

DeSoto Parish Fire District No. 3
Stonewall, Louisiana

Financial Statements
December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/21/10

DESOTO PARISH FIRE PROTECTION DISTRICT NO.3
Stonewall, Louisiana
FINANCIAL REPORT
December 31, 2009

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CERTIFIED PUBLIC ACCOUNTANT

Independent Accountant's Report

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

I have reviewed the accompanying financial statements of the governmental activities and the major fund of DeSoto Parish Fire Protection District No. 3, a component of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2009, which collectively comprise the DeSoto Parish Fire Protection District No. 3's basic financial statements as listed in the table of contents in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States. All information included in these financial statements is the representation of the DeSoto Parish Fire Protection District No. 3's management.

A review consists principally of inquires of personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements of the DeSoto Parish Fire Protection District No. 3 for the year ended December 31, 2009, in order for them to be in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report, dated June 4, 2010, on the results of our agreed-upon procedures.

The management's discussion and analysis and budgetary comparison information, on pages 4 through 7, and 27 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

Deborah D. Dees, CPA

Mansfield, Louisiana
June 4, 2010

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

DESOTO FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana
December 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the DeSoto Parish Fire Protection District No. 3's (Fire District) annual financial report presents our discussion and analysis of the Fire District's financial performance during the fiscal year that ended on December 31, 2009. 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 Fire District No. 3's total revenues increased \$24,441 or 10.47%.

DeSoto Fire District No. 3's total net assets increased \$64,190 or 7.3%.

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 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 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 District's assets and all of its liabilities. All of the District's activities are classified as governmental activities in the government-wide financial statements. The governmental activities are financed primarily by property taxes and intergovernmental revenues that include fire insurance rebates, state revenue sharing and grants.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Fund's most significant activities and are not intended to provide information for the Fund as a whole. Funds are accounting devices that are used to account for specific sources of funds. All of the 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 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.

DESOTO FIRE PROTECTION DISTRICT NO. 3
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Supplementary Information

Other supplementary information is provided to show additional details.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The comparison of net assets from year to year serves to measure a government's financial position. As of December 31, 2009, The Fire District's assets exceed its liabilities by \$942,928 (net assets).

At December 31, 2009, \$479,349 or 50.84% of the Fire District's net assets reflects capital assets with a historical cost of \$1,443,080 less accumulated depreciation of \$734,618 with related debt of \$229,113 .

Total liabilities for the Fire District increased \$226,934 from 2008 due to a capital lease purchase agreement with Government Capital Corporation for two new Kenworth tanker trucks worth \$325,300.

Unrestricted net assets of \$463,579 or 49.16% of total net assets as of December 31, 2009 may be used to meet the ongoing obligations to the citizens of DeSoto Parish Fire District No. 3.

A Summary of Statement of Net Assets is as follows:

	Governmental Activities 2009	Governmental Activities 2008
ASSETS		
Current and other assets	\$ 464,162	\$ 455,025
Capital assets, net of accumulated depreciation	708,462	426,475
Total assets	\$ 1,172,624	\$ 881,500
LIABILITIES		
Current liabilities	\$ 53,769	\$ 2,762
Long-term liabilities	175,927	
Total liabilities	\$ 229,696	\$ 2,762
NET ASSETS		
Investments in capital assets, net of related debt	\$ 479,349	\$ 426,475
Unrestricted	463,579	452,263
Total net assets	\$ 942,928	\$ 878,738

The following schedule compares revenues and expenses for the current and previous year. Total revenues increased by 10.47% over last year. Approximately 83.75% of the District's total revenues come from parcel fees and 4.37% from other state sources. Total expenses decreased 5.97% over the prior year.

Charges for Services--Parcel fees in the Fire District increased by \$4,012, or 1.89%. The District received \$30,105 in grant revenue and contributions from the Louisiana State Agriculture & Forestry Department (\$5,605), Louisiana Department of Public Safety(\$12,500), Encana Oil & Gas (\$10,000), and Exco Production Company (\$2,000).

Expenses of the Fire District decreased \$12,306 (5.97%) from 2008.

