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COMPONENT UNIT FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FIRE PROTECTION DISTRICT NO. 2 ST. TAMMANY PARISH, LOUISIANA

DECEMBER 31, 1998

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ACCOUNT GROUP FINANCIAL STATEMENT

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GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENT OF GENERAL FIXED ASSETS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 1660 Covington, Louisiana 70434-1660

Samuel K. Smith, CPA Patrick "Bryan" Huval, CPA

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(504) 892-6633 - Covington (504) 892-4666 - FAX

Board of Commissioners St. Tammany Fire Protection District No. 2 Madisonville, Louisiana

We have audited the accompanying component unit financial statements of the St. Tammany Parish Fire Protection District No. 2, and the related statements of revenues, expenditures, and changes in fund balance as of and for the two years ended December 31, 1998. These financial statements are the responsibility of the St. Tammany Parish Fire Protection District No. 2's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and <u>Government Auditing</u> <u>Standards</u>, 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 component unit 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 opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Fire Protection District No. 2 at December 31, 1998, and the results of its operations for the two years then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements as a whole. The accompanying information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the St. Tammany Parish Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole. . .

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The St. Tammany Parish Fire Protection District No. 2 has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the St. Tammany Parish Fire Protection District No. 2 is or will become year 2000 compliant, that the St. Tammany Parish Fire Protection District No. 2's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the St. Tammany Parish Fire Protection District No. 2 does business are or will become year 2000 compliant.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated June 25, 1999 on our consideration of the St. Tammany Parish Fire Protection District No. 2's internal control over financial reporting, and our tests of its compliance with contracts, grants, laws and regulations related to financial reporting, a report on its compliance with requirements applicable to each major program and on internal control over federal program.

Smith, Huval & Bassciates, L.I. C.

June 25, 1999

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COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 1998

	Governmental	A	A Channe	
	Fund Type		<u>it Group</u> General	(Potol
		General	General	Total
	General	Fixed	Long Term	(Memorandum Only)
ACCLUC	<u>General</u>	Assets	<u> </u>	<u> </u>
ASSETS	¢ 125 562	¢	¢	¢ 125.562
Cash	\$ 135,563	\$ -	\$ -	\$ 135,563
Receivables	200.022			200.022
Ad valorem taxes, net	308,832	-	-	308,832
State revenue sharing	20,856	-	-	20,856
Deposits	1,629	-	-	1,629
Vehicles	-	147,984	-	147,984
Machinery and equipment	-	57,770	-	57,770
Office equipment	-	14,165	-	14,165
Buildings	-	466,167	-	466,167
Land	-	566,400	-	566,400
Amount to be provided for retirement				
of general long term debt			30,382	
	<u>\$ 466,880</u>	<u>\$1,252,486</u>	<u>\$ 30,382</u>	<u>\$ 1,749,748</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Deductions from Ad valorem				
taxes	\$ 9,577	\$ -	-	\$ 9,577
Accounts payable	6,990	-	-	6,990
Certificate of indebtedness	_	_	30,382	30,382
Total liabilities	16,567		30,382	46,949
Fund Equity				
Investment in general fixed assets:				
Donated	-	556,000	-	556,000
General fund	_	696,486	_	696,486
Unreserved fund balance	450,313	-	_	450,313
Total fund equity	450,313	1,252,486	 	1,702,799

Total lund equity

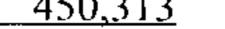
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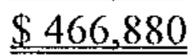
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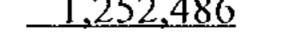
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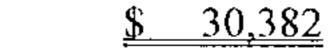
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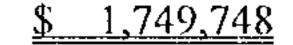




<u>\$1,252,486</u>







The accompanying notes are an integral part of this statement.

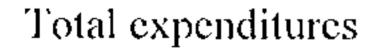
Fire Protection District No. 2 St. Tammany Parish, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GENERAL FUND

For the Years Ended December 31, 1998 and 1997

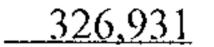
	<u> 1998 </u>	1997
Revenues		
Ad valorem taxes	\$ 315,145	\$ 322,267
Intergovernmental Revenues		
State revenue sharing	20,856	20,136
2% Fire insurance tax	9,397	8,909
Interest income	11,530	6,840
Other income	1,722	
Total revenues	<u> </u>	358,152

