

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

**FINANCIAL REPORT
December 31, 2018**

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

TABLE OF CONTENTS
As of and for the Year Ended December 31, 2018

Table of Contents	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		2-4
<u>Required Supplemental Information (Part I):</u>		
Management's Discussion and Analysis		6-9
<u>Basic Financial Statements:</u>		
Governmental Fund Balance Sheet / Statement of Net Position	A	11
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position	B	12
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities	C	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	D	14
<u>Notes to the Financial Statements:</u>		
Notes to the Financial Statements		16-23
<u>Required Supplemental Information (Part II):</u>		
Budgetary Comparison Schedule - General Fund	1	25
Notes to Budgetary Comparison Schedule		26
<u>Other Supplemental Information:</u>		
Schedule of Compensation, Benefits, and Other Payments to Agency Head of Chief Executive Officer	2	28
<u>Other Reports Required by Government Auditing Standards:</u>		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		30-31
Schedule of Findings and Responses		33-34
Schedule of Prior Year Findings		35
<u>Other Report:</u>		
Independent Accountant's Report on Applying Agreed-Upon Procedures		37-43



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

Maura Dees Gardner, CPA, CFE

Phone No. 318-872-3007

122 Jefferson Street

Mansfield, Louisiana

Fax No. 318-872-1357

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 2, a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2018, 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, 2018, 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 25, 2019, 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 25, 2019 on the results of those procedures and management's responses on pages 37-46.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
June 25, 2019

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
December 31, 2018

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, 2018. 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 \$189,306 or 4.89% during the year. At December 31, 2018, the assets of the Fire District exceeded its liabilities by \$4,064,507.

DeSoto Parish Fire Protection District No. 2's total revenues increased \$45,924 or 6.19% to \$788,214 in 2018 from \$742,290 in 2017.

Ad valorem taxes (property taxes) increased \$39,879 (5.79%) to \$728,989 during the year ended December 31, 2018 compared to \$689,110 during 2017.

DeSoto Parish Fire Protection District No. 2's governmental fund balance increased \$360,504 or 21.84%.

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, 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 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, 2018, the Fire District's assets exceed its liabilities by \$4,064,507 (net position).

At December 31, 2018, \$1,985,028 or 48.84% 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 \$1,415,183.

Unrestricted net position of \$2,079,479 or 51.16% of total net position as of December 31, 2018, may be used to meet the ongoing obligations to the citizens of DeSoto Parish Fire Protection District No. 2.

Cash and cash equivalents increased \$289,397 (28.71%) from \$1,007,841 in 2017 to \$1,297,238 at December 31, 2018.

Accounts receivables (net), consisting of 98% property taxes and 2% parcel fees, increased \$54,241 or 7.47% over 2017.

Total liabilities decreased \$6,707 in 2018.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

December 31, 2018

A Summary of Statement of Net Position is as follows:

ASSETS	Governmental Activities		
	2018	2017	% Change
Cash and cash equivalents	\$ 1,297,238	\$ 1,007,841	28.71%
Accounts receivable, net	780,714	726,473	7.47%
Prepaid expenses	24,150	18,985	27.21%
Deposits	200	200	0.00%
Capital assets, net of accumulated depreciation	1,985,028	2,151,232	-7.73%
Total assets	<u>\$ 4,087,330</u>	<u>\$ 3,904,731</u>	<u>4.68%</u>
LIABILITIES			
Current liabilities	\$ 22,823	\$ 29,530	-22.71%
Total liabilities	<u>\$ 22,823</u>	<u>\$ 29,530</u>	<u>-22.71%</u>
NET POSITION			
Net investment in capital assets	\$ 1,985,028	\$ 2,151,232	-7.73%
Unrestricted	2,079,479	1,723,969	20.62%
Total net position	<u>\$ 4,064,507</u>	<u>\$ 3,875,201</u>	<u>4.89%</u>

The following schedule compares revenues and expenses for the current and previous year. Total revenues increased by \$45,924 or 6.19% from last year. Approximately, 92.49 percent of the Fire District's total revenues come from property taxes (ad valorem taxes), 1.62 percent from other state sources, 4.13 percent from parcel fees, and 1.51 percent from other revenue, which consist of oil and gas royalties, insurance reimbursements and interest income. Total expenses decreased \$48,020 or 7.42 percent over the prior year.

