



**CADDO PARISH COMMUNICATIONS
DISTRICT NUMBER ONE**
(a component unit of the Caddo Parish Commission)
Shreveport, Louisiana

Annual Financial Statements

Year ended December 31, 2003

(With Independent Auditors' Report Thereon)

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 7-14-04



KPMG LLP
Suite 1900
333 Texas Street
Shreveport, LA 71101-3692

Independent Auditors' Report

Members of the Board of Commissioners
Caddo Parish Communications District Number One:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Caddo Parish Communications District Number One (the District), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2003, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2003 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 9 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* effective January 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



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The management's discussion and analysis, and the budgetary comparison schedule information on pages 3-6 and 22-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The information required in accordance with Louisiana Revised Statute (LRS) 33:9101 E on page 24 is presented for purposes of additional analysis as required by LRS 33:9101 E and is not a required part of the basic financial statements. The information required by LRS 33:9101 E has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

June 9, 2004

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Management's Discussion and Analysis

December 31, 2003

We offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District's office for the fiscal year ended December 31, 2003.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the District has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund – General Fund, which is a governmental fund.

- *Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at

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Management's Discussion and Analysis

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the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

Financial Analysis of Government-Wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$8,706,288 at the close of the most recent fiscal year.

The largest portion of the District's net assets totaling \$8,015,476 is in its investment in capital assets. The District uses these capital assets in the execution of its duties; consequently, these assets are not available for future spending. The investment in capital assets has been reduced by the amount of outstanding debt, the proceeds of which were used in the construction or purchase of the assets.

District's Net Assets

December 31, 2003

	Governmental activities
Current and other assets	\$ 945,023
Capital assets	17,237,152
Total assets	18,182,175
Current and other liabilities	203,152
Long-term liabilities (including current portion)	9,272,735
Total liabilities	9,475,887
Net assets:	
Invested in capital assets, net of related debt	8,015,476
Unrestricted	690,812
Total net assets	\$ 8,706,288

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The balance of unrestricted net assets of \$690,812 is used to meet the District's ongoing obligations to citizens.

Governmental activities increased the District's net assets by \$224,632, which was a 2.6% increase in the net assets. Key elements of this increase are as follows:

District's Changes in Net Assets

	Governmental activities
Revenues – general:	
Telephone tariffs	\$ 3,592,560
Other	233,645
Total revenues	3,826,205
Expenses:	
Public safety	3,601,573
Increase in net assets	224,632
Net assets, beginning of year	8,481,656
Net assets, end of year	\$ 8,706,288

Financial Analysis of the District's Funds

Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. *In particular, unreserved fund balance may serve as a useful measure of a district's net resources available for spending at the end of the fiscal year.*

- As of the close of the current fiscal year, the District's general fund reported an ending fund balance of \$717,423, an increase of \$242,478 from the prior fiscal year. The fund balance is unreserved and available for spending. The increase is due primarily to the increase in users with new providers coming into the market.

Budgetary Highlights

The original budget for the District was adopted on December 10, 2002. The final budget amendment for the District was adopted on December 9, 2003. The District's budgetary comparison schedule is presented as required supplementary information and shown on page 22. There were no significant variations between final budget amounts and actual budget results. The original budgeted amount for telephone tariffs

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was increased \$155,462 due to increases in users and amounts received. There were no other significant changes from the original budgeted amounts.

Capital Assets and Debt Administration

Capital Assets: The District's investment in capital assets as of December 31, 2003 amounts to \$17,237,152 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, and furniture and equipment. During 2003, the District added \$200,492 in capital assets which were offset by \$1,029,076 in current year depreciation. For additional information regarding capital assets, see notes 1 and 3 to the basic financial statements.

Long-Term Debt: At the end of the current fiscal year, the District had total debt outstanding of \$9,272,735. The following table summarizes debt outstanding at December 31, 2003:

**Caddo Parish Communications District Number One's
Outstanding Debt**

	2003
Certificates of indebtedness	\$ 9,360,000
Deferred loss on refunding	(87,265)
Total	\$ 9,272,735

During the year ended December 31, 2003, the District refunded outstanding certificates of indebtedness issued in a total amount of \$4,500,000 thereby reducing cash flows required for debt service by \$349,448 in future years due to the lower interest rates obtained by the refinancing. The maturity of the debt was not changed by the refinancing.

