

**FIRE PROTECTION DISTRICT NO. 3
OF THE PARISH OF ST. MARY**

Amelia, Louisiana

Year Ended September 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Fire Protection District No. 3 of the Parish of St. Mary
Amelia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Fire Protection District No. 3 of the Parish of St. Mary (hereinafter, the "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 District'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 District'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 previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 budgetary comparison information on pages 23 and 24 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2015, 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 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 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.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
April 10, 2015

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Net Position
September 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 359,167
Prepaid expenses	50,740
Deposits	1,489
Capital assets	
Not being depreciated	477,508
Net of accumulated depreciation	<u>1,038,449</u>
Total assets	<u>1,927,353</u>
LIABILITIES	
Accounts and other payables	<u>14,647</u>
NET POSITION	
Net investment in capital assets	1,515,957
Unrestricted	<u>396,749</u>
Total net position	<u>1,912,706</u>

The accompanying notes are an integral part of the financial statements.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Activities
Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Public safety:			
Public safety - fire protection	\$ 584,739	\$ 12,000	\$ (572,739)
General revenues:			
Taxes-			
Property taxes, operations and maintenance			785,504
Interest and investment earnings			1,940
Insurance refunds			<u>12,992</u>
Total general revenues			<u>800,436</u>
Change in net position			227,697
Net position - October 1, 2013			<u>1,685,009</u>
Net position - September 30, 2014			<u>\$ 1,912,706</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Balance Sheet
Governmental Fund
September 30, 2014

	<u>General Fund</u>
ASSETS	
Current assets:	
Cash	\$ 359,167
Prepaid expenditures	<u>50,740</u>
Total current assets	409,907
Other assets:	
Deposits	<u>1,489</u>
Total assets	<u>\$ 411,396</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 9,907
Retirement payable	1,313
Payroll taxes payable	<u>3,427</u>
Total liabilities	<u>14,647</u>
Fund balance:	
Nonspendable	50,740
Unassigned	<u>346,009</u>
Total fund balance	<u>396,749</u>
Total liabilities and fund balance	<u>\$ 411,396</u>

(continued)

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Balance Sheet (continued)
Governmental Fund
September 30, 2014

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position:

Total fund balance for governmental funds at September 30, 2014 \$ 396,749

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets, net of accumulated depreciation, consist of:

Land	\$ 477,508	
Buildings	741,657	
Equipment	244,019	
Improvements	<u>52,773</u>	
		<u>1,515,957</u>
Net position at September 30, 2014		<u>\$1,912,706</u>

The accompanying notes are an integral part of the financial statements.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended September 30, 2014

	General Fund
Revenues:	
Local Sources-	
Ad valorem taxes	\$ 785,504
Interest income	1,940
Insurance refunds	12,992
State Sources -	
Intergovernmental	12,000
Total revenues	812,436
Expenditures:	
Current -	
Ad valorem tax deductions	25,762
Commissioner per diem	1,590
Fire protection reimbursements to Amelia Volunteer Fire Department	131,528
Insurance	83,103
Professional fees	8,760
Salaries and benefits	229,047
Capital outlay	610,624
Total expenditures	1,090,414
Net change in fund balance	(277,978)
Fund balances, beginning	674,727
Fund balance, ending	\$ 396,749

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)
Governmental Fund
Year Ended September 30, 2014

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities:

Total net changes in fund balance for the year ended September 30, 2014 per
Statement of Revenues, Expenditures and Changes in Fund Balances \$ (277,978)

The change in net position reported for governmental activities in the
statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense:

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 610,624	
Depreciation expense for the year ended September 30, 2014	<u>(104,949)</u>	<u>505,675</u>

Total changes in net position for the year ended September 30, 2014 per
Statement of Activities \$ 227,697

The accompanying notes are an integral part of the financial statements.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements

Fire Protection District No. 3 of the Parish of St. Mary (the "District"), was created by Ordinance No. 1044 of the St. Mary Parish Council on July 27, 1988 for the purpose of providing fire protection, medical assistance, and extrication rescue. The District encompasses Ward Nine of the Parish of St. Mary.