Ad valorem tax revenue for the Fire District increased by \$39,879 (5.79%), reflecting an increase in the property tax revenue.

Depreciation expense of \$166,204 made up 27.75% of total expenses for December 31, 2018 compared to \$172,612 or 26.68% of total expenses in 2017.

A Summary of Statement of Activities is as follows:

	Governmental Activities		
	2018	2017	% Change
Program Revenues:			
Charges for services- Parcel fees	\$ 32,530	\$ 34,430	-5.52%
Contributions	2,000	1,000	100.00%
General Revenues:			
Ad valorem taxes	728,989	689,110	5.79%
Intergovernmental revenues	12,802	13,467	-4.94%
Interest income	3,323	1,357	144.88%
Loss on disposal of asset	-	(5,504)	-100.00%
Other revenue	8,570	8,430	1.66%
Total revenues	<u>788,214</u>	<u>742,290</u>	<u>6.19%</u>
Expenses			
Public safety	598,908	646,928	-7.42%
Total expenses	<u>598,908</u>	<u>646,928</u>	<u>-7.42%</u>
Increases in net position			
	<u>189,306</u>	<u>95,362</u>	<u>98.51%</u>
Net Position, beginning	<u>3,875,201</u>	<u>3,779,839</u>	<u>2.52%</u>
Net Position, ending	<u>\$ 4,064,507</u>	<u>\$ 3,875,201</u>	<u>4.89%</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
December 31, 2018

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S GOVERNMENT FUNDS

For the year ended December 31, 2018, differences between the government-wide presentation and the fund financial statements were due to depreciation changes associated with capital assets, prepaid insurance and software, and deferred property tax.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Fire District adopted a budget for its General Fund for the year ended December 31, 2018. The budget was not amended during the year. Total budgeted revenues did not exceed actual revenues by more than 5%. Total actual expenditures were less than the final budget.

DEBT ADMINISTRATION

At December 31, 2018, the Fire District had no debt on capital assets.

CAPITAL ASSETS

The Fire District did not purchase any capital assets during the year.

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 2019 should not change significantly from the year 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. 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, 2018

	Governmental Fund Financial Statements		Government-wide Statements
	Balance Sheet		Statement of
	General Fund	Adjustments	Net Position
ASSETS			
Cash and cash equivalents	\$ 1,297,238	\$ -	\$ 1,297,238
Accounts receivable, net of allowance	780,714	-	780,714
Deposits	200	-	200
Prepaid expenses	-	24,150	24,150
Capital assets, net of depreciation	-	1,985,028	1,985,028
TOTAL ASSETS	\$ 2,078,152	2,009,178	\$ 4,087,330
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 16,158	-	\$ 16,158
Payroll liabilities	6,665	-	6,665
TOTAL LIABILITIES	22,823	-	\$ 22,823
DEFERRED INFLOWS OF RESOURCES			
Unavailable ad valorem taxes	43,821	(43,821)	\$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	43,821	(43,821)	\$ -
FUND BALANCE / NET POSITION			
Fund Balances:			
Unassigned	2,011,508	(2,011,508)	\$ -
TOTAL FUND BALANCES	2,011,508	(2,011,508)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,078,152	(2,055,329)	-
Net Position:			
Net investment in capital assets		1,985,028	1,985,028
Unrestricted		2,079,479	2,079,479
TOTAL NET POSITION		\$ -	\$ 4,064,507

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, 2018

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

Fund Balance, Total Governmental Fund	\$	2,011,508
Capital Assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds		1,985,028
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year		24,150
Unavailable ad valorem taxes are reported in the governmental funds but not in the Statement of Net Position		43,821
Net Position of Governmental Activities	\$	<u><u>4,064,507</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, 2018

