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**Caddo Parish Fire District No. 2
Shreveport, Louisiana**

Financial Statements With Auditor's Report

As of and For the Year Ended October 31, 2003

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

Release Date 5.5.04

Caddo Parish Fire District No. 2
Shreveport, Louisiana

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 – 2
Required Supplementary Information Management's Discussion and Analysis	3 – 8
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to the Financial Statements	14 – 23
Required Supplementary Information	
Budgetary Comparison Schedule	24
Notes to Required Supplementary Information	25
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	26 – 27
Schedules For Louisiana Legislative Auditor	28
Summary Schedule of Prior Year Audit Findings	
Corrective Action Plan For Current Year Audit Findings	

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. NOBLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET.)

C. BRYAN COYLE, CPA
ALICE E. S. GREEN, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Caddo Parish Fire District No. 2
Shreveport, Louisiana

We have audited the accompanying basic financial statements of the Caddo Parish Fire District No. 2, a component unit of the Caddo Parish Commission, as of and for the year ended October 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Caddo Parish Fire District No. 2's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Caddo Parish Fire District No. 2 as of October 31, 2003, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, Caddo Parish Fire District No. 2 has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* as of November 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 9, 2004, on our consideration of Caddo Parish Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 – 8 and on pages 24 – 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Cook & Morehart
Certified Public Accountants
April 9, 2004



CADDO PARISH FIRE DISTRICT TWO

3324 Lorraine Street
Shreveport, Louisiana 71107
Phone: (318) 425-2712 · Fax: (318) 226-0408
E-Mail: buddy@shreve.net

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Caddo Parish Fire District No. 2's financial performance provides an overview of the Caddo Parish Fire District No. 2's financial activities for the fiscal year ended October 31, 2003. Please read it in conjunction with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The Caddo Parish Fire District No. 2's net assets decreased by \$11,891 or 2%.

The Caddo Parish Fire District No. 2's total general revenues were \$201,781 in 2003 compared to \$176,616 in 2002.

During the year ended October 31, 2003, the Caddo Parish Fire District No. 2 had total expenses, excluding depreciation of \$186,408.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Caddo Parish Fire District No. 2 as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Caddo Parish Fire District No. 2's operations in more detail than the government-wide statements by providing information about the Caddo Parish Fire District No. 2's most significant funds.

The Caddo Parish Fire District No. 2 was determined to be a component unit of the Caddo Parish Commission. The Commission is financially accountable for the district because it appoints or ratifies a voting majority of the board and has the ability to impose its will on them. The accompanying financial statements present information only on the funds maintained by the Caddo Parish Fire District No. 2.

Reporting the Caddo Parish Fire District No. 2 as a Whole

Our analysis of the Caddo Parish Fire District No. 2 as a whole begins on page 9. One of the most important questions asked about the Caddo Parish Fire District No. 2's finances is "Is the Caddo Parish Fire District No. 2 as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Caddo Parish Fire District No. 2 as a

whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Caddo Parish Fire District No. 2's *net assets* and changes in them. You can think of the Caddo Parish Fire District No. 2's net assets – the difference between assets and liabilities – as one way to measure the Caddo Parish Fire District No. 2's financial health, or *financial position*. Over time, *increases* or *decreases* in the Caddo Parish Fire District No. 2's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base, to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we record the funds maintained by the Caddo Parish Fire District No. 2 as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the Caddo Parish Fire District No. 2 are reported here which consists primarily of personal services, materials and supplies, travel, repairs and maintenance and other program services. Ad valorem taxes finance most of these activities.

Reporting the District's Most Significant Funds

Our analysis of the major funds maintained by the Caddo Parish Fire District No. 2 begins on page 11. The fund financial statements begin on page 11 and provide detailed information about the most significant funds maintained by the Caddo Parish Fire District No. 2 – not the Caddo Parish Fire District No. 2 as a whole. The Caddo Parish Fire District No. 2's *governmental funds* use the following accounting approaches:

Governmental funds – All of the Caddo Parish Fire District No. 2's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Caddo Parish Fire District No. 2's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Caddo Parish Fire District No. 2 expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

THE CADDO PARISH FIRE DISTRICT NO. 2 AS A WHOLE

The Caddo Parish Fire District No. 2's total net assets changed from a year ago, decreasing from \$501,930 to \$490,039. The October 31, 2003, year was the first period that GASB Statement 34 was applied. The Caddo Parish Fire District No. 2 was not required to restate the prior periods for purposes of providing comparative data. However, our analysis below will focus on key elements of the total governmental funds for the October 31, 2003 year. In future years, when prior year information is available, a comparative analysis of the funds maintained by the Caddo Parish Fire District No. 2 will be presented.

