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**ST. TAMMANY PARISH FIRE PROTECTION
DISTRICT NO. 3**

Lacombe, Louisiana

FINANCIAL STATEMENTS

As of December 31, 1997
and For the Years Ended
December 31, 1997 and 1996

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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 ~~JUL 22 1998~~

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Financial Statements**

**As of December 31, 1997 and For the Years
Ended December 31, 1997 and 1996**

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Zahn, Kenney & Bresette
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
St. Tammany Parish Fire Protection District No. 3
Lacombe, Louisiana

We have audited the accompanying balance sheet of St. Tammany Fire Protection District No. 3 (the District), a component unit of the St. Tammany Parish Police Jury, as of December 31, 1997 and the related statements of revenues, expenditures, and changes in fund balance, for the years ended December 31, 1997 and 1996, and statement of revenues, expenditures, and changes in fund balance - budget and actual for the year ended December 31, 1997. These financial statements are the responsibility of the management of the District. 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 Government 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. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District, as of December 31, 1997, and the results of its operations for the years ended December 31, 1997 and 1996 in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 19, 1998 on our consideration of the District's internal control structure and a report dated June 19, 1998 on its compliance with laws and regulations.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The information presented on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants
June 19, 1998

ST. TAMMANY FIRE PROTECTION DISTRICT NO. 3
BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1997

	<u>GOVERNMENTAL FUND TYPE - GENERAL FUND</u>	<u>ACCOUNT GROUP GENERAL FIXED ASSETS</u>	<u>TOTAL (MEMO ONLY)</u>
<u>ASSETS AND OTHER DEBITS</u>			
ASSETS:			
Cash and cash equivalents	\$ 3,011	\$ -	\$ 3,011
Certificate of deposit	32,000	-	32,000
Receivables:			
Ad valorem taxes	191,861	-	191,861
State revenue sharing	19,133	-	19,133
Accrued interest	959	-	959
Advance to Lacombe Volunteer Fire Department	5,000	-	5,000
Property and equipment	<u>-</u>	<u>958,902</u>	<u>958,902</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$251,964</u>	<u>\$958,902</u>	<u>\$1,210,866</u>
<u>FUND EQUITY</u>			
Investment in general fixed assets	\$ -	\$958,902	\$ 958,902
Fund balance - unreserved, undesignated	<u>251,964</u>	<u>-</u>	<u>251,964</u>
TOTAL FUND EQUITY	<u>\$251,964</u>	<u>\$958,902</u>	<u>\$1,210,866</u>

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996**

GENERAL FUND

	<u>1997</u>	<u>1996</u>
<u>REVENUES</u>		
Ad valorem taxes, including interest	\$190,654	\$194,347
Intergovernmental revenues:		
State revenue sharing	19,493	17,845
Insurance fees	13,044	12,664
Interest on cash deposits	1,577	677
Rental income	<u>3,300</u>	<u>3,191</u>
Total revenues	<u>228,068</u>	<u>228,724</u>
<u>OTHER FINANCING SOURCES</u>		
Sale of property and equipment	<u>1,502</u>	<u>-</u>
<u>EXPENDITURES</u>		
Public safety - fire protection:		
Insurance	28,181	25,828
Maintenance and repairs:		
Buildings	3,758	1,365
Vehicles and equipment	18,547	11,967
Utilities and telephone	16,069	15,078
Fuel	3,293	2,826
Professional fees	4,400	3,900
Office supplies and expense	2,629	1,636
Training	845	118
Medical supplies	1,086	1,669
Supplies for fire equipment	3,077	1,038
Advertising	115	198
Waste collection fees	1,169	929
Collection fee	6,445	5,917
Linen and other supplies	364	466
Commissioners' per diem	1,710	1,950
Bank service charges	221	206
Capital outlay	1,566	36,307
Personnel	97,181	75,868
Debt service	<u>22,724</u>	<u>22,724</u>
Total Expenditures	<u>213,380</u>	<u>209,990</u>
Excess revenues and other financing sources over expenditures	16,190	18,734
Fund balance at beginning of year	<u>235,774</u>	<u>217,040</u>
Fund balance at end of year	<u>\$251,964</u>	<u>\$235,774</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1997