	Governmental Fund Financial Statements Statement of Revenues, Expenditures, and Changes in Fund Balance General Fund	Adjustments	Government-wide Statements Statement of Activities
EXPENDITURES/EXPENSES			
Public safety-fire:			
Personal services & related benefits	\$ 270,603	\$ -	\$ 270,603
Operating expenses	81,038	(5,164)	75,874
Material & supplies	84,615	-	84,615
Travel, training & other charges	1,612	-	1,612
Capital outlays	-	-	-
Depreciation	-	166,204	166,204
TOTAL EXPENDITURES/EXPENSES	437,868	161,040	598,908
PROGRAM REVENUES			
Charges for services	32,530	-	32,530
Operating grants and contributions	2,000	-	2,000
Capital grants and contributions	-	-	-
TOTAL PROGRAM REVENUES	34,530	-	34,530
NET PROGRAM EXPENSE	403,338	161,040	564,378
GENERAL REVENUES			
Ad valorem taxes	739,147	(10,158)	728,989
Intergovernmental revenue- state funds			-
Fire insurance rebate	8,613	-	8,613
State revenue sharing	4,189	-	4,189
Oil & gas royalties	266	-	266
Other revenues	8,304	-	8,304
Interest income	3,323	-	3,323
TOTAL GENERAL REVENUES	763,842	(10,158)	753,684
NET CHANGE IN FUND BALANCE/ CHANGE IN NET POSITION	360,504	(171,198)	189,306
FUND BALANCE / NET POSITION			
Beginning of the year	1,651,004		3,875,201
End of the year	<u>\$ 2,011,508</u>		<u>\$ 4,064,507</u>

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, 2018

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

Net Change in Fund Balance, Governmental Fund	\$	360,504
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		5,164
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Capital outlays (none) less than depreciation expense (\$166,204)		(166,204)
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		
		-
Change in unavailable ad valorem taxes		(10,158)
Change in Net Postion of Governmental Activities	\$	<u><u>189,306</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, 2018

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, 2018

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, 2018

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, 2018, are recorded as prepaid expenses.

Accounts Receivable

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

Capital Assets

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

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Unavailable ad valorem taxes

The Fire District recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of December 31, 2018 are recorded as a receivable. Those net property taxes receivable which were not collected within 60 days immediately following December 31, 2018 are recorded as unavailable tax revenue.

Equity Classifications

Net Position

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

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

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

Fund Balances

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

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

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2018

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, 2018, the Fire District has cash and cash equivalents totaling \$1,297,238 (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, 2018, the Fire District has \$1,300,696 in deposits (collected bank balances). These deposits are secured from risk by \$586,334 of federal deposit insurance and by \$714,362 of pledged marketable securities held by the custodial bank with a value of \$1,505,297.

3. ACCOUNTS RECEIVABLE

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

Ad valorem taxes	\$ 762,289
Parcel fees, net	18,425
	<u>\$ 780,714</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, 2018

4. CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance</u> <u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions /</u> <u>Reclassification</u>	<u>Balance</u> <u>December 31, 2018</u>
Capital assets not being depreciated				
Land	\$ 29,972	\$ -	\$ -	\$ 29,972
Capital assets being depreciated				
Vehicles	1,646,156	-	-	1,646,156
Buildings	1,332,584	-	-	1,332,584
Firefighting Equipment	375,068	-	-	375,068
Furniture & Fixtures	10,665	-	-	10,665
Office Equipment	5,766	-	-	5,766
Total	<u>3,370,239</u>	<u>-</u>	<u>-</u>	<u>3,370,239</u>
Less accumulated depreciation				
Vehicles	\$ 807,427	\$ 94,374	\$ -	\$ 901,801
Buildings	214,891	37,961	-	252,852
Firefighting Equipment	214,994	32,134	-	247,128
Furniture & Fixtures	9,423	372	-	9,795
Office Equipment	2,244	1,363	-	3,607
Total	<u>1,248,979</u>	<u>166,204</u>	<u>-</u>	<u>1,415,183</u>
Capital assets, net	<u>\$ 2,151,232</u>	<u>\$ (166,204)</u>	<u>\$ -</u>	<u>\$ 1,985,028</u>

Depreciation expense of \$166,204 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, 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 an 8.68 ad valorem tax millage for 2018. 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, 2018

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 \$87,555,124 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 \$3,570,224 in 2018. Total of ad valorem tax revenues recognized in 2018 by the Fire District was \$728,989.

