management/board member reviewed the bank reconciliation. However, there was documentary evidence a member of the board reviewed the bank statement.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*There were no reconciling items outstanding for more than 12 months noted on the reconciliation report.*

### ***Collections***

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

*Obtained a listing of deposit site locations and management's representation that the listing is complete. The Fire District has one deposit site location.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

*The Fire District does not have a need for a cash drawer system.*

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

*The Fire District uses the services of an outside accounting firm to reconcile collection documentation to the deposit. Fire District personnel who receive remittances do, however, prepare the deposit (Exception).*

Management's response:

We agree the exception exists; however, current staffing will not allow for this separation of duties. Given the source of our revenue, we believe failure to report material receipts would be noted by our third-party accountant.

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

*The Fire District uses the services of an outside accounting firm to record collections and deposit transactions to the accounting records.*

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

*The Fire District uses the services of an outside accounting firm to reconcile cash collections to the general ledger. Firm employees are not involved in collections.*

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

*Noted without exception.*

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

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

*Not applicable. Cash is not received at the Fire District.*

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

*The Fire District uses a handwritten ledger to record checks received through the mail. For the deposit dates selected, entries in the ledger were traced to the deposit slip without exception.*

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

*Done without exception.*

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

*Done without exception.*

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

*Done without exception.*

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*One payment processing location.*

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*Noted without exception.*

- b) At least two employees are involved in processing and approving payments to vendors.

*Noted without exception.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*The Fire District uses an outside accounting firm to process and record disbursement transactions. The firm adds/modifies vendor files as approved by management.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*Noted without exception.*

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

*Noted without exception.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*Noted without exception.*

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

*Done without exception.*

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]

*Noted without exception.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

*No finance charges noted.*

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*1.) Noted original receipts were missing for several charges.*

*2.) One credit card receipt tested was for personal expenses for which the employee reimbursed the government before the credit card was paid.*

*3.) No meal charges noted.*

Management's response:

We agree that item 2 is correct, but was an oversight and an isolated instance. The employee has been counseled to never do this again.

### ***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

*Only one travel reimbursement noted on the general ledger.*

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*No per diem reimbursements were noted.*

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*Noted without exception.*

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*Noted without exception.*

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Noted without exception.*

### ***Contracts***

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*The Louisiana Public Bid Law did not apply to any of the contracts selected for testing.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*Noted by inquiry of management that there was no written contract for payments made for lawncare services.*

Management's response:

We agree and have executed a contract with the vendor.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*None of the contracts tested were amended.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*Noted without exception for all except for payments for lawncare services since those payments were made without a written contract.*

Management's response:

We agree and have executed a contract with the vendor.

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.



Certified Public Accountant

Shreveport, Louisiana

June 25, 2019