**Table 1
Net Assets**

	Governmental Activities <u>2003</u>
Current and other assets	\$ 614,789
Capital assets	<u>394,630</u>
Total assets	<u>1,009,419</u>
Current liabilities	19,380
Long-term liabilities	<u>500,000</u>
Total liabilities	<u>519,380</u>
Net assets:	
Investments in capital assets, net of related debt	326,130
Unrestricted	<u>163,909</u>
Total net assets	<u>\$ 490,039</u>

Net assets of the Caddo Parish Fire District No. 2's governmental activities decreased by \$11,891 or 2%. Unrestricted net assets, the part of net assets that can be used to finance Caddo Parish Fire District No. 2 expenses without constraints or other legal requirements, were virtually unchanged from a year ago, increasing from \$163,096 at October 31, 2002 to \$163,909 at October 31, 2003.

Table 2
Change in Net Assets

	<u>Governmental Activities 2003</u>
Revenues	
General Revenues	
Ad valorem taxes and service charge	\$ 186,571
Miscellaneous revenues	11,226
Interest income	<u>3,984</u>
Total revenues	201,781
Expenses	
Public safety – fire protection	<u>213,672</u>
Decreases in net assets	<u>\$ 11,891</u>

Total revenues increased \$25,165 (14%) from total revenues in the year ended October 31, 2002 of \$176,616 to total revenues of \$201,781 in the year ended October 31, 2003.

A large part of the increase was due to an increase in the number of households being assessed in the district.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a *combined* fund balance of \$589,399, which is higher than last year's fund balance of \$163,096. The primary reasons for the excess are:

- Bond proceeds were received during the year in the amount of \$500,000. Of the proceeds, \$87,780 was spent on capital outlay during the year. The balance of the proceeds not spent is included in the fund balance for the year ended October, 31, 2003.

General Fund Budgetary Highlights

The District adopted a budget for its General Fund for the year ended October 31, 2003. There were no amendments to the budget during the year. The District's budgetary comparison is presented as required supplementary information and shown on page 24. Highlights for the year are as follows:

- Revenue from service charge assessment was approximately \$15,000 higher than projected due to increased number of households assessed.

- The District spent less on capital outlay from its General Fund than projected, due to receiving bond proceeds to be used for capital outlay. The bond proceeds were deposited into a capital projects account. The budgetary comparison schedule presents information only on the General Fund.

The District's General Fund balance of \$175,180 reported on page 11 differs from the General Fund's *budgetary* fund balance of \$181,577 reported in the budgetary comparison schedule on page 24. This is primarily due to the District budgeting on the cash basis of accounting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of October 31, 2003, the Caddo Parish Fire District No. 2 had invested \$696,944 in capital assets. (see table 3 below)

Table 3
Capital Assets At Year End

	<u>Governmental Activities 2003</u>
Land	\$ 21,100
Construction in progress	13,661
Buildings	24,000
Equipment	168,300
Vehicles	<u>469,883</u>
Total	<u><u>\$ 696,944</u></u>

This year's major additions included:

Vehicle	\$ 68,500
Construction in process	<u>13,661</u>
Total	<u><u>\$ 82,161</u></u>

More detail information about the capital assets are presented in Note 4 to the financial statements.

Debt

During the year ended October 31, 2003, the District issued general obligation bonds totaling \$500,000 for the purpose of acquiring buildings, machinery and equipment, including both real and personal property, to be used in giving fire protection to the property in the District. The bonds are to be payable from ad valorem taxes.

Table 4
Outstanding Debt At Year End

	Governmental Activities <u>2003</u>
General obligation bonds (backed by Ad valorem taxes)	<u>\$ 500,000</u>

State law restricts the amount of debt that the District may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the District. The District's total debt outstanding at year-end was well below this limitation.

More detail information about the debt are presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Caddo Parish Fire District No. 2's management considered many factors when setting a fiscal year October 31, 2004 budget. Amounts available for appropriation in the governmental funds are expected to increase due to an increase in the property tax millage and service charge being assessed.

