

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
STONEWALL, LOUISIANA**

**ANNUAL FINANCIAL
REPORT DECEMBER 31, 2021**

DeSoto Parish Fire Protection District No. 3
Mansfield, Louisiana

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INDEPENDENT AUDITOR'S REPORT

DeSoto Parish Fire Protection District No. 3
5200 Hwy 3276
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Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the DeSoto Parish Fire Protection District No. 3 (District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2021, 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.

Basis for Opinions

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 and the *Louisiana Governmental Audit Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule on pages 4 through 8 and 26 and 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer listed as other supplementary information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated June 27, 2022, on the results of our state wide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's state wide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

June 27, 2022

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana
December 31, 2021

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, 2021. 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 \$60,319 or 4.38% during the year. At December 31, 2021, the assets of the Fire District exceeded its liabilities by \$1,436,501.

Unrestricted net position of \$1,285,536 (89.49% of total net position) represents the amount available to be used to meet the Fire District's ongoing obligations to its citizens. The remaining 10.51% of net position (\$150,965) is net investment in capital assets.

The District recognized \$483,231 in ad valorem tax revenue in 2021. This is an increase of \$19,767 or 4.27% from 2020.

The District recognized \$144,943 in assessment fees revenue in 2021. This is an increase of \$3,704 or 2.62% from 2020.

The District's total expenses of \$499,309 (net of \$56,392 of depreciation) in 2021 were a increase of \$16,538 or 3.43% from \$482,771 in 2020.

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 supplemental pay and grants.

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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, 2021, The Fire District's assets exceed its liabilities by \$1,436,501 (net position).

At December 31, 2021, \$150,965 or 10.51% of the Fire District's net position reflects capital assets with a historical cost of \$1,634,549 less accumulated depreciation of \$1,483,584.

Cash increased \$352,317 (91.49%) from \$385,083 in 2020 to \$737,400 at December 31, 2021.

Total net accounts receivable increased \$20,774 or 3.85%. Net parcel fees receivable increased \$2,840 (2.58%) from \$109,938 in 2020 to \$112,778 at December 31, 2021. Ad valorem tax receivable increased \$17,999 (4.19%) from \$429,932 in 2020 to \$447,931 at December 31, 2021. Accounts receivable decrease \$65 (100%) from \$65 in 2020 to \$0 at December 31, 2021.

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December 31, 2021

Total liabilities for the Fire District increased \$2,392 or 12.37% from 2020. 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		
	2021	2020	% Change
Cash and cash equivalents	\$ 737,400	\$ 385,083	91%
Accounts receivable, net (see note 3)	560,709	539,935	3.85%
Prepaid expenses	9,157	8,287	10%
Capital assets, net of accumulated depreciation	150,965	462,215	-67%
Total assets	<u>\$ 1,458,231</u>	<u>\$ 1,395,520</u>	<u>4%</u>
LIABILITIES			
Current liabilities	\$ 21,730	\$ 19,338	12%
Total liabilities	<u>\$ 21,730</u>	<u>\$ 19,338</u>	<u>12%</u>
NET POSITION			
Net investment in capital assets	\$ 150,965	\$ 462,215	-67%
Unrestricted	1,285,536	913,967	41%
Total net position	<u>\$ 1,436,501</u>	<u>\$ 1,376,182</u>	<u>4%</u>

The following schedule compares revenues and expenses for the current and previous year. Total revenues decreased by 11.38% (\$79,097) since last year. This decrease was primarily due to loss on the sale of property in 2021. Approximately 78.44% of the Fire District's total revenues come from property taxes and 23.53% from assessment fees. Total expenses increased 2.16% (\$11,770) over the prior year.

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A Summary of Statement of Activities is as follows:

	Governmental Activities		
	2021	2020	% Change
Program Revenues:			
Charges for Services-Parcel fees	\$ 144,943	\$ 141,239	3%
Grants & Contributions	35	55,632	-100%
General Revenues:			
Ad valorem taxes	483,231	463,464	4%
Intergovernmental revenues	25,263	25,264	0%
Interest income	741	1,116	-34%
Other Revenue	10,715	8,402	28%
Gain/(Loss) on sale of property	(48,908)	-	0%
Total revenues	<u>616,020</u>	<u>695,117</u>	-11%
Expenses			
Public Safety	<u>555,701</u>	<u>543,931</u>	2%
Total expenses	<u>555,701</u>	<u>543,931</u>	2%
Increases (Decrease) in net position	60,319	151,186	-60%
Net Position beginning	<u>1,376,182</u>	<u>1,224,996</u>	12%
Net Position, ending	<u>\$ 1,436,501</u>	<u>\$ 1,376,182</u>	4%

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S GOVERNMENTAL FUNDS

For the year ended December 31, 2021, 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, 2021. Actual revenues were \$10,201 under the final budget. Actual expenses were less than the budgeted amounts by \$29,461. The budget was amended once during the year. The Fire District is in compliance with the Local Government Budget Act.