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
Covey Park Operating LLC	Oil & Gas	10,773,785	12.31%	89,739
Chesapeake Operating, LLC	Oil & Gas	7,778,959	8.88%	64,734
ETC Tiger Pipeline, LLC	Oil & Gas	7,670,229	8.76%	63,859
Indigo Minerals LLC	Oil & Gas	7,491,100	8.56%	62,401
Exco Operating Company	Oil & Gas	6,134,667	7.01%	51,102
Gulf South Pipeline Co., LP	Oil & Gas	5,250,970	6.00%	43,739
Louisiana Midstream Gas	Oil & Gas	3,945,375	4.51%	32,877
TGG Pipeline, LTD	Oil & Gas	3,344,108	3.82%	27,847
GEP Haynesville, LLC	Oil & Gas	3,119,442	3.56%	25,952
Whiskey Bay Gathering Co	Oil & Gas	2,438,085	2.78%	20,266
Total		<u>57,946,720</u>	<u>66.19%</u>	<u>482,516</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, 2018
Levy date	June 30, 2018
Bills mailed	October 1, 2018
Total service charge due	December 31, 2018
Lien date	not applicable

The Fire District assessed \$32,550 in service charges in 2018 and recognized \$32,530 in revenue.

The service charge receivables at December 31, 2018, are as follows:

Service charge (parcel) fees receivable	\$ 172,289
Allowance for bad debts	(153,864)
Parcel fees receivable	<u>\$ 18,425</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, 2018

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, 2018.

8. LITIGATION

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

9. RELATED PARTY TRANSACTIONS

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

10. COMPENSATION PAID TO BOARD MEMBERS

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

11. RETIREMENT COMMITMENTS

The Fire District had twenty-one employees who are members of the Federal Social Security System. The Fire District and its employees contribute a percentage of the employee's salary to the System (6.2% by the employee). The Fire District's contribution was \$15,431 for the year ended December 31, 2018.

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. 2
Keatchie/Shiloh/Gloster, Louisiana
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Ad valorem taxes	\$ 689,132	\$ 689,132	\$ 739,147	\$ 50,015
Parcel fees	31,640	31,640	32,530	890
Intergovernmental revenue- state funds				-
Fire insurance rebate	9,500	9,500	8,613	(887)
State revenue sharing	4,500	4,500	4,189	(311)
Contributions	-	-	2,000	2,000
Oil & gas royalties	750	750	266	(484)
Other revenues	-	-	8,304	8,304
Interest income	1,500	1,500	3,323	1,823
Total Revenues	<u>737,022</u>	<u>737,022</u>	<u>798,372</u>	<u>61,350</u>
Expenditures				
Current public safety-fire:				
Personal services & related benefits	350,000	350,000	270,603	79,397
Operating expenses	97,410	97,410	81,038	16,372
Materials & supplies	107,000	107,000	84,615	22,385
Travel, training & other charges	5,000	5,000	1,612	3,388
Capital outlays	800,000	800,000	-	800,000
Total Expenditures	<u>1,359,410</u>	<u>1,359,410</u>	<u>437,868</u>	<u>921,542</u>
Net Change in Fund Balance	(622,388)	(622,388)	360,504	(982,893)
Fund balance, beginning of year	<u>1,651,004</u>	<u>1,651,004</u>	<u>1,651,004</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,028,616</u>	<u>\$ 1,028,616</u>	<u>\$ 2,011,508</u>	<u>\$ (982,893)</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, 2018

Budgetary Information

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

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

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

Once a budget is approved, it can be amended by approval of a majority of the Board. Amendments are presented at a regular open meeting for Board approval. The Board approved the 2018 budget at a meeting on December 12, 2017.

For the year ended December 31, 2018, actual revenues were more than budgeted amounts by \$61,350 or 8% and expenditures were less than appropriations in the General Fund by \$921,542 or 68%.

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, 2018

	Noel Tucker
	<u>Fire Chief</u>
Salary	30,969
Benefits-insurance (Medicare)	449
Benefits- retirement (Social Security)	1,920
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	432
Training	-
Housing	-
Unvouchered expenses	-
Special meals	-
Total	<u>\$ 33,770</u>

See independent auditor's report.

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING
STANDARDS*



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

122 Jefferson Street

Maura Dees Gardner, CPA, CFE

Mansfield, Louisiana

Phone No. 318-872-3007

Fax No. 318-872-1357

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

DeSoto Parish Fire Protection District No. 2
Keatchie/Shiloh/Gloster, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 2, a component unit of the DeSoto Parish Policy Jury, as of and for the year ended December 31, 2018, 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 25, 2019.