CONTACTING THE CADDO PARISH FIRE DISTRICT NO.'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Caddo Parish Fire District No. 2 and to show the Caddo Parish Fire District No. 2's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Caddo Parish Fire District No. 2, at 3324 Lorraine Street, Shreveport, Louisiana 71107.


Harry Lowrey
Fire Chief

Caddo Parish Fire District No. 2
 Shreveport, Louisiana
 Statement of Net Assets
 October 31, 2003

ASSETS

Cash and cash equivalents	\$ 596,473
Deferred bond issuance costs	18,316
Capital assets (net)	<u>394,630</u>
 Total assets	 <u>1,009,419</u>

LIABILITIES

Accounts payable	2,253
Salaries and benefits payable	2,343
Accrued interest payable	12,306
Compensated absences --	
Payable within one year	2,478
Long-term liabilities:	
Bonds payable --	
Portion due after one year	500,000
 Total liabilities	 <u>519,380</u>

NET ASSETS

Investment in capital assets, net of related debt	326,130
Unrestricted	163,909
 Total net assets	 <u>\$ 490,039</u>

See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
 Shreveport, Louisiana
 Statement of Activities
 For the Year Ended October 31, 2003

GOVERNMENTAL ACTIVITIES

Expenses:

Public Safety - Fire Protection:

Personal services	\$ 98,632
Materials and supplies	6,322
Travel	2,424
Repairs and maintenance	18,628
Depreciation	27,264
Interest	13,270
Other program services	47,132
Total expenses	<u>213,672</u>

General revenues:

Ad valorem taxes	92,051
Service charge	94,520
Interest income	3,984
Miscellaneous revenues	11,226
Total general revenues	<u>201,781</u>

Change in net assets (11,891)

Net assets - beginning, restated **501,930**

Net assets - ending **\$ 490,039**

See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
 Shreveport, Louisiana
 Balance Sheet
 Governmental Funds
 October 31, 2003

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 182,254	\$ 414,219	\$ 596,473
Liabilities			
Accounts payable	\$ 2,253	\$	\$ 2,253
Accrued expenses	4,821		4,821
Total liabilities	<u>7,074</u>		<u>7,074</u>
Fund balances			
Unreserved	<u>175,180</u>	<u>414,219</u>	589,399
Total liabilities and fund balances	<u>\$ 182,254</u>	<u>\$ 414,219</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	394,630
Deferred bond issuance costs are capitalized and amortized over the life of the bond issue for the government-wide statements, but are reported as expenditures in the governmental funds.	18,316
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(512,306)</u>
Net assets of governmental activities	<u>\$ 490,039</u>

See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
 Shreveport, Louisiana
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended October 31, 2003

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 92,051	\$	\$ 92,051
Service charge	94,520		94,520
Intergovernmental			
Fire insurance rebate	5,287		5,287
State revenue sharing	3,578		3,578
Donations and other income	2,362		2,362
Interest income	1,985	1,999	3,984
Total revenues	199,783	1,999	201,782
Expenditures			
Current:			
General government	2,755		2,755
Public Safety	170,383		170,383
Debt Service			
Bond issuance costs		19,280	19,280
Capital outlay	14,561	68,500	83,061
Total expenditures	187,699	87,780	275,479
Excess of revenues over (under) expenditures	12,084	(85,781)	(73,697)
Other financing sources (uses):			
Bond proceeds		500,000	500,000
Excess (deficiency) of revenues and other over expenditures and other uses	12,084	414,219	426,303
Fund balances at beginning of year	163,096		163,096
Fund balances at end of year	\$ 175,180	\$ 414,219	\$ 589,399

See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
 Shreveport, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended October 31, 2003

Net change in fund balances - total governmental funds \$ 426,303

Amounts reported for governmental activities in the statement of activities
 are different because:

Governmental funds report capital outlays as expenditures. However,
 in the statement of activities, the cost of those assets is allocated over
 their estimated useful lives and reported as depreciation expense.
 This is the amount by which capital outlays (\$83,061) exceeded
 depreciation (\$27,264) in the current period. 55,797

Bond issuance costs are capitalized and amortized over the life of the bond
 issue for the government-wide statements, but are reported as expenditures
 in the governmental funds. 18,316

Some expenses reported in the statement of activities do not require the use
 of current financial resources and therefore are not reported as expenditures
 in the governmental funds. (12,307)