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the audit and accounting guide, *Audits of State and Local Governmental Units*.

(1) Summary of Significant Accounting Policies

The more significant of the District's accounting policies are described below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- Appointing a voting majority of an organization's governing body, and the ability of the Parish Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Council.
- Organizations for which the Parish Council does not appoint a voting majority but are fiscally dependent on the Parish Council.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Council appoints the governing body and has the ability to significantly impose its will, the District is a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted 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*.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all the financial activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities presents a comparison between direct expenses and program revenues for the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The General Fund of the District is considered to be the major fund and is described below:

Governmental Fund –

General Fund – this fund is the primary operating fund of the District and it accounts for the operations of the District’s office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

C. Capital Assets

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 District maintains a threshold level of \$500 or more for capitalizing capital assets.

Capital assets are recorded in the statement of net position. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Leasehold improvements	20 – 40 years
Equipment	5 – 12 years
Furniture	5 – 7 years
Vehicles	5 years

D. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. The District uses the following practices in recording certain revenues and expenditures:

Revenues

Intergovernmental revenues are recorded when approved for payment by the payer or governing body.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

E. Cash

Cash includes amounts in demand deposits and interest bearing demand deposits.

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond the current period are recorded as prepaid items.

G. Equity Classifications

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

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

Fund balance for the District's governmental fund is displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form (such as prepaid amounts) or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through formal actions of the Board of Commissioners.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Board of Commissioners may assign amounts for specific purposes.
- e. Unassigned – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners has provided otherwise in its commitment of assignment actions.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(2) Cash

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2014, the District has cash and interest-bearing deposits (book balances) totaling \$359,167 as follows:

Demand deposits	\$ 109,033
Time deposits	<u>250,134</u>
Total	<u>\$ 359,167</u>

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These 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. At September 30, 2014, the District has \$359,167 in deposits (bank balances) which are entirely secured from risk by federal deposit insurance.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the District will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. Since the District's total bank balances were fully insured, the deposits are not exposed to custodial credit risk.

(4) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects the District's property taxes using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed. For the year ended September 30, 2014, the District levied a property tax of 10.0 mills for maintenance and operations on property with assessed valuations totaling \$79,969,140. The total taxes collected were \$785,504.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(5) Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	Balance 10/1/2013	Additions	Deletions	Balance 9/30/2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 477,508	-	\$ 477,508
Capital assets, being depreciated:				
Buildings	884,150	-	-	884,150
Equipment	493,154	114,612	-	607,766
Improvements	54,718	18,504	-	73,222
Total capital assets, being depreciated	1,432,022	133,116	-	1,565,138
Less: accumulated depreciation				
Buildings	106,611	35,882	-	142,493
Equipment	299,906	63,841	-	363,747
Improvements	15,223	5,226	-	20,449
Total accumulated depreciation	421,740	104,949	-	526,689
Net capital assets, being depreciated	1,010,282	28,167	-	1,038,449
Net capital assets	\$ 1,010,282	\$ 505,675	\$ -	\$ 1,515,957

Depreciation expense in the amount of \$104,949 was charged to public safety.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(6) Retirement Plan

The employees of the District are members of the Louisiana Firefighters' Retirement System (System), a multiple-employer (cost-sharing) public employee retirement system (PERS), controlled and administered by a separate board of trustees. Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish or fire protection district that did not enact an ordinance prior to January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at 25 years of creditable service regardless of age or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable services. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent of their final-average salary for each year of creditable service, not to exceed 100 percent of the final-average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The system also provides death and disability benefits.

Benefits are established by state statute. State statute requires covered employees to contribute a percentage of their salaries to the System. Employer contributions are determined annually based on results of the valuation of the prior fiscal year with adjustments for all dedicated tax moneys or appropriated funds.