For additional information regarding long-term debt, see note 6 to the basic financial statements.

Economic Factors and Next Year's Budgets

The historical results were utilized to project revenues and expenditures in preparing the budget for FY 2004. There are no economic factors expected to have a significant impact on 2004 results.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Martha Carter, 911 Administrator, or by calling (318) 675-2222.

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Statement of Net Assets
December 31, 2003

Assets		
Cash and cash equivalents	\$	467,883
Accounts receivable		402,649
Prepaid assets		23,432
Bond issuance costs, net of accumulated amortization		51,059
Capital assets:		
Land		448,307
Other capital assets, net of accumulated depreciation		<u>16,788,845</u>
Total assets		<u>18,182,175</u>
Liabilities		
Accounts payable		112,604
Interest payable		26,611
Deferred revenue		63,937
Long-term liabilities:		
Due within one year		860,000
Due in more than one year		<u>8,412,735</u>
Total liabilities		<u>9,475,887</u>
Net Assets		
Invested in capital assets, net of related debt		8,015,476
Unrestricted		<u>690,812</u>
Total net assets	\$	<u><u>8,706,288</u></u>

See accompanying notes to financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
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Statement of Activities

Year ended December 31, 2003

Functions/programs	<u>Expenses</u>	<u>Program revenues – charges for Services</u>	<u>Net (expenses) revenue and changes in net assets</u>
Total governmental activities – public safety	\$ (3,601,573)	—	(3,601,573)
General revenues:			
Telephone tariff			\$ 3,592,560
Tower lease income			87,860
Interest			4,567
Miscellaneous			141,218
Total general revenues			<u>3,826,205</u>
Change in net assets			224,632
Net assets, beginning of year			<u>8,481,656</u>
Net assets, end of year			<u><u>\$ 8,706,288</u></u>

See accompanying notes to financial statements.

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Governmental Fund
Balance Sheet

December 31, 2003

		General Fund
Assets		
Cash and cash equivalents	\$	467,883
Accounts receivable		402,649
Prepaid assets		23,432
Total assets	\$	<u>893,964</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$	112,604
Deferred revenue (note 4)		63,937
Total liabilities		<u>176,541</u>
Total fund balance – unreserved – undesignated		<u>717,423</u>
Total liabilities and fund balance	\$	<u>893,964</u>

See accompanying notes to financial statements.

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Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets

Year ended December 31, 2003

Fund balances – total governmental funds	\$	717,423
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Cost of capital assets		21,783,789
Less accumulated depreciation		<u>(4,546,637)</u>
		17,237,152
Governmental funds report the effects of debt issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.		
Bond issuance costs		55,635
Accumulated amortization		(4,576)
Loss on refunding		92,777
Accumulated amortization		<u>(5,512)</u>
		138,324
Long-term liabilities and interest payable applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Balances at December 31, 2003 are:		
Long-term liabilities – certificates of indebtedness		(9,360,000)
Interest payable		<u>(26,611)</u>
		<u>(9,386,611)</u>
Net assets of governmental activities	\$	<u><u>8,706,288</u></u>

See accompanying notes to financial statements.

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Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year ended December 31, 2003

	<u>General Fund</u>
Revenues:	
Telephone tariffs	\$ 3,592,560
Tower lease income (note 4)	87,860
Interest income	4,567
Miscellaneous	141,218
Total revenues	<u>3,826,205</u>
Expenditures:	
Current – public safety:	
Personal services	555,632
Materials and supplies	24,907
Contracted services (note 7)	1,507,619
Capital outlay:	
System enhancements:	
Computer-assisted dispatch	54,275
Other	193,694
Debt service:	
Principal	805,000
Interest, fees, and charges	442,600
Total expenditures	<u>3,583,727</u>
Excess of revenues over expenditures	<u>242,478</u>
Other financing sources (uses):	
Proceeds of refunding certificates of indebtedness	4,500,000
Payment to redemption fund or refunded certificates of indebtedness escrow agent	<u>(4,500,000)</u>
Net change in fund balance	242,478
Fund balance, beginning of year	<u>474,945</u>
Fund balance, end of year	<u>\$ 717,423</u>

See accompanying notes to financial statements.