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 disposals for 2021 include the sale of property located at 1460 Highway 171, which included donated land and EMS building.

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

December 31, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary revenue source for the Fire District is ad valorem 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 2022 should not change significantly from the fiscal year end 2021 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

STATEMENT A

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana

GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION

December 31, 2021

	Governmental Funds Financial Statements		Government-wide Statements
	Balance Sheet		Statement of
	General Fund	Adjustments	Net Position
ASSETS			
Cash and cash equivalents	\$ 737,400	\$ -	\$ 737,400
Ad valorem tax receivables	447,931	-	447,931
Assessment fee and other receivables	112,778	-	112,778
Prepaid expenses	-	9,157	9,157
Capital assets, net of accumulated depreciation	-	150,965	150,965
TOTAL ASSETS	1,298,109	160,122	1,458,231
LIABILITIES			
Current Liabilities:			
Accounts payable	7,974	-	7,974
Payroll liabilities	13,756	-	13,756
TOTAL LIABILITIES	21,730	-	21,730
DEFERRED INFLOWS OF RESOURCES			
Unavailable ad valorem taxes	7,774	(7,774)	-
Unavailable assessment fees	12,227	(12,227)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	20,001	(20,001)	-
FUND BALANCE / NET POSITION			
Fund Balance:			
Unassigned	1,256,378	(1,256,378)	-
TOTAL FUND BALANCE	1,256,378	(1,256,378)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,298,109	(1,276,379)	-
Net Position:			
Net investment in capital assets		150,965	150,965
Unrestricted		1,285,536	1,285,536
TOTAL NET POSITION		\$ -	\$ 1,436,501

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

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, 2021

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

Fund Balance - Governmental Fund	\$	1,256,378
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year		9,157
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds		150,965
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		7,774
Deferred assessment fees		12,227
		<hr style="border-top: 1px solid black;"/>
Net Position of Governmental Activities	\$	<u><u>1,436,501</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
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**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE / STATEMENT OF ACTIVITIES**

For the year ended December 31, 2021

	Governmental Funds Financial Statements			Government-wide Statements
	Statement of Revenues Expenditures, and Changes in Fund Balance			Statement of Activities
	General Fund	Adjustments		
EXPENDITURES/EXPENSES				
Public Safety-Fire				
Personnel and related benefits	\$ 324,183	\$ -		\$ 324,183
Materials and supplies	153,400	(870)		152,530
General and administrative	22,596	-		22,596
Capital outlays	4,050	(4,050)		-
Depreciation	-	56,392		56,392
TOTAL EXPENDITURES/EXPENSES	504,229	51,472		555,701
PROGRAM REVENUES				
Charges for services	142,931	2,012		144,943
Operating grants & contributions	35	-		35
TOTAL PROGRAM REVENUES	142,966	2,012		144,978
NET PROGRAM EXPENSE	(361,263)	(49,460)		(410,723)
GENERAL REVENUES				
Ad valorem taxes	483,744	(513)		483,231
Interest earnings	741	-		741
Fire insurance rebate	13,263	-		13,263
State Supplemental Pay	12,000	-		12,000
Other income	10,715	-		10,715
TOTAL GENERAL REVENUES	520,463	(513)		519,950
NET CHANGE IN FUND BALANCE/ CHANGE IN NET POSITION	159,200	(49,973)		109,227
OTHER FINANCING SOURCES(USES):				
Sale of assets/ Gain (loss) on sale of assets	210,000	(258,908)		(48,908)
TOTAL OTHER FINANCING SOURCES(USES)	210,000	(258,908)		(48,908)
EXCESS OF REVENUES OVER EXPENDITURES / CHANGE IN NET POSITION	369,200	(308,881)		60,319
FUND BALANCE / NET POSITION				
Beginning of the year	887,178			1,376,182
End of the year	\$ 1,256,378			\$ 1,436,501

