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**CADDO PARISH FIRE  
PROTECTION DISTRICT NO. 3  
PARISH OF CADDO, LOUISIANA  
DECEMBER 31, 1997**

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

Release Date JUL 29 1998

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

PARISH OF CADDO, LOUISIANA

DECEMBER 31, 1997

- I. AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT
- II. REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY GOVERNMENTAL AUDITING STANDARDS
- III. COMPLIANCE REPORT REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

**CADDO PARISH FIRE PROTECTION DISTRICT NO. 3  
STATE OF LOUISIANA  
AUDITED GENERAL PURPOSE FINANCIAL  
STATEMENTS TOGETHER WITH INDEPENDENT  
AUDITORS' REPORT  
AT DECEMBER 31, 1997**

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

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**INDEPENDENT AUDITORS' REPORT**

June 1, 1998

The Board of Commissioners  
Caddo Parish Fire Protection District No. 3  
State of Louisiana

We have audited the accompanying general purpose financial statements of Caddo Parish Fire Protection District No. 3, a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Caddo Parish Fire Protection District No. 3 as of December 31, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

*James G. Hardy*

**CAJDO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS**  
**AT DECEMBER 31, 1997**

	Governmental Fund Types		Account Groups		Total
	General	Debt Service	General Fixed Assets	General Long-Term Debt	(Mono- Only)
<b>ASSETS AND OTHER DEBITS</b>					
Cash	159,547				159,547
Receivables:					
All valuation taxes (Notes 1 and 2)	475,702	56,044			531,746
Service charges (Note 3)	148,613				148,613
State revenue sharing	11,248				11,248
Miscellaneous	642				642
Due from General Fund		57,422			57,422
Land, buildings and equipment (Notes 1 and 4)			1,993,861		1,993,861
Amount available in debt service fund				49,936	49,936
Amount to be provided for retirement of bonded indebtedness				145,494	145,494
<b>Total assets and other debits</b>	<u>785,782</u>	<u>113,466</u>	<u>1,993,861</u>	<u>195,000</u>	<u>2,088,109</u>

**CAJALO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS**  
**AT DECEMBER 31, 1997**

<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>Governmental Fund Type</b>		<b>Account Groups</b>		<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>General Fixed Assets</b>	<b>General Long-Term Debt</b>	<b>(Month- Only)</b>
			<u>          </u>	<u>          </u>	
<b>Liabilities:</b>					
Accounts payable and accrued expenses	11,510				11,510
Due to Debt Service Fund	57,422				57,422
Bonds payable (Note 4)				185,000	185,000
<b>Total liabilities</b>	<u>68,932</u>	<u>0</u>	<u>0</u>	<u>185,000</u>	<u>263,932</u>
<b>Equity and other credits:</b>					
Investment in General Fixed Assets			1,993,861		1,993,861
Fund balances:					
Reserved for debt service		113,466			113,466
Unreserved-undesignated	724,830				724,830
<b>Total equity and other credits</b>	<u>724,830</u>	<u>113,466</u>	<u>1,993,861</u>	<u>0</u>	<u>2,832,157</u>
<b>Total liabilities, equity and other credits</b>	<u>793,762</u>	<u>113,466</u>	<u>1,993,861</u>	<u>185,000</u>	<u>2,696,109</u>

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

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES**

**IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES**

**FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total (Maine Only)</u>
<b>Revenues:</b>			
Taxes (Notes 1 and 2)	464,098	54,813	518,911
Service charges (Note 7)	146,027		146,027
Intergovernmental:			
State revenue sharing	16,873		16,873
Fire insurance premium rebate	12,907		12,907
Interest	20,874	2,302	22,976
Transport	111,741		111,741
Miscellaneous	1,807		1,807
<b>Total revenue</b>	<u>774,126</u>	<u>57,115</u>	<u>831,241</u>
<b>Expenditures:</b>			
<b>Public safety:</b>			
Salaries and related benefits	479,328		479,328
Legal and accounting	14,794		14,794
Insurance	83,217		83,217
Medical supplies	10,339		10,339
Office supplies	5,090		5,090
Repairs and maintenance	34,329		34,329
Travel and entertainment	3,637		3,637
Utilities	21,029		21,029
Other	34,674	382	35,056
Capital outlay	123,138		123,138
<b>Debt service:</b>			
<b>Principal:</b>			
Bond principal		40,000	40,000
<b>Interest:</b>			
Bond interest		16,425	16,425
<b>Total expenditures</b>	<u>768,953</u>	<u>56,777</u>	<u>825,730</u>
<b>Excess of revenues over (under) expenditures</b>	5,173	938	5,511
<b>Fund balance - unreserved - beginning of year</b>	<u>719,877</u>	<u>113,128</u>	<u>832,805</u>
<b>Fund balance - unreserved - end of year</b>	<u>724,850</u>	<u>113,466</u>	<u>838,316</u>