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

Year ended December 31, 2003

Net change in fund balance – total governmental funds \$ 242,478

Amounts reported for governmental activities in the statement of activities are 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 additions	200,492	
Depreciation expense	<u>(1,029,076)</u>	(828,584)

The issuance of long-term debt provides current financial resources of governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Repayment of bond principal	805,000	
Repayment of bond principal – refunding	4,370,000	
Proceeds from issuance of refunding bonds	<u>(4,500,000)</u>	675,000

Governmental funds report the effects of debt issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Bond issuance costs	37,223	
Amortization of bond issuance costs	(4,238)	
Loss on refunding	92,777	
Amortization of loss	<u>(5,512)</u>	120,250

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

		<u>15,488</u>
Change in net assets of governmental activities	\$	<u><u>224,632</u></u>

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2003

(1) Summary of Significant Accounting Policies

The Caddo Parish Communications District Number One (the District) was created by the Caddo Parish Commission (the Commission) by ordinance on September 25, 1985, as provided under the Louisiana Revised Statute 33:9103. The District is comprised of property within the Parish of Caddo and is governed by a Board of Commissioners. The purpose of the District is to provide a primary three-digit emergency telephone number (911) and related support system for Caddo Parish.

Reporting Entity

The basic criterion for determining whether a governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

Five members of the Board of Commissioners are chosen by the City of Shreveport and two are chosen by the Commission. The Commission, however, must approve all city appointments. The District constitutes a political subdivision of the state of Louisiana and is a component unit of the Commission.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies:

(a) *Basis of Presentation – Fund Accounting*

Government-Wide and Fund Financial Statements

During the current year, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. See note 9 for additional information.

The government-wide financial statements (GWFS) (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. There are no indirect expenses allocated to this function. Depreciation expense is included in the direct expense of the function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or

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privileges provided by a given function or segment. Other items, such as interest income, not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements (FFS) are provided for governmental funds. Major individual governmental funds are reported as separate columns in the FFS. The District has only one fund – the General Fund, which is reported as a major fund and is used to account for all the activities of the District. The operations of the General Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through the General Fund.

(b) Basis of Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The telephone tariff is a nonexchange transaction and is recognized in the period when the related telephone service is provided.

Fund Financial Statements

Governmental Funds

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 (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. *Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.*

The modified accrual basis of accounting is followed by all governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Telephone tariff, investment income and tower lease income are susceptible to accrual and are recognized when earned. Miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

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Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Expenditures related to long-term liabilities are recognized when the liability is incurred and has matured.

(c) Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the GWFS. Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available, and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The District maintains a threshold level for capitalization of \$1,500 for all fixed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are not reported in the FFS.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is calculated based on the following estimated useful lives:

Building and improvements	10-30 years
Furniture and equipment	4-30 years

(d) Long-Term Liabilities

In the GWFS, long-term debt is reported as a liability in the statement of net assets. Bond issuance costs are deferred and amortized over the life of the bonds.

In the FFS, governmental funds recognize bond issuance costs as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(e) Telephone Tariffs

The District's primary revenue source is the landline exchange telephone service supplier's tariff collected by two area telephone companies. These tariffs are charged on the customer's monthly telephone bills. Effective September 1996, the voters approved rates for residential and commercial line customers of \$1.00 and \$2.00, respectively.

In addition, the District collects telephone tariff revenues from cellular or other wireless telecommunication service providers. In September 1996, the voters approved two propositions that (1) gave the District the authority to use such revenues for communications enhancement, (2) clarified the District's authority to collect such charges, and (3) converted the tariff to a flat rate and

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increased the tariff. The cellular telephone tariff rate increased from \$.40 to \$1.00 effective July 1, 1997.

Total revenues derived from wireless service providers in Caddo Parish for the year ended December 31, 2003 were \$1,713,787. Total expenditures for the radio system and other communication enhancements for the year ended December 31, 2003 were \$25,657. As of December 31, 2003, the radio project is completely implemented and is being used to serve the citizens of Caddo Parish.