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

STATEMENT D

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, 2021

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

Net Change in Fund Balances, Governmental Funds	\$ 369,200
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.	870
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:	
The amount by which depreciation (\$56,392) exceeded the capital outlays (\$4,050) in the current period.	(52,342)
Proceeds received on sale of asset	(210,000)
Loss on sale of property	(48,908)
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	(513)
Change in deferred assessment fees	<u>2,012</u>
Change in Net Position of Governmental Activities	<u>\$ 60,319</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

NOTES TO FINANCIAL STATEMENTS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**Stonewall, Louisiana****NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021

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, 2021

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

Stonewall, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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, 2021

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, 2021

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, 2021

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 \$1,256,378.

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, 2021, the Fire District has cash and interest-bearing deposits totaling \$737,400 (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, 2021, the Fire District had \$738,942 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$488,942 in pledged securities with a market value of \$1,475,376.

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

December 31, 2021

3. ACCOUNTS RECEIVABLES

The following is a summary of receivables at December 31, 2021:

Service charge assessment fees receivable	\$ 112,778
Ad valorem tax receivables	447,931
Total accounts receivable	<u>\$ 560,709</u>

4. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2021 are as follows:

Governmental Activities	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Capital assets not being depreciated:				
Land	\$ 56,450	\$ -	45,000	\$ 11,450
Capital assets being depreciated:				
Vehicles	1,126,329	-	-	1,126,329
Buildings	466,883	-	244,820	222,063
Firefighting Equipment	258,847	4,050	-	262,897
Office Equipment	11,810	-	-	11,810
Total assets being depreciated	<u>1,863,869</u>	<u>4,050</u>	<u>244,820</u>	<u>1,623,099</u>
Less Accumulated Depreciation				
Vehicles	1,026,438	34,757	-	1,061,195
Buildings	182,709	10,056	30,912	161,853
Firefighting Equipment	237,146	11,579	-	248,725
Office Equipment	11,811	-	-	11,811
Total	<u>1,458,104</u>	<u>56,392</u>	<u>30,912</u>	<u>1,483,584</u>
Capital Assets, Net	<u>\$ 462,215</u>	<u>\$ (52,342)</u>	<u>258,908</u>	<u>\$ 150,965</u>

Depreciation expense of \$56,392 was charged to the public safety function.

5. LEVIED TAXESAd 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, 2021

5. LEVIED TAXES (continued)

The property tax calendar is as follows:

Assessment date	January 1, 2021
Levy date	June 30, 2021
Tax bills mailed	October 15, 2021
Total taxes are due	December 31, 2021
Penalties & interest added	January 31, 2022
Tax sale	May 15, 2022

The Fire District has authorized 10.00 and levied 9.82 ad valorem millage for 2021. 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 \$64,060,640 in 2021. 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 \$14,680,999 in 2021. Total of ad valorem tax revenues recognized in 2021 by the Fire District was \$483,231.

The following are the principal taxpayers for the Fire District (2021 amounts):

	TYPE OF BUSINESS	ASSESSED VALUATION	% OF TOTAL ASSESSED VALUATION	AD VALOREM TAX REVENUE FOR FIRE DISTRICT
Chesapeake Energy Louisiana Corp	Oil & Gas	\$ 6,127,915	9.95%	\$ 46,157
GEP Haynesville, LLC	Oil & Gas	4,015,440	6.52%	30,245
Magnolia Midstream Gas Services	Oil & Gas	2,073,396	3.37%	15,633
Exco Operating Company	Oil & Gas	1,102,636	1.79%	8,304
Stonewall Ford, Inc.	Auto Dealer	928,852	1.51%	7,005
MAW Real Estate, LLC	Real Estate	610,197	0.99%	4,592
Comstock Oil & Gas	Oil & Gas	575,660	0.93%	4,314
Marketplace Chevrolet/Buick	Auto Dealer	532,338	0.86%	3,989
Indigo Minerals LLC	Oil & Gas	457,074	0.74%	3,433
Enable Gas Transmission, LLC	Oil & Gas	402,647	0.65%	3,015
Total		\$ <u>16,826,155</u>	<u>27.31%</u>	\$ <u>126,687</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**Stonewall, Louisiana****NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021

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 \$145,300 in service charges in 2021, and recognized \$144,943 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, 2021, amounts to \$18,467.