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

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2008</u>
Program Revenues:		
Charges for Services-Parcel fees	\$ 215,991	\$ 211,979
State and Other Grants	30,105	5,830
General Revenues:		
Intergovernmental revenues	11,268	11,030
Interest income	385	1,596
Gain on sale of asset		2,991
Other Revenue	148	30
Total revenues	<u>257,897</u>	<u>233,456</u>
Expenses		
Public Safety	189,895	205,574
Interest on Debt	3,812	439
Total expenses	<u>193,707</u>	<u>206,013</u>
Increases (Decrease) in net assets	64,190	27,443
Net Assets beginning	<u>878,738</u>	<u>851,295</u>
Net Assets, ending	<u>\$ 942,928</u>	<u>\$ 878,738</u>

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S GOVERNMENT FUNDS

For the year ended December 31, 2009, differences between the government-wide presentation and the fund financial statements were due to acquisition of capital outlays, depreciation changes associated with capital assets, prepaid expenses and differences between debt payments, principal reduction and loan proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Fire District adopted a budget for its General Fund for the year ended December 31, 2009. The budget was not amended during the year. Actual revenues were \$49,395 over the final budget. Actual expenses were over budget \$317,131 or 45%. The budget was not amended to reflect the loan proceeds received for the purchase of the two tanker trucks or the first payment on the loan (debt service).

DEBT ADMINISTRATION

Debt of the District had a net increase of \$229,113 in 2009. A capital lease purchase agreement was entered into with Government Capital Corporation for two new Kenworth tanker trucks purchased during the first quarter of 2009 for \$349,231. The first payment (including interest) of \$100,000 on the 5-year loan was made in April.

CAPITAL ASSETS

The District spent \$349,231 in capital assets in 2009. This was for the two new tanker trucks noted above as well as building improvements, a station repeater, a tank fill station and a vehicle stabilization kit.

DESOTO FIRE PROTECTION DISTRICT NO. 3

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December 31, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary revenue source for the Fire District is parcel assessed fees. This fee is not subject to changes in the economy, in the short-term. However, in the long-term, the ability to collect this fee could affect the fire district's revenue. The budget for FY 2010 should not change significantly from the FY 2009 budget, except for an increase in debt service.

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 Carolyn Thomas, at P. O. Box 329, Stonewall, Louisiana, 71078 or call at (318) 925-0087.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana

STATEMENT OF NET ASSETS
December 31, 2009

	<u>GOVERNMENTAL</u>	
ASSETS		
Cash and cash equivalents	\$	155,460
Receivables (Note 7)		299,759
Prepaid insurance		8,943
Capital assets, net of depreciation (Note 3)		<u>708,462</u>
TOTAL ASSETS	\$	<u>1,172,624</u>
LIABILITIES		
Current Liabilities:		
Payroll taxes payable	\$	583
Notes payable, current		53,186
Total current liabilities		<u>53,769</u>
Long-term liabilities:		
Notes payable (Note 10)		<u>175,927</u>
TOTAL LIABILITIES	\$	<u>229,696</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$	479,349
Unrestricted		<u>463,579</u>
TOTAL NET ASSETS	\$	<u>942,928</u>

See accountant's review report and accompanying notes.

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

For Year Ended December 31, 2009

Activities	Expenses	Program Revenues			Net (Expenses)Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Public safety- fire	\$ 189,895	\$ 215,991	\$	\$ 30,105	\$ 56,201
Interest on debt	3,812				(3,812)
Total Governmental Activities	\$ 193,707	\$ 215,991	\$ 0	\$ 30,105	52,389
General Revenues:					
Interest earnings					385
Fire insurance rebate					11,268
Other revenue					148
Total General Revenues					11,801
					Change in Net Assets 64,190
					Net Assets Beginning 878,738
					Net Assets Ending \$ 942,928

See accountant's review report and accompanying notes.

FUND FINANCIAL STATEMENTS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana

BALANCE SHEET, GOVERNMENTAL FUNDS

December 31, 2009

	<u>GENERAL FUND</u>	
ASSETS		
Cash and cash equivalents	\$	155,460
Receivables, net of allowance		<u>299,759</u>
TOTAL ASSETS	\$	<u><u>455,219</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Current Liabilities:		
Payroll taxes payable	\$	583
Total Liabilities		<u>583</u>
Fund Balances:		
Unreserved, undesignated		<u>463,579</u>
Total Fund Balance		<u>463,579</u>
TOTAL LIABILITIES AND FUND BALANCES	\$	<u><u>464,162</u></u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
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RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2009

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

Fund Balances, Total Governmental Funds, Statement C	\$ 454,636
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the government funds	708,462
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year	8,943
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore, are not reported in the governmental funds	<u>(229,113)</u>
Net Assets of Governmental Activities, Statement A	<u>\$ 942,928</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2009