Covered employees are required by the State legislature to contribute 10% from October 1, 2013 to September 30, 2014 of the gross salaries to the plan. The District was required by the same statute to contribute 28.25% of each employee's gross salary to the plan from October 1, 2013 to June 30, 2014 and 30.25% from July 1, 2014 to September 30, 2014. The District's contributions for the years ended September 30, 2014, 2013, and 2012 were \$66,327, \$65,469, and \$50,454, respectively.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Capitol Station, Baton Rouge, Louisiana, 70804.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(7) Compensation Paid To Board Members

The schedule of compensation paid to the Board of Commissioners for the period ended September 30, 2014:

	<u>Per Diem Received</u>
Jason Brown	\$ 360
Scott Butcher	300
Joseph Foret, Jr.	360
Jimmy Ohmer	210
Joe Venable	<u>360</u>
Total	<u>\$ 1,590</u>

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. With the exception of per diem, no other payments which would require disclosure were made to the District's chief officer. For the year ended September 30, 2014 the District's chief officer, Joseph Foret, Jr., received \$360 in per diem payments.

(8) New Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through plans covered by GASB Statement No. 67, *Financial Reporting for Pension Plans*. The provisions of GASB Statement No. 68 must be implemented by the District for the year ending September 30, 2015. The effect of implementation of this statement on the District's financial statements has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance -
	Original	Amended		Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 595,000	\$ 695,000	\$ 785,504	\$ 90,504
Intergovernmental	-	-	12,000	12,000
Interest income	1,600	1,600	1,940	340
Miscellaneous income	-	-	12,992	12,992
Total revenues	<u>596,600</u>	<u>696,600</u>	<u>812,436</u>	<u>115,836</u>
Expenditures:				
Current -				
Ad valorem tax deductions	-	-	25,762	(25,762)
Commissioner per diem	-	-	1,590	(1,590)
Fire protection reimbursements to	160,000	181,800	131,528	50,272
Insurance	98,000	98,000	83,103	14,897
Miscellaneous	1,800	-	-	-
Professional fees	-	-	8,760	(8,760)
Salaries and benefits	185,000	276,972	229,047	47,925
Capital outlay	530,000	700,000	610,624	89,376
Total expenditures	<u>974,800</u>	<u>1,256,772</u>	<u>1,090,414</u>	<u>166,358</u>
Net change in fund balance	<u>(378,200)</u>	<u>(560,172)</u>	<u>(277,978)</u>	<u>282,194</u>
Fund balance, beginning	<u>420,400</u>	<u>674,727</u>	<u>674,727</u>	<u>-</u>
Fund balance, ending	<u>\$ 42,200</u>	<u>\$ 114,555</u>	<u>\$ 396,749</u>	<u>\$ 282,194</u>

See notes to budgetary comparison schedule.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

(2) Budgetary Practices

The District prepares and adopts a budget in accordance with LSA-RS 39:1301 et seq. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund.

Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device. However, periodic comparisons of budget and actual amounts are performed.

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITORS' 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*

Members of the Board of Commissioners
Fire Protection District No. 3 of the Parish of St. Mary
Amelia, Louisiana

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Fire Protection District No. 3 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2014-001 and 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit results and findings as items 2014-003, 2014-004, 2014-005, and 2014-006.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan for current audit findings. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report if distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
April 10, 2015

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2014

A. Internal Control

2013-1 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2014-001.

2013-2 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings item 2014-002.

B. Compliance

There were no findings previously reported under this section.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2014

Part I. Summary of auditors' results:

Unmodified opinions were issued on the financial statements of the District's governmental activities and its major fund (General Fund).

Two (2) deficiencies in internal control were disclosed by the audit of the financial statements and the conditions are considered material weaknesses.

Four (4) material instances of noncompliance required to be reported in accordance with *Government Auditing Standards*, are included in Part II of this schedule.

A management letter was not issued.

Part II. Findings relating to an audit in accordance with *Government Auditing Standards*:

A. Internal Control

2014-001 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The District's internal control over financial reporting includes those policies and procedures that pertain to the District's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the condition is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2014

2014-002 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

CRITERIA: The District's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the auditor as part of the internal control process.