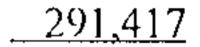
Expenditures		
Public safety - fire protection		
Salaries	127,930	100,206
Insurance	36,694	38,787
Employee benefits	13,020	11,246
Operating supplies	12,265	8,251
Maintenance and repairs	12,795	21,304
Telephone	9,819	15,292
State pension deduction	9,576	10,250
Professional services	9,146	5,279
Communication	7,216	3,889
Utilities	5,373	5,966
Fuel	4,547	3,401
Uniforms	3,193	1,455
Education	2,899	2,107
Payroll taxes	2,100	9,965
Office expenditures	1,811	506
Employee physicals	1,808	2,494
Other	1,677	2,238
Travel	898	770
Debt service - principal	28,757	27,220
Debt service - interest	3,342	4,879
Capital outlays	32,065	15,912



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The accompanying notes are an integral part of this statement.

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Fire Protection District No. 2 St. Tammany Parish, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GENERAL FUND (CONTINUED)

For the Years Ended December 31, 1998 and 1997

Excess revenues over expenditures	31,719	66,735
Fund balance, beginning of year	<u> 418,594</u>	<u> </u>
Fund balance, end of year	<u>\$ 450,313</u>	<u>\$ 418,594</u>

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The accompanying notes are an integral part of this statement.

Fire Protection District No. 2

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		- 4	St. Tammany Parish, I	Louisiana		
	S.	STATEMENT OF REV IN FUND BALANCE	REVENUES, EXPENDITURES, AND CHANGES NCE - BUDGET (GAAP BASIS) AND ACTUAL	DITURES, AND (AP BASIS) AND /	CHANGES ACTUAL	
		For the Y	Years Ended December 31, 1998	31, 1998 and 1997	7	
		1998			1997	
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
S	\$ 318,164	\$315,145	\$ (3,019)	\$ 308,286	\$ 322,267	\$ 13,981
tal Kevenues haring nce tax	20,000 7,700 4,500	$\begin{array}{c} 20,856\\ 9,397\\ 11,530\\ 1.722\end{array}$	856 1,697 7,030 1.722	20,000 7,700 4,000	20,136 8,909 6,840 -	136 1,209 2,840
S	350,364	358,650	8.286	339.986	358.152	18.166
	130,000 47,500	127,930 36,694	2,070 10,806	118,800 43,900	100,206 38,787	18,594 5,113
and telephone d repairs	23,000 16.000	17,035 12,795	5,965 3.205	22,500 17,000	19,181 21.304	3,319 (4.304)
atribution	12,500	13,020	(520)	10,500	11,246	(746) 6 034
ies	10,000	12,265 2,899	(2,265) (2,265) 4,601	7,000	8,251 2,107	(1,251) (607)
	7,000	4,547	2,453	6,000	3,401	2,599
ig notes are an integral part of this statement	itegral part of th	iis statement.				

The accompanying

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Communication an Maintenance and re Pension plan contri Utilities Operating supplie Expenditures Education Insurance Salaries Fuel

Total revenues

Ad valorem taxes Intergovernmental State revenue sha 2% Fire insurance Interest income Other income Revenues

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	S IN FUNI	STATEMENT OF REVENUES IN FUND BALANCE - BUDGET (GA	AP	(PENDITURES, AND C BASIS) AND ACTUAI	CHANGES L (CONTINUED)	
		For the Y	Years Ended December 31, 1998 and	· 31, 1998 and 1997	4	
		1998			1997	
			Variance-			Variance-
			Favorable			Favorable
Professional services	A 500	Actual 9 146	(<u>Unfavorable)</u> (4 646)	3 500	Actual 5 779	<u>(Unfavorable)</u>
Payroll taxes	2.500	2,100	400	9.750	9.965	(215)
Contract labor	2,400	. 1	2,400	3,000		3.000
Other	2,350	1,677	673	1,750	2,238	(488)
Office expenditures	1,500	1,811	(311)	1,000	506	494
Travel	1,500	868	602	1,000	270	230
Uniforms	1,000	3,193	(2,193)	750	1,455	(202)
Employee physicals	F	1,808	(1,808)	1,000	2,494	(1, 494)
State pension deduction	I	9,576	(9,576)	ı	10,250	(10,250)
Debt Service	32,000	32,099	(66)	30,000	32,099	(2,099)
Capital Outlays	36,614	32,065	4.549	17.500	15.912	1.588
Total expenditures	350.364	326,931	23.433	308,450	291.417	17.033
Revenues over expenditures	S	31,719	<u>\$ 31.719</u>	<u>\$ 31,536</u>	66,735	\$ 35.199
Fund balance, beginning of year		418.594			351.859	
Fund balance, end of year		<u>\$ 450,313</u>			<u>S 418.594</u>	
The accompanying notes are an integral part of this statement.	itegral part of thi	is statement.				

