

General Fund	1995 Debt Service Fund	Total (Memo Only)
444,412	49,379	493,791
138,948		138,948
19,448		19,448
13,197		13,197
987		987
19,229	3,017	22,246
22,780		22,780
659,001	52,396	711,397
423,604		423,604
13,452		13,452
61,898		61,898
10,780		10,780
5,726		5,726
52,260		52,260
5,949		5,949
14,908		14,908
9,602	175	9,777
89,988		89,988
	35,000	35,000
	15,728	15,728
	21,775	21,775
	204	204
688,167	72,882	761,049
(29,166)	(20,486)	(49,652)

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3
COMBINED STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	General Fund	1996 Debt Service Fund	Total (Memo Only)
Other financing sources (uses):			
Capital lease payments	0	0	0
Total other financing sources (uses)	0	0	0
Excess of revenues and other sources over (under) expenditures and other uses	32,050	159	32,209
Decrease in reserve for obligations under capital lease agreements	0	0	0
Net change in fund balance - unreserved	32,050	159	32,209
Fund balance - unreserved - beginning of year	687,627	112,969	800,596
Fund balance - unreserved - end of year	719,677	113,128	832,805

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

General Fund	1995 Debt Service Fund	Total (Memo Only)
(15,932)	15,932	0
(15,932)	15,932	0
(45,098)	(4,554)	(49,652)
14,272	1,456	15,728
(30,826)	(3,098)	(33,924)
718,453	116,067	834,520
687,627	112,969	800,596

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3
COMBINED STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES -
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED DECEMBER 31, 1996

	Budget	General Fund Actual (Budget Basis)	Variance Favorable (Unfavorable)
Revenue:			
Taxes	601,433	612,679	11,246
Intergovernmental:			
State revenue sharing	21,000	19,380	(1,620)
Fire insurance premium rebate	13,000	12,924	(76)
Grant	1,000	677	(323)
Interest	18,000	23,677	5,677
Miscellaneous	17,000	51,121	34,121
Total revenue	671,433	720,458	49,025
Expenditures:			
Public safety:			
Salaries and related benefits	403,000	427,097	(24,097)
Legal and accounting	3,000	1,868	1,132
Insurance	77,500	66,292	11,208
Office supplies	7,700	8,500	(800)
Repairs and maintenance	40,200	60,494	(20,294)
Travel and entertainment		3,480	(3,480)
Utilities	17,030	19,108	(2,078)
Other	39,400	26,627	12,773
Capital outlay	131,500	107,319	24,181
Debt service:			
Principal paid			
Interest paid			
Other			
Total expenditures	719,330	720,785	(1,455)
Excess of revenue over (under) expenditures	(47,897)	(327)	47,570
Fund balance, beginning of year	687,627	687,627	0
Fund balance, end of year	639,730	687,300	47,570

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

	Debt Service Fund	
Budget	Actual (Budget Basis)	Variance Favorable (Unfavorable)
50,470	48,802	(1,668)
3,000	2,604	(396)
53,470	51,406	(2,064)
35,000	35,000	0
19,220	19,220	0
500	175	325
54,720	54,395	325
(1,250)	(2,989)	(1,739)
112,969	112,969	0
111,719	109,980	(1,739)

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3
COMBINED STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES -
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED DECEMBER 31, 1995

	Budget	General Fund Actual (Budget Basis)	Variance Favorable (Unfavorable)
Revenue:			
Taxes	609,271	607,656	(1,615)
Intergovernmental:			
State revenue sharing	20,500	20,434	(66)
Fire insurance premium rebate	10,500	13,197	2,697
Grant	1,200	987	(213)
Interest	20,000	19,615	(385)
Miscellaneous	23,000	22,780	(220)
Total revenue	684,471	684,669	198
Expenditures:			
Public safety:			
Salaries and related benefits	388,077	423,604	(35,527)
Legal and accounting	11,700	13,452	(1,752)
Insurance	70,500	62,501	7,999
Office supplies	6,900	5,300	1,600
Repairs and maintenance	34,700	52,003	(17,303)
Travel and entertainment			0
Utilities	15,450	14,908	542
Other	33,650	28,246	5,404
Capital outlay	114,500	93,783	20,717
Debt service:			
Principal paid			
Interest paid			
Other			
Total expenditures	675,477	693,797	(18,320)
Excess of revenue over (under) expenditures	8,994	(9,128)	(18,122)
Fund balance, beginning of year	718,453	718,453	
Fund balance, end of year	727,447	709,325	(18,122)