7. COOPERATIVE ENDEAVOR AGREEMENTS

During 2019 DeSoto Parish Fire Protection District No. 3 along with 5 other Parish Fire Districts entered into a Cooperative Endeavor Agreement with the DeSoto Parish Sheriff's Office. The Sheriff's Office will provide the Fire Districts with adequate dispatching services for the annual sum of \$275,000 (payable in four quarterly payments) to be paid proportionally by each of the Fire Districts based on 2018 millage revenues. The total portion of Fire District 3 is \$16,835 (\$4,208.75 due quarterly). The DeSoto Sheriff agreed to hire 4 full time employees to provide the dispatching services and to employ a communications supervisor for those employees dispatching for the Fire Districts.

8. 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.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**Stonewall, Louisiana****NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021

9. 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, 2021.

10. LITIGATION

There is no litigation pending against the Fire District, at December 31, 2021, nor is it aware of any unasserted claims.

11. 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, 2021.

12. COMPENSATION PAID TO BOARD MEMBERS

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

13. SUBSEQUENT EVENTS

Management has performed an evaluation of the Fire District's activities through June 27, 2022 and has concluded that there were two significant events requiring recognition or disclosure through the date and time these financial statements were available to be issued.

In June 2021, the Fire District approved the purchase of two pumper trucks at the State of Louisiana contracted price totaling \$715,648. One truck will be purchased with Fire District funds and the other truck will be financed through a lease-purchase agreement. The loan proceeds for the lease-purchase agreement is \$327,833. The trucks were received April 10, 2022.

In February 2022, the Fire District approved two pumper trucks as surplus and in March 2022 sold the two pumper trucks at auction.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2021

	Budgeted Amounts			Adjust to Budgetary Basis	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Actual			
Revenues						
Service charge parcel fees	\$ 141,700	\$ 141,700	\$ 142,931	\$ (3,670)	\$ 139,261	\$ (2,439)
Ad valorem taxes	465,350	465,350	483,744	(36,510)	447,234	(18,116)
Intergovernmental revenue- state funds						-
Fire insurance rebate	13,000	13,000	13,263	-	13,263	263
State Supplemental Pay	12,000	12,000	12,000	-	12,000	-
State and other grants	-	-	-	-	-	-
Contributions	-	-	35	-	35	35
Non-cash contributions	-	-	-	-	-	-
Other revenues	100	100	10,715	-	10,715	10,615
Interest income	1,300	1,300	741	-	741	(559)
Total Revenues	<u>633,450</u>	<u>633,450</u>	<u>663,429</u>	<u>(40,180)</u>	<u>623,249</u>	<u>(10,201)</u>
Expenditures						
Current:						
Public safety-fire						
Personal and related benefits	337,500	337,500	324,183	(1,658)	322,525	14,975
Materials and supplies	155,000	171,636	153,400	1,604	155,004	16,632
General and administrative	21,700	24,500	22,596	-	22,596	1,904
Capital outlays	-	-	4,050	-	4,050	(4,050)
Total Expenditures	<u>514,200</u>	<u>533,636</u>	<u>504,229</u>	<u>(54)</u>	<u>504,175</u>	<u>29,461</u>
Net Change in Fund Balance before other financing sources	<u>119,250</u>	<u>99,814</u>	<u>159,200</u>	<u>(40,126)</u>	<u>119,074</u>	<u>19,260</u>
Other financing source						
Sale of Property	-	-	210,000	-	210,000	210,000
Total other financing source	<u>-</u>	<u>-</u>	<u>210,000</u>	<u>-</u>	<u>210,000</u>	<u>210,000</u>
Net Change in Fund Balance	119,250	99,814	369,200	(40,126)	329,074	229,260
Fund balances, beginning of year	<u>887,178</u>	<u>887,178</u>	<u>887,178</u>	<u>-</u>	<u>887,178</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,006,428</u>	<u>\$ 986,992</u>	<u>\$ 1,256,378</u>	<u>\$ (40,126)</u>	<u>\$ 1,216,252</u>	<u>\$ 229,260</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