	<u>General Fund</u>
Revenues:	
Service charge parcel fees	\$ 215,991
Intergovernmental revenue--state funds	
Fire insurance rebate	11,268
State and other grants	18,105
Contributions	12,000
Other revenues	148
Interest income	385
Total Revenues	<u>257,897</u>
Expenditures:	
Current--public safety-fire:	
Personal Services	28,369
Materials and supplies	80,724
General and administrative	22,500
Capital outlays	349,231
Debt service:	
Principal payments	96,188
Interest expense	3,812
Total Expenditures	<u>580,824</u>
Excess of Revenues over Expenditures Before other Financing Sources	<u>(322,927)</u>
Other Financing Sources	
Loan proceeds	325,300
Total Other Financing Sources	<u>325,300</u>
Excess of Revenues and Other Financing Sources over Expenditures	2,373
Fund balances, beginning of year	452,263
Fund balances, end of year	<u>\$ 454,636</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
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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, 2009

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

Net Change in Fund Balances, Total Governmental Funds, Statement E	\$	2,373
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.		8,943
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the governmental funds:		
Capital outlays (\$349,231) is greater than depreciation expense (\$67,245)		281,986
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Payments on capital leases		96,188
Loan proceeds		<u>(325,300)</u>
Change in Net Assets of Governmental Activities, Statement B	\$	<u>64,190</u>

NOTES TO THE FINANCIAL STATEMENTS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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 one full-time employee, one part-time employee, and about 41 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 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.

A. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, The DeSoto Parish Police Jury is the financial reporting entity for DeSoto Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable, (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 statement to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the DeSoto Parish Police Jury 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 criterion includes:

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

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

Stonewall, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Because the Police Jury created the Fire District and has the ability to impose its will on the Fire District, the Fire District was determined to be a component unit of the DeSoto Parish Police Jury, the financial reporting entity. 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

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets 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 (FFS)

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. The minimum number of funds is maintained consistent with legal and managerial requirements.

The one fund of the Fire District is classified as a governmental fund. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Fire District has only one fund, a governmental fund. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

Stonewall, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The major governmental fund of the Fire District 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" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets 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 assets (or cost recovery) and financial position. All assets and liabilities (whether current or non-current) associated with its activities are reported. Government-wide fund equity is classified as net assets.

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. Their operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets 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.

Program revenues in the Statement of Activities (Statement B) are receipts from a service charge assessed property owners; program revenues reduce the cost of the function to be financed from the district's general revenues.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

Stonewall, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are classified by source, and expenditures are classified by function and character. Expenditures (including capital outlay) 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. Property assessments are recognized in the year in which the assessments are billed. Interest income on time and demand deposits are recorded monthly when the interest is earned and credited to the account.

Expenditures. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D. ASSETS, LIABILITIES AND EQUITY

Cash and interest-bearing deposits

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

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 \$1,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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 Assets. 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
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications

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

- a. Invested in capital assets, net of related debt – 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 assets – Consists of net assets 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) laws through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

E. BUDGETS AND BUDGETARY ACCOUNTING

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 budget was not amended during the year.

F. COMPENSATED ABSENCES

Employees are granted from one to three weeks of vacation per year depending on length of service. In addition, employees are granted 12 days of sick leave each year. Sick leave may be accumulated to a maximum of 25 days. At December 31, 2009, there are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure. The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current-year expenditure in the General Fund when leave is actually taken.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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.

H. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Fire District recognizes uncollectible service charge receivables as bad debts through the establishment of an allowance account. The allowance is based on the average percentage of uncollected accounts in the past nine years.

2. CASH AND INTEREST-BEARING DEPOSITS

Under state law, the Fire 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.

At December 31, 2009, the Fire District has cash and cash equivalents totaling \$155,460 (book balance). These deposits are stated at cost, which approximates market. Under state law, these deposits, \$164,886 (bank balance), must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 2009, these deposits are secured from risk by \$250,000 of federal deposit insurance.

3. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2009 are as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>1/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2009</u>
Vehicles	\$ 733,999	\$ 328,068		\$ 1,062,067
Buildings	184,250	8,653		192,903
Firefighting Equipment	152,339	12,511		164,850
Office Equipment	11,810			11,810
Land	11,450			11,450
Total	<u>1,093,848</u>	<u>349,232</u>	<u>-</u>	<u>1,443,080</u>
Less Accumulated Depreciation				
Vehicles	495,572	49,163	-	544,735
Buildings	83,421	5,386		88,807
Firefighting Equipment	83,190	10,418		93,608
Office Equipment	5,190	2,278		7,468
Land				
Total	<u>667,373</u>	<u>67,245</u>	<u>-</u>	<u>734,618</u>
Capital Assets, Net	<u>\$ 426,475</u>	<u>\$ 281,987</u>	<u>-</u>	<u>\$ 708,462</u>

Depreciation expense of \$67,245 was charged to the public safety function.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

Stonewall, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

4. RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to limited torts, theft of or damage to and destruction of asset and errors and omissions. To handle some of the risk, the Fire District maintains surety bond coverage. No settled claims from these risks have exceeded insurance coverage in the last three years. There were no significant changes to insurance coverage during the year ended December 31, 2009.

5. LITIGATION

There is no litigation pending against the Fire District, at December 31, 2009, nor is it aware of any unasserted claims.

6. 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 attorney for the District is the brother to one of the commissioners. The attorney was retained prior to the commissioner being appointed to the Board. The attorney was paid \$700 for the year. The attorney's relationship was discontinued in February, 2009.

7. LEVIED FEES/RECEIVABLES

As per Louisiana RS 40:1502, the Fire District annually levies a service charge of \$100 to persons owning assessed property located within its boundaries. The resolution assessing the service charges was reapproved by the district voters November 17, 2007, to continue for ten years through December, 2018. The assessment is to cover the cost of the purchase of fire protection equipment and the maintenance and operation of fire protection facilities and equipment, and for obtaining water for fire protection purposes.

The assessment calendar:

Assessment and levy date	January 1, 2009
Bills mailed	February 1, 2009
Total service charges due	upon receipt
Lien date	not applicable

The Fire District assessed \$215,991 in service charges in 2009, and recognized \$191,751 in receipts.

The service charge receivables at December 31, 2009 are as follows:

Service charge parcel fees receivable	\$	346,448
Allowance for doubtful accounts		(46,689)
Receivables	\$	<u>299,759</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

8. LEASE AGREEMENTS

Desoto Parish Fire District Three 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 James U. Burford to lease the land at 2426 Hwy. 171 for Station 2. Annual payment due of \$1.

9. RETIREMENT COMMITMENTS

All employees of the DeSoto Parish Fire Protection District No. 3 are members of the Federal Social Security System. The District and its employees contribute a percentage of each employee's salary to the System (7.65% by the employee). The District's contribution during the year ended December 31, 2009, amount to \$1,633.

10. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended December 31, 2009:

Long-term debt payable at December 31, 2008	\$ -
New debt issued	325,300
Less, payments made during the year	<u>(96,188)</u>
Total debt	229,113
Due within one year	<u>(53,186)</u>
Long-term debt payable at December 31, 2009	\$ <u>175,927</u>

On February 3, 2009, the Board of Commissioners of the Fire District approved a five-year Louisiana Municipal Lease-Purchase Agreement No. 5152 dated January 6, 2009 to enter into a Lease Agreement with Government Capital Corporation to purchase two new tanker trucks. The agreement calls for annual principal payments of \$100,000 for the first year and \$64,557.83 for the remaining four years with interest annually at a rate of 5.186%.

11. COMPENSATION PAID TO BOARD MEMBERS

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

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

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

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2009**

	Budgeted Amounts		Actual	Budget to Actual
	Original	Final		Positive/ (Negative)
Revenues:				
Taxes				
Parcel fees	\$ 180,000	\$ 180,000	\$ 215,991	\$ 35,991
Fire insurance rebate	11,000	11,000	11,268	268
Grants	16,000	16,000	18,105	2,105
Other revenues			12,148	12,148
Interest income	1,500	1,500	384	(1,116)
Total Revenues	<u>208,500</u>	<u>208,500</u>	<u>257,897</u>	<u>49,395</u>
Expenditures:				
Current:				
Public safety	138,700	138,700	109,094	29,606
General and administrative	16,050	16,050	13,556	2,494
Debt service			96,188	(96,188)
Interest expense			3,812	(3,812)
Capital outlay	100,000	100,000	349,231	(249,231)
Total Expenditures	<u>254,750</u>	<u>254,750</u>	<u>571,881</u>	<u>(317,131)</u>
Excess (Deficiency) of Revenues over Expenditures Before Other Financing Sources	(46,250)	(46,250)	(313,984)	366,525
Other Financing Sources (Uses):				
Loan proceeds	-	-	325,300	325,300
Total Other Financing Sources (Uses)			<u>325,300</u>	<u>325,300</u>
Net Change in Fund Balance		(46,250)	11,316	
Fund Balances (Deficit) at Beginning of Year		<u>452,263</u>	<u>452,263</u>	
Fund Balances (Deficit) at End of Year		<u>\$ 406,013</u>	<u>\$ 463,579</u>	