(f) Encumbrances

Encumbrance accounting is employed as an extension of the formal budgetary process in the General Fund. Under this process, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation. Encumbrances do not constitute expenditures or liabilities. Any encumbrances outstanding at year-end are reported as reservations of fund balances since the commitment will be honored through subsequent years' budget appropriations. There were no encumbrances outstanding at December 31, 2003.

(g) Investments

Investments in money market investments, consisting of money market funds and U.S. agency obligations with a maturity of three months or less at the time of purchase, are reported at cost and classified as cash and cash equivalents. State statutes generally authorize the District to invest in direct United States Treasury obligations; indebtedness issued or guaranteed by federal governmental agencies (provided such obligations are backed by the full faith and credit of the U.S. government); indebtedness issued or guaranteed by federally sponsored U.S. government agencies; time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana; or mutual or trust fund institutions which are registered with the Securities and Exchange Commission.

(h) Use of Estimates

Management of the District has made a number of estimates and assumptions relating to the assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents

Deposits

At December 31, 2003, the carrying value and the bank balance of the District's deposits were \$467,767 and \$477,998, respectively. This difference is due to the outstanding checks at December 31, 2003. All deposits were insured entirely by federal depository insurance or collateralized with securities held in the District's name by a bank other than the pledging bank. The remaining cash balance of \$116 consisted of mutual fund investments that are not categorized as to level of risk because they are not evidenced by securities that exist in physical or book entry form.

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Notes to Financial Statements

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(3) Capital Assets

A summary of changes in capital assets is as follows:

	<u>Balance, January 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, December 31, 2003</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 448,307	—	—	448,307
<i>Capital assets being depreciated:</i>				
Building and improvements	5,727,618	76,686	—	5,804,304
Furniture and equipment	15,407,372	123,806	—	15,531,178
Total assets being depreciated	21,134,990	200,492	—	21,335,482
<i>Less accumulated depreciation for:</i>				
Building and improvements	1,341,405	202,252	—	1,543,657
Furniture and equipment	2,176,156	826,824	—	3,002,980
Total accumulated depreciation	3,517,561	1,029,076	—	4,546,637
Total capital assets being depreciated, net	17,617,429	(828,584)	—	16,788,845
Capital assets, net	\$ <u>18,065,736</u>	<u>(828,584)</u>	<u>—</u>	<u>17,237,152</u>

Depreciation expense of \$1,029,076 was charged to the public safety function for governmental activities.

(4) Lease Revenue

At December 31, 2003, the District leases two communications tower sites to a third party.

The future rental receipts for each of the years subsequent to December 31, 2003, under existing lease agreements (which expire in 2007), are as follows:

Years ending December 31:	
2004	\$ 87,860
2005	55,887
2006	48,600
2007	18,900

Total rental revenue under the lease agreements was \$87,860 for 2003.

At December 31, 2003, the District received rental payments of \$63,937 related to 2004. These payments have been reflected as deferred revenue and will be recognized in 2004 in conjunction with the related lease period.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
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Shreveport, Louisiana

Notes to Financial Statements

December 31, 2003

(5) Lease Commitments

At December 31, 2003, the District has three noncancelable operating leases for the lease of land on which communication tower sites were constructed.

The minimum annual commitments under noncancelable operating leases (which expire in 2008) are as follows:

Years ending December 31:		\$	
2004			101,103
2005			61,728
2006			48,603
2007			48,603
2008			12,151

Total rental expenditures under operating leases was \$110,036 for 2003 and has been reflected in contracted services in the accompanying financial statements.