Bond proceeds provide current financial resources to governmental funds,
 but issuing debt increases long-term liabilities in the statement of
 net assets. This is the amount of bond proceeds received. There
 were no bond repayments made during the period. (500,000)

Change in net assets of governmental activities \$ (11,891)

See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
October 31, 2003

INTRODUCTION

The Caddo Parish Fire District No. 2 (the district) was created by the Caddo Parish Commission, as authorized by Louisiana Revised Statute (R.S.) 40:1492. The district is governed by a five member board of commissioners appointed by the Caddo Parish Commission. The Board of Commissioners received no compensation during November 1, 2002 through October 31, 2003. The district is responsible for maintaining and operating fire stations and equipment and providing fire protection within the boundaries of the district.

(1) Summary of Significant Accounting Policies

The Caddo Parish Fire District No. 2's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Caddo Parish Fire District No. 2 are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Caddo Parish Fire District No. 2's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Caddo Parish Fire District No. 2's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Caddo Parish Fire District No. 2 has elected to implement the general provisions of the Statement in the current year.

A. Reporting Entity

The district is a component unit of the Caddo Parish Commission, the financial reporting entity. The Commission is financially accountable for the district because it appoints or ratifies a voting majority of the board and has the ability to impose its will on them.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
October 31, 2003
(Continued)

The accompanying financial statements present information only on the funds maintained by the district and do not present information on the Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The Caddo Parish Fire District No. 2's basic financial statements include both government-wide (reporting the funds maintained by the Caddo Parish Fire District No. 2 as a whole) and fund financial statements (reporting the Caddo Parish Fire District No. 2's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Caddo Parish Fire District No. 2's general fund and capital projects fund are classified as governmental activities. The Caddo Parish Fire District No. 2 does not have any business-type activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The Caddo Parish Fire District No. 2's net assets are reported in two parts – invested in capital assets (net of related debt), and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Caddo Parish Fire District No. 2's functions. The functions are supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by any related program revenues, which must be directly associated with the function. The district had no program revenues. The net costs (by function) are normally covered by general revenues.

This government-wide focus is more on the sustainability of the Caddo Parish Fire District No. 2 as an entity and the change in the Caddo Parish Fire District No. 2's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Caddo Parish Fire District No. 2 are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
October 31, 2003
(Continued)

The following fund types are used by the Caddo Parish Fire District No. 2:

Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Caddo Parish Fire District No. 2:

- a. General funds are the general operating funds of the Caddo Parish Fire District No. 2. They are used to account for all financial resources except those required to be accounted for in another fund.
- b. The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The emphasis in fund financial statements is on the major funds in the governmental category. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The district's general fund and capital projects fund were both determined to be major funds.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental funds in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the Caddo Parish Fire District No. 2 consist principally of property taxes, service charges on property, other intergovernmental revenues, donations, and interest income. Property taxes and service charges are billed and collected within the fiscal year in which the taxes are levied. Interest income is recorded when earned. Donations and other intergovernmental revenues are recorded when received in cash because they are generally not measurable until actually received.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
October 31, 2003
(Continued)

2. **Modified Accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. Depreciation is not recognized in the governmental fund financial statements.

E. **Budgets**

The district uses the following budget practices:

1. A preliminary budget for the ensuing year is prepared by the Board of Commissioners in September of each year and is made available for public inspection.
2. After completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution.
3. All budgetary appropriations lapse at the end of each fiscal year.
4. The budget is established and controlled by the Board of Commissioners at the object level of expenditure. All changes in the budget must be approved by the board.
5. The budget is adopted on a cash basis for all funds. There were no amendments to the 2003 budget.

F. **Cash, Cash Equivalents, and Investments**

Cash includes amounts in petty cash, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or money market accounts with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are carried at cost, which approximates market.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
October 31, 2003
(Continued)

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 – 30 years
Rescue & fire trucks	10 – 30 years
Equipment	10 – 30 years

H. Long-term Debt

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists of general obligation bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

I. Compensated Absences

The district has adopted the leave policies set forth in Louisiana Revised Statutes 39:1995 – 1999. Full-time employees of the district earn from 18 to 30 days of vacation leave each year, depending upon their length of service. As of October 31, 2003, employees of the district had accrued vacation leave or \$2,478. This amount must be taken by the employee's anniversary date or it is forfeited. It is, therefore, record as a current liability in the fund and government-wide financial statements.