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

	Debt Service Fund	
Budget	Actual (Budget Basis)	Variance Favorable (Unfavorable)
52,766	50,189	(2,577)
2,000	3,017	1,017
54,766	53,206	(1,560)
35,000	35,000	0
21,775	21,775	0
400	174	226
57,175	56,949	226
(2,409)	(3,743)	(1,334)
116,067	116,067	
113,658	112,324	(1,334)

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

C. Fund Accounting (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.

D. 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- Ad valorem taxes and the related state revenue sharing are recorded in the year the taxes are assessed. Ad valorem 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 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. 3

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

D. Basis of Accounting (continued)

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses).

E. Budgets

The budgets for the ensuing 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 pages 6 and 7 (budget basis) with the amounts shown on page 4 and 5 (GAAP basis):

	<u>1996</u>		<u>1995</u>	
	<u>General</u>	Debt	<u>General</u>	Debt
	<u>Fund</u>	<u>Service</u>	<u>Fund</u>	<u>Service</u>
		<u>Fund</u>		<u>Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (budget basis)	(327)	(2,989)	(9,128)	(3,743)
Adjustments:				
Revenue accruals - net	29,126	3,148	(25,668)	(811)
Expenditures accruals - net	<u>3,251</u>	<u>-0-</u>	<u>(10,302)</u>	<u>-0-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	<u>32,050</u>	<u>159</u>	<u>(45,098)</u>	<u>(4,554)</u>

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

F. 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.

G. 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.

H. 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. Administrative employees can only take vacations as their workload allows and any vacation not taken is accumulated.

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 52 weeks, during any calendar year.

At December 31, 1996 and 1995, employee leave benefits requiring recognition in accordance with GASB Codification Section C60 were determined to be immaterial 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.

I. 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.

J. Fund Equity

Reserves

Reserves represent those portions of fund equity not appropriated for expenditure or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

2. Levied Taxes

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

	<u>1996 Millage</u>		<u>1995 Millage</u>		Expiration Date
	<u>Authorized</u>	<u>Levied</u>	<u>Authorized</u>	<u>Levied</u>	
Maintenance and operation tax	9.88	9.88	10.00	10.00	2005
Bond tax	1.10	1.10	1.10	1.10	2004

3. Cash

At December 31, 1996 and 1995, the District had cash balances as follows:

	<u>1996</u>	<u>1995</u>
Petty cash	100	100
Interest bearing demand deposits	<u>131,221</u>	<u>152,930</u>
Total	<u><u>131,321</u></u>	<u><u>153,030</u></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 time 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, 1996, the District had \$131,221 in deposits (collected bank balances). \$100,000 of these deposits were fully secured from risk by federal deposit insurance, the remaining \$31,221 were secured through pledges of collateral from the financial institution.

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

4. Changes in General Fixed Assets

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

	Balance January 1, <u>1995</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>1995</u>
Land	74,350	-	-	74,350
Buildings	345,975	-	-	345,975
Equipment and furniture	<u>973,983</u>	<u>63,018</u>	<u>27,546</u>	<u>1,009,455</u>
	<u><u>1,394,308</u></u>	<u><u>63,018</u></u>	<u><u>27,546</u></u>	<u><u>1,429,780</u></u>

	Balance January 1, <u>1996</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>1996</u>
Land	74,350	-	-	74,350
Buildings	345,975	-	-	345,975
Equipment and furniture	<u>1,009,455</u>	<u>72,643</u>	<u>899</u>	<u>1,081,199</u>
	<u><u>1,429,780</u></u>	<u><u>72,643</u></u>	<u><u>899</u></u>	<u><u>1,501,524</u></u>

5. Pension 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, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable 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.