(6) Long-Term Debt

Long-term debt, excluding a deferred loss on refunding of \$87,265, at December 31, 2003 consisted of the following:

\$4,500,000 Certificates of Indebtedness, Series 2000, due in annual installments of \$255,000 to \$460,000 through December 1, 2014, interest at 4.25%.		\$ 3,820,000
\$1,205,000 Certificates of Indebtedness, Series 2002 Refunding, due in annual installments of \$120,000 to \$150,000 through December 1, 2011, interest at 2.55% to 4.235%.		1,060,000
\$4,500,000 Certificates of Indebtedness, Series 2003 Refunding, due in annual installments of \$485,000 to \$635,000 through December 1, 2011, interest at 1.40% to 3.55%.		4,480,000
		\$ 9,360,000

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Notes to Financial Statements

December 31, 2003

A summary of changes in long-term debt follows:

	<u>Balance, January 1, 2003</u>	<u>Additions</u>	<u>Retirements and payments</u>	<u>Balance, December 31, 2003</u>	<u>Due in one year</u>
Certificates of Indebtedness – 1998	\$ 4,805,000	—	(4,805,000)	—	—
Certificates of Indebtedness – 2000	4,060,000	—	(240,000)	3,820,000	255,000
Certificates of Indebtedness – 2002 Refunding	1,170,000	—	(110,000)	1,060,000	120,000
Certificates of Indebtedness – 2003 Refunding	—	4,500,000	(20,000)	4,480,000	485,000
Deferred loss on refunding	—	(92,777)	5,512	(87,265)	—
	<u>\$ 10,035,000</u>	<u>4,407,223</u>	<u>(5,169,488)</u>	<u>9,272,735</u>	<u>860,000</u>

There are a number of limitations and restrictions contained in the Certificates of Indebtedness. Management believes that the District is in substantial compliance with all significant limitations and restrictions. The certificates are secured by and payable solely from a pledge of the excess of annual revenues.

The annual requirements to amortize long-term debt as of December 31, 2003 are as follows:

Years ending December 31:	<u>Certificates of indebtedness</u>	<u>Interest payments</u>	<u>Total</u>
2004	\$ 860,000	319,335	1,179,335
2005	900,000	297,558	1,197,558
2006	940,000	273,430	1,213,430
2007	980,000	246,188	1,226,188
2008	1,030,000	215,375	1,245,375
2009-2013	4,190,000	515,692	4,705,692
2014	460,000	19,550	479,550
	<u>\$ 9,360,000</u>	<u>1,887,128</u>	<u>11,247,128</u>

In 2003, the District issued \$4,500,000 of Refunding Certificates of Indebtedness, Series 2003. The certificates were issued to refund \$4,370,000 of the Certificates of Indebtedness, Series 1998 and pay related issuance costs of \$37,223. Proceeds were deposited in an irrevocable trust with an escrow agent to

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

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Shreveport, Louisiana

Notes to Financial Statements

December 31, 2003

provide for all future debt service payments on the 1998 certificates. Prior to year-end, the 1998 Issue was called and redeemed with the proceeds deposited in escrow. The cash flows required to service the old debt was greater than the cash flows required to service the new debt and complete the refunding by \$349,448, an economic gain (difference between the present value of the old and new debt service payments) of \$318,087 resulted from the refunding.

(7) Contracted Services

Contracted services include payments for outside services such as telephone, equipment and property maintenance, tower rental, utilities, payments to the City of Shreveport, and professional services. Payments to the City of Shreveport were to reimburse the Shreveport Fire Department for the costs associated with providing centralized dispatching for the Caddo Parish Fire Districts. A summary of contracted services for the year ended December 31, 2003 is as follows:

Telephone	\$	602,802
Payments to the City of Shreveport		249,914
Equipment and property maintenance		224,996
Tower rental		110,036
Professional services		83,889
Utilities		84,399
Other		151,583
	\$	<u>1,507,619</u>

(8) Benefit Plan

The District provides a deferred compensation plan in accordance with the Internal Revenue Code Section 457 (Section 457 Plan). Effective September 30, 2000, all District employees withdrew from the City of Shreveport Employees' Retirement System and began contributing to the District's Section 457 Plan. Because the District's Section 457 Plan does not meet the criteria established under GASB Statement No. 32, the balances in assets and liabilities were not presented in the financial statements of the District. The District's contribution to the District's Section 457 Plan was \$31,242 for the year ended December 31, 2003.

(9) Changes in Accounting Principles

Effective January 1, 2003, the District implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
(a component unit of the Caddo Parish Commission)
Shreveport, Louisiana

Notes to Financial Statements

December 31, 2003

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type which had been the mode of presentation in previously issued financial statements. Also required are changes to certain note disclosures and the addition of management's discussion and analysis as required supplementary information.