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, 2021

		David Jenkins
		Chief
Salary	\$	60,320
State Supplemental Pay		6,000
Benefits-insurance (Medicare)		962
Benefits- retirement (Social Security)		4,112
Benefits - other		-
Auto use		-
Vehicle provided by government		-
Per diem		-
Reimbursements		-
Travel		-
Registration fees		-
Conference travel		-
Continuing professional education fees		-
Dues		118
Unvouchered expenses		-
Special meals		-
Total	\$	<u>71,512</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**Stonewall, Louisiana****NOTE TO BUDGETARY COMPARISON SCHEDULE**

Year Ended December 31, 2021

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 8, 2020. The budget was amended 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 REPORTS/SCHEDULES

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

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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*

DeSoto Parish Fire Protection District No. 3
5200 Hwy 3276
Stonewall, Louisiana 71078

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, the financial statements of the governmental activities and major fund as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the DeSoto Parish Fire Protection District No. 3's (District) basic financial statements and have issued our report thereon dated June 27, 2022.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 statements. 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 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 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. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

June 27, 2022

DeSoto Parish Fire Protection District No. 3
Schedule of Audit Results
Year Ended December 31, 2020

I. Summary of Audit Results

1. An unmodified opinion was issued on the financial statements of the DeSoto Parish Fire Protection District No. 3 as of and for the year ended December 31, 2020.
2. The audit did not disclose any material weaknesses in the internal control.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None identified.

III. PRIOR YEAR AUDIT FINDINGS

None identified.

T | C | B | T
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**INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING
STATEWIDE AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA’s) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The DeSoto Parish Fire Protection District No. 3’s (District) management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA’s SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user for this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained and inspected the entity’s written policies and procedures and observed that they address each of the following categories and subcategories (or noted that the entity does not have any written policies and procedures), as applicable:
 - ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ***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.
 - ***Disbursements***, including processing, reviewing, and approving.
 - ***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.)

- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedule.
- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- **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).
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- **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) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Procedure Results - We noted twelve exceptions. The written policies and procedures do not address: (1) Budgeting, (2) Purchasing, (3) Disbursements, (4) Receipts/Collections, (5) Payroll/Personnel, (6) Contracting, (7) Credit Cards, (8) Travel and expense reimbursement, (9) Ethics, (10) Debt Service, (11) Information Technology Disaster Recovery/Business Continuity, (12) Sexual Harassment

Board or Finance Committee

2. We obtained and inspected the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent documents in effect during the fiscal period, and:
 - Observed 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.
 - Observed that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

- Obtained the prior year audit report and observed the unassigned fund balance in the General Fund. If the General Fund had a negative ending unrestricted fund balance in the prior year audit report, observed that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the General Fund.

a) Procedure Results – We noted no exceptions.

Bank Reconciliations

3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Management identified the entity's main operating account. We selected the entity's main operating account and randomly selected 4 additional accounts (or all if less than 5). We randomly selected one month from the fiscal period, and obtained and inspected the corresponding bank statement and reconciliation for the selected accounts, and observed that:

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

a) Procedure Results – We noted no exceptions.

Collections (excluding electronic funds transfers)

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. We randomly selected 5 deposit sites (or all deposit sites if less than 5).

5. We obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site selected. We obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, and observed that job duties were properly segregated at each collection location such that:

- Employees that are responsible for cash collections do not share cash drawers/registers.
- 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.
- 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 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/official verifies the reconciliation.

6. We obtained from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. We observed that the bond or insurance policy for theft was enforced during the fiscal period.
7. We randomly selected two deposit dates for each of the bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). We obtained supporting documentation for each of the deposits selected and:
 - We observed that receipts are sequentially pre-numbered.
 - We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - We traced the deposit slip total to the actual deposit per the bank statement.
 - We observed 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 and the cash is stored securely in a locked safe or drawer).
 - We traced the actual deposit per the bank statement to the general ledger.

a) Procedure Results – We noted no exceptions.

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

8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. We randomly selected the required amount of disbursement locations (up to five).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. We obtained 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 we observed that job duties are properly segregated such that:
 - At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.
10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, and obtained supporting documentation for each transaction and:
 - We observed that the disbursement matched the related original itemized invoice and that documentation indicates that deliverables included on the invoice were received by the entity.

- We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
- a) Procedure Results – We noted no exceptions.