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The accompanying

Employee physicals State pension deduc Debt Service Capital Outlays Uniforms

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Fire Protection District No. 2 of St. Tammany Parish conform to generally accepted accounting principles applicable to governmental entities. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units. The following is a summary of certain significant policies.

1. <u>History</u>

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Fire Protection District No. 2, St. Tammany Parish, Louisiana was created by the St. Tammany Parish Police Jury on January 15, 1953. The District serves the area of Ward 1 of St. Tammany Parish, Louisiana. The District is operated as a component unit of the St. Tammany Parish Police Jury.

2. <u>Reporting Entity</u>

The reporting entity for St. Tammany Parish consist of the St. Tammany Parish Police Jury, which as governing authority of the parish is the primary unit with oversight responsibility, and other governmental units (component units) within the parish over which the police jury exercises oversight responsibility. Fire Protection District No. 2 is considered a component unit of the parish reporting entity because; (1) commissioners of the District are appointed by the St. Tammany Parish Police Jury and; (2) the District provides fire protection service to residents within St. Tammany Parish. While Fire Protection District No. 2 is an integral part of the parish reporting entity and should be included within the general purpose financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of Fire Protection District No. 2 and do not present information on the St. Tammany Parish Police Jury, the general government services provided by the police jury or on other component units that comprise the St. Tammany Parish reporting entity.

3. <u>Fund Accounting</u>

The accounts of Fire Protection District No. 2 are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are self balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are to be controlled

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. <u>Governmental Fund</u>

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General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District only has a general fund.

5. <u>Account Groups</u>

General Fixed Asset Account Group

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Fixed assets are valued at historical cost or estimated historical cost. Donated assets are recorded at their fair market value at the time of donation. No depreciation has been provided on general fixed assets.

General Long Term Debt Account Group

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are listed as liabilities in the General Long-Term Debt Account Group.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

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NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Basis of Accounting

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Basis of accounting refers to when revenue and expenditures 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.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenue is recognized in the accounting period in which it becomes both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash. Ad valorem tax revenue is recorded when it is measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenues

Ad valorem taxes and 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 December 1 of each year, and are considered delinquent on January 1. The taxes are generally collected in December of the current year and January and February of the ensuing year.

Fire insurance premium rebates are recorded when the fire protection district is entitled to the funds.

Interest income on time deposits is recorded when the time deposits have matured and interest is available.

Substantially all other revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period.

Expenditures

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

7. <u>Budget Practices</u>

The District adopts an annual budget for the General Fund on a modified accrual basis of accounting. The

budget is legally adopted and amended as necessary by the District.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. <u>Cash, Cash Equivalents and Investments</u>

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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 or national banks having their offices in Louisiana. At December 31, 1998 the carrying amount of the District's deposits was \$135,563.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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. Deposits (bank balances) at December 31, 1998 are

categorized as follows:

Bank balances

Federal deposit insurance or collateralized demand deposits (Category 1)

Category 1 includes bank balances which are insured or collateralized with securities held by the District or its agent in the District's name.

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

9. <u>Federal Income Taxes</u>

The District is not subject to federal income taxes in accordance with the Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities, political subdivisions, etc.

10. Compensated Absenses

The District's policy is to accrue vacation pay with the balances being carried forward from year to year. Sick leave accrues, but does not become payable upon termination or leave. The District does not book the accrued compensated absences because the amount at year end does not meet materiality constraints.

<u>\$ 139,397</u>

<u>\$139,397</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - AD VALOREM TAXES

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For the years ended December 31, 1998 and 1997, the Fire Protection District No. 2, St. Tammany Parish, Louisiana, was authorized to levy an ad valorem tax of 20.62 mills on all property subject to taxation. The proceeds of this 20.62 mill tax is for the purpose of acquiring, constructing, improving, maintaining and operating fire protection facilities, purchasing fire trucks and other fire fighting equipment, and paying the cost of obtaining water for fire protection purposes.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the District on December 1, 1998. Billed taxes were delinquent on January 1, 1999.