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 2018-01.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DeSoto Parish Fire Protection District No. 2's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

Purpose of this Report

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

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

Deas Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
June 25, 2019

AUDIT FINDINGS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2
Keatchie/Shiloh/Gloster, Louisiana
 Schedule of Findings and Responses
 For the Year ended December 31, 2018

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, 2018, and have issued our report thereon dated June 25, 2019. 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, 2018, resulted in an unmodified opinion.

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER THE FINANCIAL REPORTING:

Internal Control

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

Compliance

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

A management letter was not issued.

FEDERAL AWARDS

Not applicable

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

FINDINGS RELATED TO INTERNAL CONTROL

2018-01. 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, 2018

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, 2018

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

Unresolved. See Finding 2018-01.

OTHER REPORTS



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

Maura Dees Gardner, CPA, CFE

122 Jefferson Street

Mansfield, Louisiana 71052

Independent Accountant's Report On Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the DeSoto Parish Fire Protection District No. 2 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

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

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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

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

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

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

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

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

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

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Written policies and procedures were obtained and were found to address the functions noted above except as to 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

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

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

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

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

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

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

Management Response: *The District has now developed a policy for ethics. The District does not maintain any debt and has limited involvement with Contracting that does not require set standard terms and conditions.*

Board or Finance Committee

- 2. Section not tested. No prior year issue.

Bank Reconciliations

- 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 listing of client bank accounts from management and management's representation that the listing is complete were obtained. The main operating account and all 3 of the District's additional accounts were selected for review.

- 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);

No exceptions were noted as a result of this procedure.

- 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

No exceptions were noted as a result of this procedure.

- 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.

No exceptions were noted as a result of this procedure.

Collections

- 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).

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

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

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

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

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

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

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

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

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

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

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

No exceptions were noted as a result of this procedure.

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

Two deposits for each of the bank accounts selected under procedure #3 were randomly selected and supporting documentation was obtained.

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

The District does not utilize sequentially numbered receipts. .

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

The District has two primary sources of revenue, ad valorem taxes (direct collection of which is managed by the Parish Sheriff) and a service fee the District manages. There was no issue noted with documentation of ad valorem tax collections except that the District does not log collections received. Service fee collections reviewed did not include sufficient documentation. The entity does not log collections and does not issue receipts for physical payments made allowing for reconciliation of deposits to a system receivables report prepared.

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

No exceptions were noted as a result of this procedure.

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

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

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

No exceptions were noted as a result of this procedure.

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

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

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).

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

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 listing of employees involved with non-payroll purchasing and payment functions and management's representation that the listing is complete were obtained.

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

No exceptions were noted as a result of this procedure.

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

No exceptions were noted as a result of this procedure.

- 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 District clerk is responsible for processing payments and is prohibited by policy from adding/modifying vendor files.

- 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.

No exceptions were noted as a result of this procedure.

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.

No exceptions were noted as a result of this procedure.

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

No exceptions were noted as a result of this procedure.

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

11. Section not tested. Only prior year issues clarified with new agreed upon procedures.

12. Section not tested. Only prior year issues clarified with new agreed upon procedures.

13. Section not tested. Only prior year issues clarified with new agreed upon procedures.

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

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:

Management represented that there were no travel and travel-related expense reimbursements during the fiscal period.

- 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).

No exceptions were noted because there were no applicable reimbursements to test.

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

No exceptions were noted because there were no applicable reimbursements to test.

- 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).

No exceptions were noted because there were no applicable reimbursements to test.

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

No exceptions were noted because there were no applicable reimbursements to test.

Contracts

15. No prior year issue. Section not tested.

Payroll and Personnel

16. No prior year issue. Section not tested.

17. No prior year issue. Section not tested.

18. No prior year issue. Section not tested.

19. No prior year issue. Section not tested.

Ethics

20. No prior year issue. Section not tested.

Debt Service

21. No prior year issue. Section not tested.

22. No prior year issue. Section not tested.

Other

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

No misappropriations of public funds and assets during the fiscal period reported by entity.

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

No exceptions were noted as a result of this procedure.

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 25, 2019