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



CAJODO PARISH FIRE PROTECTION DISTRICT NO. 3

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES -

BUDGET AND ACTUAL (BUDGET BASES)  
FOR THE YEAR ENDED DECEMBER 31, 1997

	General Fund		
	Budget	Actual (Budget Basis)	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	608,000	610,125	2,125
Intergovernmental:			
State revenue sharing	13,000	16,872	3,872
Fire insurance premium rebate	13,000	12,907	(93)
Grant	3,000	0	(3,000)
Interest	21,000	20,674	(326)
Transport	55,000	113,548	58,548
Total revenue	711,000	774,126	63,126
<b>Expenditures:</b>			
Public safety:			
Salaries and related benefits	429,647	429,880	233
Legal and accounting	8,500	14,194	(5,694)
Insurance	77,500	83,217	(5,717)
Office supplies	7,400	7,159	241
Repairs and maintenance	46,700	33,630	13,070
Utilities	17,300	21,050	(3,750)
Other	37,000	54,364	(17,364)
Capital outlay	103,000	123,156	(20,156)
Debt service:			
Principal paid			
Interest paid			
Other			
Total expenditures	736,647	787,110	(50,463)
Excess of revenue over (under) expenditures	(25,647)	7,016	32,663
Fund balance, beginning of year	719,677	719,677	0
Fund balance, end of year	694,030	726,693	32,663

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

Delta Service Fund

<u>Budget</u>	<u>Actual (Budget Base)</u>	<u>Variance Favorable (Unfavorable)</u>
50,470	54,813	4,343
3,000	2,300	(600)
<u>53,470</u>	<u>57,113</u>	<u>3,643</u>
40,000	40,000	0
13,800	16,425	(2,625)
<u>0</u>	<u>352</u>	<u>(352)</u>
<u>53,800</u>	<u>56,777</u>	<u>(2,977)</u>
(2,410)	308	2,708
<u>113,128</u>	<u>113,128</u>	<u>0</u>
<u>110,718</u>	<u>113,466</u>	<u>2,748</u>

## CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1997

#### **Introduction**

Caddo Parish Fire Protection District No. 3 was created by resolution of the Caddo Parish Commission on April 13, 1984, to purchase and maintain fire equipment and to provide fire protection for the people of Caddo Parish Fire Protection District No. 3. The District is governed by a board of commissioners consisting of 5 members: 2 members are appointed by the Caddo Parish Commission, 2 members are appointed by the Mayor and Board of Aldermen of Greenwood, and one member, who is the chairman, is appointed by the other 4 board members. Members serve two-year terms and receive no compensation for their services. The District has 12 employees.

#### **(1) Summary of Significant Accounting Policies**

**Basis of Presentation** - The accompanying financial statements of Caddo Parish Fire Protection District No. 3 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Financial Reporting Entity** - Because the Caddo Parish Commission appoints two members of the governing board and because the District operates within the geographical boundaries of Caddo Parish, the District was determined to be a component unit of the Caddo Parish Commission, the governing body of the parish and the governmental body with oversight responsibility. This report includes only funds and account groups which are maintained by the District, and does not present information on the Caddo Parish Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the Commission.

**Fund Accounting** - The accounts of the District are organized on the basis of funds and account groups. Each fund is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and one broad fund category as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**4) Summary of Significant Accounting Policies (continued)**

**Governmental Funds**

**General Funds** - General Funds are used to account for the general operating funds of the district and account for all financial resources, except those required to be accounted for by other funds.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Basis of Accounting** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues** - All valuations taxes and the related state revenue sharing, are recorded in the year the taxes are assessed. All valuations taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year.

**Interest Income** - Interest income on investments is recorded when the investments have matured and the interest is available. Interest income on interest bearing demand deposits is recorded at the end of each month when credited by the bank.

Substantially all other revenues are recorded when they become available to the District.

**Expenditures** - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized when due.

**CADDO PARISH FIRE PROTECTION DISTRICT NO. 5**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**(1) Summary of Significant Accounting Policies (continued)**

**Other Financing Sources (Uses)** - Transfers between funds that are not reported to be repaid are accounted for as other financing sources (uses).

**Budgets** - The budgets for the coming year are prepared by the District Fire Chief prior to December 31 of each year. The budgets are then made available for public inspection at least 15 days prior to the budget being adopted during the board's regular December meeting. The proposed budgets are prepared on the cash basis of accounting. The budgets are legally adopted and amended, as necessary, by the board of commissioners.