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

11. We obtained 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. We obtained management's representation that the listing is complete.
12. Using the listing prepared by management, we randomly selected the required amount of cards (up to five) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, randomly selected one monthly bank statement), and obtained supporting documentation, and:
- We observed 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 (or electronically approved), by someone other than the authorized card holder.
 - We observed that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, we randomly selected the required amount transactions (up to ten) from each statement, and obtained supporting documentation for the transactions. For each transaction, we observed that it is supported by (1) an original itemized receipt that identified 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). For missing receipts, we described the nature of the transaction and noted whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
- a) Procedure Results – We noted no exceptions.

Travel and Expense Reimbursement

14. We obtained 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. We randomly selected five reimbursements, and obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:
- If reimbursed using a per diem, we observed that the approved reimbursement rate is no more than those rates established by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - We observed that each reimbursement was supported by documentation of the business/public purpose (for meal charges, we observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

- We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
- a) Procedure Results – We noted no exceptions.

Contracts

15. We obtained 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. We obtained management's representation that the listing is complete. We randomly selected the required amount of contracts (up to five) from the listing, excluding our contract, and:

- We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- We observed that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- If the contract was amended (e.g. change order), we observed that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).
- We randomly selected one payment from the fiscal period for each of the selected contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

a) Procedure Results – We noted no exceptions.

Payroll and Personnel

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected five employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

17. We randomly selected one pay period during the fiscal period. For the five employees/officials selected under #16 above, we obtained attendance and leave documentation for the pay period, and:

- We observed that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- We observed that supervisors approved the attendance and leave of the selected employees/officials.
- We observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- We observed that the rate paid to the employees or officials agree to the authorized salary/pay rate found with the personnel file.

18. We obtained a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. If applicable, we selected two employees or officials, and obtained related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. If applicable, we agreed the hours to the employees or officials' cumulative leave records, and the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and the termination payment to entity policy.
19. We obtained management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, workers' compensation premiums, etc.) have been paid, and associated forms have been filed, by required deadlines.
- a) Procedure Results – We noted no exceptions.

Ethics

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management, and:
- We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - We observed that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- a) Procedure Results – We noted no exceptions.

Debt Service

21. We obtained a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. We selected all debt instruments on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).
- a) Procedure Results – Not applicable due to the District not incurring any debt.

Fraud Notice

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the District attorney of the parish in which the entity is domiciled.

24. We observed whether 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.

a) Procedure Results – We noted no exceptions.

Information Technology Disaster Recovery/Business Continuity

25. We performed the following procedures:

- We obtained and inspected the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquired of personnel responsible for backing up critical data) and observed that such backup occurred within the past week. If backups are stored on the physical medium (e.g., tapes, CDs), we observed that backups are encrypted before being transported.
- We obtained and inspected the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquired of personnel responsible for testing/verifying backup restoration) and observed evidence that the test/verification was successfully performed within the past 3 months.
- We obtained a listing of the entity’s computers currently in use, and their related locations, and management’s representation that the listing is complete. We randomly selected the required number of computers (at least 5) and observed while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

a) Procedure Results – We noted no exceptions.

Sexual Harassment

26. We randomly selected the employees/officials from procedure #16 under “Payroll and Personnel” above, obtained sexual harassment training documentation from management, and observed that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

27. We observed that the entity has posted its sexual harassment policy and complaint procedures on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

28. We obtained the entity’s annual sexual harassment report for the current fiscal period, observed that the report was dated on or before February 1, and observed that it includes the applicable requirements of R.S. 42:344:

- Number and percentage of public servants in the agency who have completed the training requirements;
- Number of sexual harassment complaints received by the agency;
- Number of complaints which resulted in a finding that sexual harassment occurred;
- Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- Amount of time it took to resolve each complaint.

a) Procedure Results – We noted one exception: Employees have not completed a least one hour of sexual harassment training during the calendar year.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

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Natchitoches, Louisiana

June 27, 2022

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

Item 1: Exception - The written policies and procedures do not address: (1) Budgeting, (2) Purchasing, (3) Disbursements, (4) Receipts/Collections, (5) Payroll/Personnel, (6) Contracting, (7) Credit Cards, (8) Travel and expense reimbursement, (9) Ethics, (10) Debt Service, (11) Information Technology Disaster Recovery/Business Continuity, (12) Sexual Harassment

Response - We will establish written policies and procedures to address the items above.

Item 26: Exception - Employees have not completed a least one hour of sexual harassment training during the calendar year.

Response - We will comply with regulations on sexual harassment guidelines by having employees complete one hour of training annually.