GENERAL FUND

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAV.)</u>
REVENUES			
Ad valorem taxes, including interest	\$150,000	\$190,654	\$40,654
State revenue sharing	12,800	19,493	6,693
Insurance fees	13,000	13,044	44
Interest income	600	1,577	977
Rental income	<u>3,600</u>	<u>3,300</u>	<u>(300)</u>
Total Revenues	<u>180,000</u>	<u>228,068</u>	<u>48,068</u>
OTHER FINANCING SOURCES			
Sale of property and equipment	<u>-</u>	<u>1,502</u>	<u>1,502</u>
EXPENDITURES			
Insurance	29,688	28,181	1,507
Professional fees	4,400	4,400	-
Collection fee, ad valorem taxes	-	6,445	(6,445)
Utilities and telephone	14,093	16,069	(1,976)
Office supplies and expenses	1,850	2,629	(779)
Training	500	845	(345)
Fuel	2,700	3,293	(593)
Maintenance and repair:			
Buildings	3,600	3,758	(158)
Vehicles and equipment	9,500	18,547	(9,047)
Medical supplies	500	1,086	(586)
Supplies for fire equipment	3,000	3,077	(77)
Advertising	500	115	385
Debt service	22,724	22,724	-
Waste collection fees	1,009	1,169	(160)
Personnel	91,486	97,181	(5,695)
Linen and other supplies	-	364	(364)
Commissioners' per diem	1,950	1,710	240
Bank service charges	-	221	(221)
Capital outlay	<u>-</u>	<u>1,566</u>	<u>(1,566)</u>
Total Expenditures	<u>187,500</u>	<u>213,380</u>	<u>(25,880)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ (7,500)</u>	16,190	<u>\$ 23,690</u>
Fund balance at beginning of year		<u>235,774</u>	
Fund balance at end of year		<u>\$251,964</u>	

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1997 AND FOR THE YEARS ENDED
DECEMBER 31, 1997 AND 1996

INTRODUCTION

The St. Tammany Parish Fire Protection District No. 3 ("the District") was established by the St. Tammany Parish Police Jury (Police Jury) on April 15, 1954. The District's boundaries coincide with the boundaries of the Seventh Ward of the Parish of St. Tammany. The district is governed by a Board of commissioners consisting of five (5) resident property taxpayers, as provided by Louisiana Revised Statute 40:1496. Commissioners are appointed by the St. Tammany Parish Police Jury for a term of two (2) years. Officers of the Board are elected by the Commissioners.

Fire protection districts are created for the purpose of acquiring, maintaining and operating facilities, machinery, equipment, water tanks, water hydrant, water lines and other facilities and equipment necessary to provide proper fire protection and control of the property within the district. The District interacts with the Lacombe Volunteer Fire Department to carry out its objective.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the St. Tammany Parish Fire Protection District No. 3 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units.

B. REPORTING ENTITY

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and which component units should be included within the reporting entity.

Oversight responsibility by the Police Jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the police jury appoints the District's commission members, and the District's commission is accountable for fiscal matters, including (1) budget authority, (2) responsibility for funding deficits and operation deficiencies, and (3) fiscal management for controlling the collection and disbursement of funds, and because of the scope of its public services, the District was determined to be a component unit of the St. Tammany Parish

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

C. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregation of transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the district are classified as governmental funds. Governmental funds account for the District's general activities, including the collection and disbursements of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long term debt. Governmental funds of the District include only a general fund which is the operating fund of the district and accounts for all financial resources of the District.

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 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

Principal revenue sources, consisting primarily of ad valorem taxes and state revenue sharing, are accrued at the time of assessment or when the amounts thereof are ascertainable with reasonable certainty.

Interest on cash deposited is recognized when the funds are available.

All other revenues are recognized when received.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EXPENDITURES

Expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on the general long-term obligations, if any, which are not recognized until due.

E. ENCUMBRANCES

Encumbrance accounting is not utilized by the District due to the nature of operations and the ability of management to monitor budgeted expenditures on a timely basis.

F. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts deposited in money market accounts. Cash equivalents include those investments with original maturities of ninety (90) days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

G. FIXED ASSETS

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized in the general fixed assets account group. Public domain or infrastructures are not apitalized. Interest costs incurred during construction, if any, are capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

H. COMPENSATED ABSENCES

All members of the District serve as volunteers. Accordingly, the District does not have a formal vacation and sick leave policy.

I. LONG-TERM OBLIGATIONS

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

J. TOTAL COLUMNS ON STATEMENTS

The total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2--LEVIED TAXES

The authorized and levied ad valorem tax millage for 1996 and 1997 was 20.77.