The governmental fund fund balance at December 31, 2002 is reconciled to net assets of governmental activities as follows:

Total Fund Balance – Governmental Fund, December 31, 2002		\$	474,945
Add: Cost of capital assets, December 31, 2002	\$		21,583,297
Less: accumulated depreciation, December 31, 2002			3,517,561
Bond issue costs, net of accumulated amortization, December 31, 2002			18,074
			18,083,810
Less: Long-term debt – certificates of indebtedness, December 31, 2002			10,035,000
Accrued interest payable, December 31, 2002			42,099
			10,077,099
		\$	8,481,656

Adoption of GASB Statements No. 37 and 38 were required simultaneously with GASB Statement No. 34 and resulted in additional disclosures. GASB Interpretation No. 6 clarifies the modified accrual recognition of certain expenditures and liabilities. At December 31, 2002, there was no effect on fund balance as a result of implementation of GASB Interpretation No. 6.

REQUIRED SUPPLEMENTARY INFORMATION

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
(a component unit of Caddo Parish Commission)
Shreveport, Louisiana

General Fund

Budgetary Comparison Schedule

Year ended December 31, 2003

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Positive (negative) variance with final budget</u>
Revenues:				
Telephone tariffs	\$ 3,374,864	3,530,326	3,592,560	62,234
Tower lease income	95,146	95,146	87,860	(7,286)
Interest income	10,000	5,000	4,567	(433)
Miscellaneous	136,380	141,971	141,218	(753)
Total revenues	<u>3,616,390</u>	<u>3,772,443</u>	<u>3,826,205</u>	<u>53,762</u>
Expenditures:				
Current – public safety:				
Personal services	575,703	559,469	555,632	3,837
Materials and supplies	41,200	35,800	24,907	10,893
Contracted services	1,514,140	1,483,620	1,507,619	(23,999)
Capital outlay	242,000	246,421	247,969	(1,548)
Debt service (principal, interest, fees, and charges, net of refunding)	1,290,184	1,249,167	1,247,600	1,567
Total expenditures	<u>3,663,227</u>	<u>3,574,477</u>	<u>3,583,727</u>	<u>(9,250)</u>
Excess (deficiency) of revenues over (under) expenditures	(46,837)	197,966	242,478	44,512
Fund balance, beginning of year	474,945	474,945	474,945	—
Fund balance, end of year	<u>\$ 428,108</u>	<u>672,911</u>	<u>717,423</u>	<u>44,512</u>

Unaudited – see accompanying independent auditors' report.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
(a component unit of the Caddo Parish Commission)
Shreveport, Louisiana

Notes to Budgetary Comparison Schedule

December 31, 2003

Budget and Budgetary Accounting

The District adopts a budget for the General Fund. Budgetary data was prepared based on prior year actual operating revenues and expenditures.

The District follows these procedures in establishing the budgetary data reflected in these financial statements:

- (1) The budget sub-committee prepares a proposed budget and submits it to the Board of Commissioners. At the same time, a public hearing is called.
- (2) A public hearing is held on the proposed budget.
- (3) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution at least 15 days prior to the commencement of the fiscal year for which the budget is being adopted.
- (4) The budget document is structured such that revenues are budgeted by source and appropriations are budgeted by function and by object. District policy provides that expenditures may not legally exceed appropriations on a functional basis. Budgetary amendments require approval of the Board of Commissioners. Two budget revisions were made during the year ended December 31, 2003.
- (5) All budgetary appropriations lapse at the end of each fiscal year.

The basis of accounting applied to budgetary data presented is substantially consistent with the appropriate basis of accounting for the fund.

Excess of Expenditures Over Budget – Major Funds

During 2003, based on the legally adopted level of control for budgetary purposes, the following functions had excess expenditures over appropriations:

Public safety expenditures	\$	9,269
Capital outlay expenditures		1,548

Unaudited – see accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
(a component unit of the Caddo Parish Commission)
Shreveport, Louisiana

Supplementary Information

In Accordance with Louisiana Revised Statute 33:9101 E

Six years ended December 31, 1998, 1999, 2000, 2001, 2002, and 2003

(unaudited)

The District assesses a 9-1-1 surcharge fee for cellular and other wireless services. The assessment of the wireless 9-1-1 surcharge fee was approved to fund, along with other funding sources, a parishwide 800 MHz trunked radio system and other communication enhancements. As of December 31, 2003, the radio project is completely implemented and is being used to serve the citizens of Caddo Parish.