The St. Tammany Parish Tax Collector bills and collects the District's ad valorem taxes using the assessed value determined by the tax assessor of St. Tammany Parish, Louisiana. Ad valorem taxes receivable at December 31, 1998 is as follows:

<u>\$308,832</u>

Ad valorem taxes	\$322,906
Less: Allowance for	
uncollectible taxes	<u>(14,074</u>)

Ad valorem tax receivable, net

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1998

NOTE C - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance	1997		Balance
	December	Additions	1998	December
	<u>31, 1996_</u>	(Deletions)	<u>Additions</u>	<u>31, 1998</u>
Land	\$ 566,400	\$ -	\$-	\$ 566,400
Vehicles	130,000	-	17,984	147,984
Machinery and equipment	30,891	13,828	13,051	57,770
Office equipment	14,165	-	-	14,165
Buildings	<u> 466,000</u>	<u> </u>	<u>.</u>	<u> 466,167</u>

<u>\$ 1,207,456</u> <u>\$ 13,995</u> <u>\$ 31,035</u> <u>\$1,252,486</u>

NOTE D - 2% FIRE INSURANCE TAX

The District is eligible and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas that they serve. In accordance with the Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection as the District shall direct.

NOTE E - LOUISIANA FIREFIGHTERS RETIREMENT SYSTEM PENSION NOTE

Plan Description, Substantially all employees of Fire Protection District No. 2 of St. Tammany Parish are members of the Louisiana Firefighters Retirement System (System), a cost-sharing a multiple-employer, defined benefit pension plan administered by a separate board of trustees.

Membership in the Louisiana Firefighters Retirement 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 per cent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw

their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1998

NOTE E - LOUISIANA FIREFIGHTERS RETIREMENT SYSTEM PENSION NOTE (Continued)

service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters'Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (504) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 8 percent of their annual covered salary and Fire Protection District No. 2 of St. Tammany Parish is required to contribure at an actuarially determined rate. The current rate is 9.0 percent of annuyal covered payroll. The contribution requirements of plan members and Fire Protection District No. 2 of St. Tammany Parish are established and may be amended by state statute. 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. Fire Protection District No. 2 of St. Tammany Parish's contributions to the System for the years ending December 31, 1998, 1997 and 1996 were \$ 13,020, \$ 11,246, and \$ 9,802, respectively.

NOTE F - CERTIFICATE OF INDEBTEDNESS

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In 1996, the District incurred a Certificate of Indebtedness for the purchase of a fire engine in the amount of \$130,000. The note called for an initial \$40,000 down payment and three annual payments of principal and interest of \$32,099.

A summary of future payments on this obligation are presented as follows:

	<u>Principal</u>	<u>Interest</u>	<u> </u>
1999	<u>\$ 30,382</u>	<u>\$ 1,717</u>	<u>\$ 32,099</u>

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ACCOUNT GROUP

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GENERAL FIXED ASSETS ACCOUNT GROUP

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NARRATIVE EXPLANATION

The General Fixed Asset Account Group is used to account for fixed assets. General Fixed Assets do not represent financial resources available for expenditures but are items for which financial resources have been used and for which accountability is maintained.



STATEMENT OF GENERAL FIXED ASSETS

December 31, 1998

	<u> 1998 </u>
General Fixed Assets at Cost:	
Vehicles	147,984
Buildings	466,167
Equipment and machinery	57,770
Office equipment	14,165
Land	<u> </u>

Total General Fixed Assets

<u>\$1,252,486</u>

Investments in General Fixed Assets from: General Fund Donations

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Total Investments in General Fixed Assets \$ 696,486 ____556,000

<u>\$1,252,486</u>

The accompanying notes are an integral part of this statement

Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY) Certified Public Accountants P.O. Box 1660 Covington, Louisiana 70434-1660

Samuel K. Smith, CPA Patrick "Bryan" Huval, CPA (504) 892-6633 - Covington (504) 892-4666 - FAX

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners Fire Protection District No. 2 St. Tammany Parish, Louisiana

We have audited the component unit financial statements of the St. Tammany Parish Fire Protection District No. 2 as of and for the two years ended December 31, 1998, and have issued our report thereon dated June 25, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 St. Tammany Parish Fire Protection District No. 2's component financial statements are free of material misstatement, we performed test 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 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Tammany Parish Fire Protection District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the 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 of the 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 general purpose 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners and others within the organization as well as the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Smith, Huval & Basociates, L.I.C.

June 25, 1999