EFFECT: Financial statements and related notes may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance

2014-003 Publication of Proposed Budget and Public Hearing

CONDITION: The District did not publish the availability of the proposed budget for the year ended September 30, 2014 and did not publish a notice of the time and date of the public hearing to be held on the proposed budget.

CRITERIA: When proposed expenditures of a political subdivision are expected to exceed \$500,000 from the general fund and any special revenue fund, RS 39:1306(A) requires public participation. As part of the public participation process, RS 39:1307(B) requires that "upon completion of the proposed budget and, if applicable, its submission to the governing authority, the political subdivision shall cause to be published a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing."

Further, for entities subject to public participation, RS 39:1307(C) states "no proposed budget shall be considered for adoption or otherwise finalized until at least one public hearing has been conducted on the proposal."

CAUSE: The condition results from a failure to comply with statutory requirements.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2014

EFFECT: The District may not be in compliance with certain provisions of RS 39:1301 et seq, the Local Government Budget Act.

RECOMMENDATION: We recommend the District comply with the provisions of the Local Government Budget Act by publishing a notice of availability of the proposed budget and publishing a notice containing the time and date of the public hearing of the budget being considered.

2014-004 Appraisal of Immovable Property Prior to Purchase

CONDITION: The District acquired immovable property during the year ended September 30, 2014 but did not obtain an appraisal of the property prior to the property being acquired.

CRITERIA: RS 33:4712.10 states, in pertinent part, “no political subdivision shall purchase immovable property with a value greater than three thousand dollars unless prior to such purchase the property has been appraised by a qualified appraiser.”

CAUSE: The condition results from a failure to comply with statutory requirements.

EFFECT: The District may have violated RS 33:4712.10.

RECOMMENDATION: We recommend the District comply with the provisions of state statute by obtaining appraisals prior to the purchase of immovable property.

2014-005 Payment of Retirement Contributions on Behalf of Inactive Employee

CONDITION: The District continues to make retirement contributions on behalf of an employee injured in the line of duty but received no compensation from the District during the year ended September 30, 2014. During the year ended September 30, 2014, the District paid retirement contributions of approximately \$20,960 on behalf of the injured employee.

CRITERIA: Article VII, Section 14(a) of the Louisiana Constitution of 1974 states, in part, “[E]xcept as otherwise provided in the Constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private”.

CAUSE: The condition results from the inability to obtain appropriate legal guidance in a timely manner.

EFFECT: The District may have no legal obligation to continue the retirement contributions and may, therefore, not be in compliance with constitutional prohibitions regarding such payments.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2014

RECOMMENDATION: We recommend the District, with the assistance of legal counsel and the Firefighters' Retirement System of Louisiana, evaluate the legalities of continuing the contributions and determine the disposition of contributions already remitted.

2014-006 Purchase of Real Property and Cooperative Endeavor Agreement with AVFD

CONDITION: The District reimburses the Amelia Volunteer Fire Department ("AVFD") for fire protection related expenditures under the authority of RS 40:1500(C) which provides "[D]istricts may enter into such contracts as they consider necessary or desirable to carry out the purposes for which they were created" and the terms and conditions of a cooperative endeavor agreement executed in prior years with AVFD. However, the agreement is silent with regard to the entity with which title will vest in the acquisition of capital items.

During the year ended September 30, 2014, the District reimbursed AVFD \$477,508 for the purchase of immovable property, the title to which is held by AVFD. The cooperative endeavor agreement is also silent regarding the voluntary or involuntary disposition of capital items purchased with public funds, the title to which is held by AVFD, or the purposes for which such items may be used.

CRITERIA: Article VII, Section 14(a) of the Louisiana Constitution of 1974 states, in part, "[E]xcept as otherwise provided in the Constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private".

CAUSE: The condition results from a lack of clarity and content of the cooperative endeavor agreement with the AVFD.