See accountant's review report.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3
Stonewall, Louisiana
NOTES TO BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2009

Budgetary Information

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

For the year ended December 31, 2009, expenditures exceed appropriations in the General Fund by \$317,131 or 124%. These overexpenditures were funded by loan proceeds in that fund.

The District is in violation of the Local Government Budget Act R.S. 39:1311 entitled Budgetary Authority and Control which states that a budget should be amended when: "Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more."

**OTHER REPORTS REQUIRED BY LOUISIANA GOVERNMENTAL
AUDIT GUIDE**

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners
DeSoto Parish Fire Protection District No. 3
Stonewall, LA 71078

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed upon by the management of the DeSoto Parish Fire Protection District No. 3 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about DeSoto Parish Fire Protection District No. 3's compliance with certain laws and regulations during the year ended December 31, 2009, included in the accompanying *Louisiana Attestation Questionnaire*. Management of DeSoto Parish Fire Protection District No. 3 is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for materials and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

Two expenditures were made during the year for materials and supplies exceeding \$30,000. I examined documentation which indicated that both of these expenditures had been properly advertised and accepted in accordance with the provisions of R.S. 38:2211-2296.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management (agreed-upon procedure No. 3) appeared on the list provided by management in agreed-upon procedure No. 2.

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the original budget. There were no amendments to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the original budget to the minutes of a meeting held on November 4, 2008, which indicated that the commissioners of the Fire District had adopted the budget by a vote of 5-0 in favor.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more if actual expenditures exceed budgeted amounts by 5% or more.

I compared the revenues and expenditures of the final budget to actual revenue and expenditures. Budgeted revenues for the year did not exceed actual amounts by more than 5%. However, expenditures were in excess of 124% of amounts budgeted for the year.

Recommendation: The District should become familiar with budgeting debt service payments and other financing sources and uses.

Management Response: We were not aware that loan proceeds and loan expenditures were required to be budgeted. We have acquired the necessary information concerning the Louisiana Government Budget Act so we may comply with the statute in the future.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account;

Five of the payments were properly coded to the correct general ledger account. One payment (check no. 21272), which should have been coded to debt service and interest expense, was improperly coded to a Capital Outlay account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting the selected disbursements indicated approvals from board members.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by RS 42:4.1 through 42:13 (the open meeting law).

The DeSoto Parish Fire Protection District No. 3 is only required to post a notice of each meeting and the accompanying agenda on the door of the district's office building. Management has asserted that such documents were properly posted. I noted such for the September, 2009, board meeting, and copies of agendas were in the files.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I inspected all deposits for the period under examination and found one indication of new bank loans, bonds, or like indebtedness in 2009. A five-year Louisiana Municipal Lease-purchase Agreement (No. 5152) approved February 3, 2009 was entered into with Government Capital Corporation to purchase two new tanker trucks.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

A reading of the minutes of the district for the year indicated no approval for the payments noted. I also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

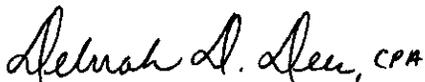
Prior-Year Comments and Recommendations

13. Review any prior-year suggestions, recommendations, and or comments to determine the extent to which such matters have been resolved

My prior year report (for yearend December 31, 2008) on compliance and internal control, dated June 19, 2009, included a comment concerning a related party issue. This relationship was terminated as of February, 2009.

I was not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the DeSoto Parish Fire Protection District No. 3 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Deborah D. Dees, CPA
Mansfield, Louisiana
June 4, 2010

**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)**

May 10, 2010

Deborah D. Dees, CPA
122 Jefferson Street
Mansfield, LA 71052

In connection with your review of our financial statements as of December 31, 2009 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of December 31, 2009.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes [] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes [] No []

Until February, 2009

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes [] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes [] No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [] No []

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes [] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Regard E. [Signature] Secretary/Treasurer 5-10-10 Date
[Signature] President 5-10-10 Date