Unexpended appropriations lapse at year end and must be reappropriated in next year's budgets to be expended. Neither encumbrance accounting nor formal budget integration (within the accounting records) are employed as management control devices. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments. The following reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on page 6 (budget basis) with the amounts shown on page 4 and 5 (GAAP basis):

	General Fund	Fire Service Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses (budget basis)	7,014	318
Adjustments:		
Revenue accruals - net	-0-	-0-
Expenditures accruals - net	<u>(1,800)</u>	<u>-0-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	5,173	318

## CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1997

(5) Summary of Significant Accounting Policies (continued)

**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 the Louisiana law and national banks having their principal offices in Louisiana.

**Fixed Assets** - Fixed assets are recorded as expenditures at the time purchased, and the related assets are capitalized in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

**Compensated Absences** - After one year of service, firemen earn from 18 to 28 days of annual leave each year, depending on their length of service. Annual leave must be taken in the year earned. Unused annual leave cannot be accumulated. Upon termination, employees are paid for any earned but unused annual leave in the year of termination.

Each full-time employee is entitled to full pay during sickness or incapacity not brought about by his or her own negligence or culpable indiscretion, for a period of not less than 32 weeks, during any calendar year.

Employee leave benefits requiring recognition in accordance with GASB Codification Section 208 were determined to be territorial and are not included within the accompanying financial statements. The cost of leave privileges, computed in accordance with the above codification, is recognized as a current-year expenditure within the General Fund when leave is actually taken.

**Long-Term Obligations** - Long-term obligations expected to be financed from governmental funds are reported in the general long-term debt account group. Expenditures for principal and interest payments for long-term obligations are recognized in the debt service fund when due.

**Fund Equity** - Reserves represent those portions of fund equity not appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**(13) Levied Taxes**

The following is a summary of authorized and levied ad valorem taxes:

	1997 Millage		Expiration
	Authorized	Levied	Date
Maintenance and operation	9.08	9.08	2005
Bond tax	1.10	1.10	2004

**(14) Cash**

At December 31, 1997, the District had cash balances as follows:

Party cash	100
Interest bearing demand deposits	159,447
	<u>159,547</u>

These deposits are stated at cost, which approximates market. Under state law these deposits (or the resulting bank balances) must be secured by the Federal Deposit Insurance Corporation or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1997, the District had \$159,547 in deposits (collected bank balances). \$100,000 of these deposits were fully secured from risk by federal deposit insurance, the remaining \$59,547 were secured through pledges of collateral from the financial institution.

**(14) Changes in General Fixed Assets**

A summary of changes in general fixed assets is as follows:

	Balance			Balance
	January 1,			December 31,
	1997	Additions	Deductions	1997
Land	34,350	-	-	34,350
Buildings	145,975	39,813	-	185,788
Equipment and furniture	1,081,159	85,824	15,300	1,151,723
	<u>1,261,524</u>	<u>125,637</u>	<u>15,300</u>	<u>1,391,861</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

(5) **Retiring Plans**

**Louisiana Firefighters Retirement System**

Certain employees of Caddo Parish Fire Protection District No. 3 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 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, 1990, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 10 years of creditable service or at or after age 50 with at least 20 years of creditable service. 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 their final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

Employees who terminate with at least 10 years of service and who do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 if they had at least 20 years of creditable service at termination) and receive the benefits 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 any dedicated tax funds or appropriated funds.

The following provides certain disclosures for the District that are required:

**Caddo Parish Fire Protection District No. 3**

**Contribution rates:**

Employee	8%
Employer	9%
Total current-year payroll	565,813
Total current-year covered payroll	291,638



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

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**(4) Pension Plans (continued)**

Contributions required by state statute:

Employers	23,331
Employees	26,347
Total	49,678

Actual contributions:

Employers	23,331
Employees	26,347
Total	49,678

**Parochial Employees Retirement System of Louisiana**

Certain employees of Caddo Parish Fire Protection District No. 3 are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The system is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Participating employees of the District are members of Plan A. All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System.

Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. However for those employees who were members of the supplemental plan only prior to January 1, 1989, the benefit is equal to one per cent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1989. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

**CADDO PARISH FIRE PROTECTION DISTRICT NO. 3****NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 1997****(5) Pension Plans (continued)**

Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B, based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuations and are subject to change each year based on the results of the valuation for the prior fiscal year.

The following provides certain disclosures for the District that are required:

**Caddo Parish Fire Protection District No. 3****Contribution rates:**

Employees	9.90%
Employer	7.75%

Total current-year payroll	\$65,813
Total current-year covered payroll	20,358

**Contributions required by state statute**

Employees	1,914
Employers	1,578
Total	3,492

**Actual contributions**

Employees	1,914
Employers	1,578
Total	3,492

**(6) Changes in General Long-Term Debt**

The following is a summary of the bonds payable transactions during the year ended December 31, 1997:

Balance, January 1, 1997	105,000
Additions	0
Deductions	40,000
Balance, December 31, 1997	105,000

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

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**(6) Changes in General Long-Term Debt (Rebondsing)**

The District has one outstanding issue of public improvement bonds. The bonds were issued June 1, 1986, in the amount of \$500,000, for the purpose of acquiring a building, machinery, and equipment, including both real and personal property, to be used to provide fire protection to the property in the District. The remaining principal is due in annual installments of \$40,000 to \$55,000 through June 1, 2001, with interest rates of 6.5 to 7.7 per cent. Debt retirement payments are made from the Debt Service Fund.