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

5. Pension Plans (continued)

Employees who terminate with at least 12 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 benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

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

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

<u>Caddo Parish Fire Protection District No. 3</u>	<u>1996</u>	<u>1995</u>
Contribution rates:		
Employees	8%	8%
Employer	9%	9%
Total current-year payroll	326,299	327,521
Total current-year covered payroll	269,034	273,029
Contributions required by state statute:		
Employees	21,523	21,843
Employers	<u>24,213</u>	<u>24,573</u>
Total	<u>45,736</u>	<u>46,416</u>
Actual contributions:		
Employees	21,525	21,840
Employers	<u>24,214</u>	<u>24,572</u>
Total	<u>45,739</u>	<u>46,412</u>

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 benefits provisions. Participating employees of the District are members of Plan A.

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

5. Pension Plans (continued)

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, 1980, 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, 1980. 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.

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 valuation 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:

<u>Caddo Parish Fire Protection District No. 3</u>	<u>1996</u>	<u>1995</u>
Contribution rates:		
Employees	9.5%	9.5%
Employer	7.25%	8.00%
Total current -year payroll	326,299	327,521
Total current-year covered payroll	20,098	30,298
Contributions required by state statute:		
Employees	1,909	2,878
Employers	<u>1,457</u>	<u>2,424</u>
Total	<u>3,366</u>	<u>5,302</u>

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

5. Pension Plans (continued)

Actual contributions:

Employees	1,909	2,878
Employers	<u>1,457</u>	<u>2,424</u>
Total	<u>3,366</u>	<u>5,302</u>

6. Changes in General Long-Term Debt

The following is a summary of the bonds payable transactions during the years ended December 31, 1996 and 1995:

Balance, January 1, 1995	305,000
Additions	0
Deductions	<u>35,000</u>
Balance, December 31, 1995	270,000
Additions	0
Deductions	<u>35,000</u>
Balance, December 31, 1996	<u>235,000</u>

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 \$30,000 to \$55,000 through June 1, 2001, with interest rates of 6.8 to 7.7 per cent. Debt retirement payments are made from the Debt Service Fund.

As of December 31, 1996 and 1995, the Debt Service Fund has \$53,731 and \$56,720, respectively, available to service the public improvement bonds. The aggregate maturities of long-term debt, including interest requirements of \$47,713, for years subsequent to December 31, 1996, are as follows:

1997	56,425
1998	58,215
1999	54,795
2000	56,160
2001	<u>57,118</u>
Total	<u>282,713</u>

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

6. Changes in General Long-Term Debt (continued)

Public improvement bonds in the amount of \$235,000 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 10 per cent of the assessed value of taxable property in the district. At December 31, 1995, the statutory limit was \$4,741,782 and outstanding bonded debt was \$270,000. At December 31, 1996, the statutory limit was \$5,036,214 and outstanding bonded debt totaled \$235,000.

7. Obligations Under Capital Lease Agreements

As of January 1, 1992, the District entered into three lease agreements as lessee to finance acquisitions of an ambulance, office equipment and medical equipment. These leases qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Management has elected to include fixed assets acquired under capital lease agreements with other general fixed assets. As of December 31, 1996, no amounts were due under the lease agreements. The following is a summary of capital lease transactions for the District for the year ended December 31, 1995:

Balance at January 1, 1995	15,728
Additions	0
Payments	<u>15,728</u>
Balance at December 31, 1995	<u><u>0</u></u>

8. Service Charges

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, 1992. During the year ended December 31, 1996 and 1995, \$154,099 and \$138,948, respectively, in service charge revenue was received.

9. Litigation Matters

The District is currently 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. The property owners have paid approximately \$30,000 in taxes on the property in dispute; however, the funds are being held in escrow by the Sheriff pending resolution of this lawsuit. Consequently, the district has not recognized these funds as revenue in the financial statements as of December 31, 1996.

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

**REPORT ON INTERNAL CONTROL STRUCTURE
REQUIRED BY GOVERNMENTAL AUDITING STANDARDS**

DECEMBER 31, 1996 AND 1995

JAMES & HARDY
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE
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June 18, 1997

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 years ended December 31, 1996 and 1995, 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 executes 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 would be separate from any custodial or authoritative 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 oversight 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.

We also noted the following conditions which are not believed to be material weaknesses:

Observation: All cash for the Debt Service Fund is maintained with the General Fund's cash.