NOTE 3--CASH AND CASH EQUIVALENTS

At December 31, 1997, the District has cash and cash equivalents totaling \$3,011 as follows:

Interest-bearing money market accounts	<u>\$3,011</u>
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These accounts are stated at cost, which approximates market. Under state law, these accounts must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1997, the District has \$3,011 in these accounts. These accounts are secured from risk by \$3,011 of federal deposit insurance.

NOTE 4 - CERTIFICATE OF DEPOSIT

At December 31, 1997, the District had amounts invested in a certificate of deposit with an original cost of \$32,000, which approximates market, which matured on January 13, 1998.

Interest income was accrued at December 31, 1997 at the rate of 5.44% per annum.

This certificate of deposit was secured from risk by federal deposit insurance.

NOTE 5--CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general assets follows:

	Balance <u>1/1/97</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/97</u>
Property and Equipment	<u>\$958,902</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 958,902</u>

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
St. Tammany Parish Fire Protection District No. 3
Lacombe, Louisiana

We have audited the financial statements of the St. Tammany Parish Fire Protection District No. 3 (the District), a component unit of the St. Tammany Parish Police Jury, as of December 31, 1997 and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated June 19, 1998.

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

In planning and performing our audits of the financial statements of the District for the years ended December 31, 1997 and 1996, 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.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective of an internal control structure is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audits of the financial statements of the District for the years ended December 31, 1997 and 1996, we obtained an understanding of the internal control structure.

With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order

to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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 entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We consider the following to be reportable conditions:

1.) The District does not maintain records of its general fixed assets. R.S. 24:515 (B)(1) requires maintenance of such records to include information as to the date of purchase of the assets, the initial cost, the disposition, if any, the purpose of such disposition and the recipient of the disposed property. Because the District does not maintain such records, assets may not be properly safeguarded. This reportable condition was also reported on in a previous audit report.

2.) The District does not deposit its receipts on a timely basis. R.S. 39:1212 requires that all funds be deposited daily whenever practicable. Because the deposits are not made timely, assets may not be properly safeguarded. This reportable condition was also reported on in a previous audit report.

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 believe that both of the reportable conditions described above are material weaknesses.

This report is intended for the information of District management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants
June 19, 1998

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Commissioners
St. Tammany Parish Fire Protection District No. 3
Lacombe, Louisiana

We have audited the financial statements of the St. Tammany Parish Fire Protection District No. 3 (the District), a component unit of the St. Tammany Parish Police Jury, as of December 31, 1997 and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated June 19, 1998.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws and regulations applicable to the District is the responsibility of the Board of Commissioners of the District. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards:

1.) Louisiana Revised Statutes (L.R.S.) 24:515(B)(1) requires maintenance of records of general fixed assets to include information as to the date of purchase of the assets, the initial cost, the disposition, if any, the purpose of such disposition and the recipient of the disposed property. The District does not maintain records of its general fixed assets. Because of this, assets may not be properly safeguarded. This instance of noncompliance was reported in a previous audit report.

2.) The District does not deposit its receipts on a timely basis. L.R.S. 39:1212 requires that all funds be deposited daily whenever practicable. Due to this failure to follow the law, assets may not be properly safeguarded. This instance of noncompliance was reported in a previous audit report.

3.) L.R.S. 44 requires all non-exempt governmental records be retained, and available for inspection, for at least three years. Minutes of commissioners meetings for some months could not be produced. Also, the District could not produce insurance policies for the periods being audited. Due to this it appears that the District is not in compliance with statutory records maintenance requirements.

We considered these instances of noncompliance in forming our opinion on whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated June 19, 1998, on those financial statements.

This report is intended for the information of management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants
June 19, 1998

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
 SUPPLEMENTAL INFORMATION SCHEDULE
 FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996**

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board members are compensated with a per diem for each board meeting that they attend. The amount of per diem for the year 1997 and 1996 is \$30.00 per meeting per member. Total per diem paid to each member for 1997 and 1996 is as follows:

	<u>1997</u>	<u>1996</u>
K. Landry	\$300	\$330
A. Laurent	360	330
A. Moran	390	450
S. Palmer	300	390
A. Reeves	270	450
J. Smith	<u>90</u>	<u>-0-</u>
Total	<u>\$1,710</u>	<u>\$1,950</u>