As of December 31, 1997, the Debt Service Fund has \$49,506 available to service the public improvement bonds. The aggregate maturities of long-term debt, including interest requirements of \$31,288, for years subsequent to December 31, 1997, are as follows:

1998	58,215
1999	54,795
2000	56,160
2001	57,108
Total	226,278

Public improvement bonds in the amount of \$159,800 are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the District is legally restricted from incurring long-term bonded debt in excess of 30 per cent of the assessed value of taxable property in the district. At December 31, 1997, the statutory limit was \$5,242,270 and outstanding bonded debt totaled \$159,000.

**(7) Service Charge**

A \$50 annual service charge on each residential dwelling and each commercial structure is levied subject to taxation pursuant to the authority granted at an election held July 18, 1982. During the year ended December 31, 1997, \$146,627 in service charge revenue was received.

**(8) Litigation Matters**

As of December 31, 1997, the District was a defendant in a lawsuit filed by property owners claiming that following annexation of their property into the City of Shreveport, the District should cease assessing taxes against their property. The District believes that in the absence of a contract between the City and the District, giving the City the exclusive right to provide services in the annexed areas, the District has the right to assess taxes and provide services in the annexed areas that remain in the District's boundaries.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**(4) Litigation Matters (continued)**

Subsequent to the year ended December 31, 1997, the Fire District received approximately \$21,750 as a settlement related to this suit. This amount will be reflected as income in the 1998 financial statements. In addition, the settlement also stated that the Fire District is entitled to receive ad valorem and debt service taxes on these assets in dispute for the years 1998, 1999 and 2000.

**CADDO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**REPORT ON INTERNAL CONTROL STRUCTURE**  
**REQUIRED BY GOVERNMENTAL AUDITING STANDARDS**  
**DECEMBER 31, 1997**

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June 1, 1998

The Board of Commissioners  
Caddo Parish Fire Protection District No. 3  
State of Louisiana

In planning and performing our audit of the financial statements of Caddo Parish Fire Protection District No. 3 for the year ended December 31, 1997, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be a material weakness:

**Observation:** Due to the limited number of accounting personnel, there is a lack of segregation of duties. The same person prepares and records deposits, prepares all journal entries, reconciliations, and other accounting functions, has custody of and prepares checks for payment for the District.

**Evaluation:** This is a common condition for organizations with a limited number of accounting personnel. However, under ideal conditions, all accounting functions should be separate from any custodial or authorization functions in order to minimize risk that errors or irregularities in

amounts that would be material in relation to the financial statements would occur and not be detected within a timely period. We did note that maintaining a strong receipt function and continuing the board's monthly review of budget to actual comparisons, with aggressive pursuit of explanations for unexpected variances, is a strong compensating control for the lack of segregation.

This report is intended solely for the information and use of the Board of Commissioners, the Cadee Parish Commission, and the Legislative Auditor's Office of the State of Louisiana. This restriction is not intended to limit distribution of this report, which, upon acceptance by the Board of Commissioners, is a matter of public record.

Yours truly,



JAMES R. HARDY

CERTIFIED PUBLIC ACCOUNTANTS

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

**COMPLIANCE REPORT REQUIRED BY  
GOVERNMENTAL AUDITING STANDARDS**

**DECEMBER 31, 1997**



**JAMES & HARDY**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
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June 1, 1998

The Board of Commissioners  
Caddo Parish Fire Protection District No. 3  
State of Louisiana

We have audited the financial statements of Caddo Parish Fire Protection District No. 3 as of December 31, 1997, and for the year then ended and have issued our report thereon dated June 1, 1998.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Caddo Parish Fire Protection District No. 3 is the responsibility of Caddo Parish Fire Protection District No. 3's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Caddo Parish Fire Protection District No. 3's compliance with certain provisions of law, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, no material instances of noncompliance are required to be reported under Government Auditing Standards.

However, we noted certain immaterial instances of noncompliance that we have reported to the district's Board of Commissioners in the Report on Internal Control Structures dated June 1, 1998.

This report is intended for the use of the Board of Commissioners, the Caddo Parish Commission, and the Legislative Auditor's Office of the State of Louisiana. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board of Commissioners, is a matter of public record.

*James & Hardy*