Total revenues derived from wireless service providers in Caddo Parish for the years ended December 31, 1998 through 2003 are as follows:

1998	\$ 445,705
1999	606,809
2000	908,428
2001	1,109,342
2002	1,297,095
2003	<u>1,713,787</u>
Total revenues	\$ <u><u>6,081,166</u></u>

Total expenditures for the radio system and other communication enhancements for the years ended December 31, 1998 through 2003 are as follows:

1998	\$ 258,183
1999	428,069
2000	5,810,962
2001	5,981,269
2002	24,117
2003	<u>25,657</u>
Total expenditures	\$ <u><u>12,528,257</u></u>

Unaudited – see accompanying independent auditors' report.



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Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Commissioners
Caddo Parish Communications District Number One:

We have audited the financial statements of the governmental activities and the major fund of the Caddo Parish Communications District Number One (the District), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 9, 2004, which includes an explanatory paragraph due to a change in accounting principles in 2003. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of basic 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Board of Commissioners, management, and the state of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 9, 2004



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative



KPMG LLP
Suite 1900
333 Texas Street
Shreveport, LA 71101-3692

June 9, 2004

Members of the Board of Commissioners
Caddo Parish Communications District Number One
Shreveport, Louisiana

Dear Commissioners:

We have audited the basic financial statements of the Caddo Parish Communications District Number One (the District), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 9, 2004. Under our professional standards, we are providing you with the attached information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We have a responsibility to conduct our audit of the basic financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected.

In addition, in planning and performing our audit of the basic financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit of the basic financial statements does not include examining the effectiveness of internal control and does not provide assurance on internal control.

Significant Accounting Policies or Unusual Transactions

The significant accounting policies used by the District are described in note 1 to the basic financial statements.

As described in note 9 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASB Statement No. 34 creates new basic financial statements for reporting on the Commission's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which had been the mode of presentation in previously issued financial statements.



The implementation of GASB Statement No. 34 caused the opening fund balances at December 31, 2002 to be restated in terms of "net assets." Adoption of GASB Statements No. 37 and 38 were required simultaneously with GASB Statement No. 34 and resulted in additional disclosures. At December 31, 2002, there was no effect on fund balance as a result of implementation of GASB Interpretation No. 6.

In 2003, the District issued \$4,500,000 of Refunding Certificates of Indebtedness, Series 2003. The certificates were issued to refund \$4,370,000 of the Certificates of Indebtedness, Series 1998. Proceeds were deposited in an irrevocable trust with the escrow agent to provide for all future debt service on the 1998 certificates. Prior to year-end, the 1998 issue was called and redeemed with the proceeds deposited in escrow. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding totaled \$349,448. An economic gain (difference between the present value of the old and new debt service payments) of \$318,087 resulted from the refunding.

We noted no other transactions entered into by the District that were both significant or unusual and that under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Audit Adjustments and Uncorrected Misstatements

In connection with our audit of the District's basic financial statements, we have not identified any significant financial statement misstatements that have not been corrected in the Company's books and records as of and for the year ended December 31, 2003, and we have communicated that finding to management.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the District's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents, for example, Management's Discussion and Analysis of Financial Condition and Results of Operations. We have, however, read the other information included in the District's annual report, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Members of the Board of Commissioners
Caddo Parish Communications District Number One
June 9, 2004
Page 3

Disagreements With Management

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the District's financial statements.

Consultation With Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year which were subject to the requirements of AU 625, *Reports on the Application of Accounting Principles*.

Major Issues Discussed With Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

* * * * *

This report is intended solely for the information and use of the Board of Commissioners, management, and the state of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. This report is not intended for general use, circulation, or publication and should not to be published, circulated, reproduced, or used for any purpose without our prior written permission in each specific instance.

Very truly yours,

KPMG LLP