EFFECT: The holding of title for capital items purchased with public funds by AVFD without a clear and binding prohibition on the transfer of such items and the limitations of their use to firefighting-related purposes may be a violation of constitutional provisions.

RECOMMENDATION: We recommend the District, with the assistance of legal counsel update the terms and conditions of the cooperative endeavor agreement with AVFD. We also recommend the District, with the assistance of legal counsel and the Louisiana Attorney General, determine whether the holding of title for capital items purchased with public funds by the AVFD is appropriate.

Part III: Findings and questioned costs for federal awards reported in accordance with Office of Management and Budget Circular A-133:

The requirements of OMB Circular A-133 do not apply to the District.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Corrective Action Plan for Current Audit Findings
Year Ended September 30, 2014

2014-001 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Due to the size of the operation and the cost-benefit of additional personnel, we were advised that a response to this issue is not required.

2014-002 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The Board of Commissioners has determined that it would be more cost effective to outsource the preparation of the District's financial statements to its independent auditors rather than incur the costs to employ someone with the appropriate skill and expertise to prepare the financial statements in accordance with generally accepted accounting principles.

2014-003 Publication of Proposed Budget and Public Hearing

CONDITION: The District did not publish the availability of the proposed budget for the year ended September 30, 2014 and did not publish a notice of the time and date of the public hearing to be held on the proposed budget.

MANAGEMENT'S RESPONSE: The failure to publish the notice of availability of the proposed budget and a notice of the time and date of the public hearing was an oversight. The District will comply with the statutory provisions of the Local Government Budget Act and publish the required notifications.

2014-004 Appraisal of Immovable Property Prior to Purchase

CONDITION: The District acquired immovable property during the year ended September 30, 2014 but did not obtain an appraisal of the property prior to the property being acquired.

MANAGEMENT'S RESPONSE: We were not aware of the requirement to obtain an appraisal prior to the purchase of immovable property. We will obtain appraisals prior to any future purchases.

2014-005 Payment of Retirement Contributions on Behalf of Inactive Employee

CONDITION: The District continues to make retirement contributions on behalf of an employee injured in the line of duty but received no compensation from the District during the year ended September 30, 2014. During the year ended September 30, 2014, the District paid retirement contributions of approximately \$20,960 on behalf of the injured employee.

FIRE PROTECTION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Corrective Action Plan for Current Audit Findings (continued)
Year Ended September 30, 2014

MANAGEMENT'S RESPONSE: We were advised by legal counsel to continue the retirement payments until advised otherwise. The retirement payments on behalf of the injured employee were discontinued effective December 31, 2014. However, we will seek the advice of legal counsel and the Firefighters' Retirement System of Louisiana to determine whether the payments were inappropriately made. If determined to be inappropriate, we will request reimbursement of the contributions from the retirement system.

2014-006 Purchase of Real Property and Cooperative Endeavor Agreement with AVFD

CONDITION: The District reimburses the Amelia Volunteer Fire Department ("AVFD") for fire protection related expenditures under the authority of RS 40:1500(C) which provides "[D]istricts may enter into such contracts as they consider necessary or desirable to carry out the purposes for which they were created" and the terms and conditions of a cooperative endeavor agreement executed in prior years with AVFD. However, the agreement is silent with regard to the entity with which title will vest in the acquisition of capital items.

During the year ended September 30, 2014, the District reimbursed AVFD \$477,508 for the purchase of immovable property, the title to which is held by AVFD. The cooperative endeavor agreement is also silent regarding the voluntary or involuntary disposition of capital items purchased with public funds, the title to which is held by AVFD, or the purposes for which such items may be used.

MANAGEMENT'S RESPONSE: We will consult with legal counsel on an update of the cooperative endeavor agreement. We will also consult with legal counsel regarding the purchase of capital related items and how those items should be legally held, especially considering the public interest in the item, and execute any transfers of title considered necessary. Finally, we will assure that the update to the cooperative endeavor agreement restricts the transfers of any capital items purchased with public funds and held by AVFD, if any, and limits the use of the items to firefighting-related purposes.