Recommendation: It is preferable for each governmental fund to have a separate account. This ensures that funds intended for debt service are not used for operations and vice versa.

Observation: The cash account was not reconciled at 12/31/95. As a result, a time consuming effort was necessary to reconcile this account at during the audit.

Recommendation: Reconciliations between the bank statements and the general ledger should be performed monthly. Timely and accurate bank reconciliations will improve accounting control over the District's cash accounts, which will enhance management's ability to make informed decisions. Each of the monthly reconciliations should be reviewed by someone other than the person preparing the reconciliaiton.

Observation: Accounting personnel often had a difficult time locating documents such as invoices and contracts to support the purchases of fixed assets. We also noted that the District did not maintain records for the sale or retirement of fixed assets.

Recommendation: All documentation to support the acquisition of fixed assets should be maintained in a central file by year and retained for a specific period of time. The district should also maintain detailed records for all fixed asset sale and retirement transactions.

Observation: The District does not have a current detailed listing of fixed assets.

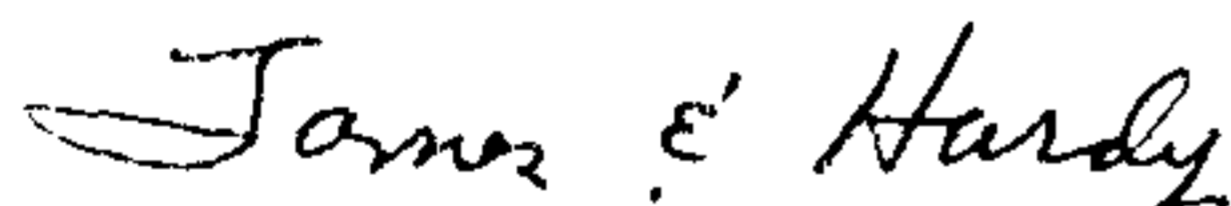
Recommendation: All fixed assets should be assigned a fixed asset number as purchased and should be recorded on a fixed assets listing with the following information: asset number, description, dollar value, and purchase date. Assets sold or retired should be deleted at the date of disposition, and a periodic inventory of fixed assets should be taken and compared to the detailed listing on a periodic basis. Creation of a detailed listing and performance of a periodic inventory of fixed assets would provide a complete record of the District's assets and, improve controls safeguarding those assets.

Observation: The district had a significant amount of turnover in the secretary/treasurer position over the past year causing difficulty for the new secretary/treasurer to gather the information for the two years covered by the audit period. During the transitions of secretary/treasurer several bookkeeping errors were made. With the help of the new secretary/treasurer in place during the audit and performance of our audit procedures, we were able to identify material errors and correct them; however, due to these problems, the audit report which is due to the Louisiana Legislative Auditor's office on or before June 30, 1997 was delinquent and not submitted until August 15, 1997. Louisiana Revised Statute 24:513 requires audits to be completed within six months of an entity's fiscal year; therefore, this delinquency is considered a violation of state law.

Recommendation: In order to avoid these problems in the future, should the turnover issue arise, we recommend that the district's secretary/treasurer maintain a close relationship with the independent accountant's office on a quarterly basis. The accountants should be kept abreast of any accounting issues, problems, or questions that may arise. We also recommend that until the new secretary/treasurer is more comfortable with district's accounting function, that the audit of the financial statements be performed annually versus bi-annually. The audit fees should not increase significantly, but will be spread over two years. A condensed audit report could be submitted to the district's board of commissioners for discussion in the interim year and in the second year a report containing information for both years should be prepared and issued to the state.

This report is intended solely for the information and 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 distribution of this report, which, upon acceptance by the Board of Commissioners, is a matter of public record.

Yours truly,



JAMES & HARDY
CERTIFIED PUBLIC ACCOUNTANTS

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3
REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

DECEMBER 31, 1996 AND 1995

JAMES & HARDY
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
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June 18, 1997

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, 1996 and 1995, and for the years then ended and have issued our report thereon dated June 18, 1997.

We conducted our audits in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those 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 Structure dated July 18, 1997.

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

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

AT DECEMBER 31, 1996 AND 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 AUG 17 1997

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3

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JAMES & HARDY
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INDEPENDENT AUDITORS' REPORT

June 18, 1997

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 years ended December 31, 1996 and 1995, 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and *Governmental 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 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, 1996 and 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

James & Hardy

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3
COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS
AT DECEMBER 31, 1996 AND 1995

ASSETS AND OTHER DEBITS	Governmental Fund Types		1996	
	General	Debt Service	Account Groups General Fixed Assets	General Long-Term Debt
Cash	131,321			
Receivables:				
Ad valorem taxes (Notes 1 and 2)	483,075	53,784		
Service charges (Note 8)	154,336			
State revenue sharing	12,479			
Miscellaneous	9,336			
Due from General Fund		59,344		
Land, buildings and equipment (Notes 1 and 4)			1,501,524	
Amount available in debt service fund				53,731
Amount to be provided for retirement of bonded indebtedness				181,269
Total assets and other debits	790,547	113,128	1,501,524	235,000

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

1996 Total (Memo Only)	Governmental Fund Types		1995 Account Groups		Total (Memo Only)
	General	Debt Service	General Fixed Assets	General Long-Term Debt	
131,321	153,030				153,030
536,859	455,109	50,062			505,171
154,336	136,114				136,114
12,479	13,035				13,035
9,336	6,232				6,232
59,344		62,907			62,907
1,501,524			1,429,780		1,429,780
53,731				56,720	56,720
181,269				213,280	213,280
2,640,199	763,520	112,969	1,429,780	270,000	2,576,269

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3
COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS
AT DECEMBER 31, 1996 AND 1995

LIABILITIES, EQUITY AND OTHER CREDITS	1996			
	Governmental Fund Types		Account Groups	
	General	Debt Service	General Fixed Assets	General Long-Term Debt
Liabilities:				
Accounts payable and accrued expenses	11,526			
Due to Debt Service Fund	59,344			
Bonds payable (Note 6)			29,332	235,000
Total liabilities	70,870	0	29,332	235,000
Equity and other credits:				
Investment in General Fixed Assets			1,472,192	
Fund balances:				
Reserved for debt service		113,128		
Unreserved-undesignated	719,677			
Total equity and other credits	719,677	113,128	1,472,192	0
Total liabilities, equity and other credits	790,547	113,128	1,501,524	235,000

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

1996 Total (Memo Only)	Governmental Fund Types		1995 Account Groups		Total (Memo Only)
	General	Debt Service	General Fixed Assets	General Long-Term Debt	
11,526	12,986				12,986
59,344	62,907				62,907
264,332			58,666	270,000	328,666
335,202	75,893	0	58,666	270,000	404,559
1,472,192			1,371,114		1,371,114
113,128		112,969			112,969
719,677	687,627				687,627
2,304,997	687,627	112,969	1,371,114	0	2,171,710
2,640,199	763,520	112,969	1,429,780	270,000	2,576,269

CADDO PARISH FIRE PROTECTION DISTRICT NO. 3
COMBINED STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	General Fund	1996 Debt Service Fund	Total (Memo Only)
Revenues:			
Taxes (Notes 1 and 2)	488,263	51,949	540,212
Service charges (Note 8)	154,099		154,099
Intergovernmental:			
State revenue sharing	18,823		18,823
Fire insurance premium rebate	12,924		12,924
Grant	677		677
Interest	23,677	2,605	26,282
Miscellaneous	51,121		51,121
Total revenue	749,584	54,554	804,138
Expenditures:			
Public safety:			
Salaries and related benefits	427,097		427,097
Legal and accounting	1,868		1,868
Insurance	66,586		66,586
Medical supplies	9,775		9,775
Office supplies	8,074		8,074
Repairs and maintenance	61,055		61,055
Travel and entertainment	3,480		3,480
Utilities	19,108		19,108
Other	16,687	175	16,862
Capital outlay	103,804		103,804
Debt service:			
Principal:			
Bond principal		35,000	35,000
Capital lease principal			
Interest:			
Bond interest		19,220	19,220
Capital lease interest			
Total expenditures	717,534	54,395	771,929
Excess of revenues over (under) expenditures	32,050	159	32,209

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