Employees of the district are entitled to full pay during sickness or incapacity not brought about by his own negligence or culpable indiscretion for a period of not less than 52 weeks. No accrual has been made for sick leave in the accompanying financial statements. The cost of sick leave is recognized as a current-year expenditure when leave is actually taken.

J. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(Continued)

Caddo Parish Fire District No. 2
 Shreveport, Louisiana
 Notes to Financial Statements
 October 31, 2003
 (Continued)

(2) Levied Taxes

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

	Authorized Millage	Levied Millage	Expiration Date
Operating	9.68	8.85	2003

In November 1993, an annual service charge was approved by the voters. The annual service charge was not to exceed \$75 on each residential dwelling and commercial structure subject to taxation within the District. The term is for 10 years beginning with 1994 and ending with the 2003 year.

In January 2003, voters approved a millage renewal of 10 mills and a service charge of up to \$100 for a period of 10 years, beginning with the year 2004 and ending with the year 2013.

(3) Cash and Cash Equivalents

At October 31, 2003, the district had cash and cash equivalents (book balances) totaling \$596,473, as follows:

Petty cash	\$	113
Demand deposits		3,116
Interest-bearing demand deposits		553,289
Time deposits		39,955
	\$	596,473

Included in interest-bearing demand deposits is \$4,997 held in escrow for firefighter retirement benefits. 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. 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 October 31, 2003, the district had \$599,853 in deposits (collected bank balances). These deposits are secured from risk by \$139,955 of federal deposit insurance and \$459,898 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

(Continued)

Caddo Parish Fire District No. 2
 Shreveport, Louisiana
 Notes to Financial Statements
 October 31, 2003
 (Continued)

(4) Capital Assets

Capital asset activity for the year ended October 31, 2003, was as follows:

	<u>Balance at Nov. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Oct. 31, 2003</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 20,200	\$ 900	\$ -	\$ 21,100
Construction in progress	-	13,661	-	13,661
Total capital assets, not being depreciated	<u>20,200</u>	<u>14,561</u>	<u>-</u>	<u>34,761</u>
Capital assets, being depreciated:				
Buildings	24,000	-	-	24,000
Equipment	168,300	-	-	168,300
Vehicles	401,383	68,500	-	469,883
Total capital assets, being depreciated at historical cost	<u>593,683</u>	<u>68,500</u>	<u>-</u>	<u>662,183</u>
Less accumulated depreciation:				
Buildings	(12,154)	(1,000)	-	(13,154)
Equipment	(84,459)	(8,424)	-	(92,883)
Vehicles	(178,437)	(17,840)	-	(196,277)
Total accumulated depreciation	<u>(275,050)</u>	<u>(27,264)</u>	<u>-</u>	<u>(302,314)</u>
Total capital assets, being depreciated, net	<u>318,633</u>	<u>41,236</u>	<u>-</u>	<u>359,869</u>
Governmental activities capital assets, net	<u>\$ 338,833</u>	<u>\$ 55,797</u>	<u>\$ -</u>	<u>\$ 394,630</u>

Depreciation expense for the year ended December 31, 2003, was \$27,264. No prior accumulated depreciation was calculated on capital assets disposed of as of November 1, 2002, for purposes of GASB 34 conversion.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
October 31, 2003
(Continued)

(5) Pension Plan

Certain employees of the District are members of the Louisiana Firefighters Retirement System (System), a cost-sharing multi-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 credible service, not to exceed 100 percent of their final average salary. Final-average salary is the employee's average salary over the 36 consecutive months or joined months that produce the highest average. 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 with 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.

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 (225) 925-4060.

Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rates for the year ending October 31, 2003, were as follows: November 2002 through March 2003 – 9.0 per cent; April 2003 – 10.25 per cent; May 2003 through June 2003 – 18.25 per cent; and July 2003 through October 2003 – 21 per cent. The contribution requirements of plan members and the District 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.

A lawsuit was filed against the State of Louisiana and the Firefighters Retirement System by the Louisiana Municipal Association, the Parish of Jefferson, Louisiana, et. al. concerning the increase in contribution rates to the retirement system. The district court ruled in favor of the plaintiffs. However, the decision was appealed. The matter is currently pending at the Supreme Court of the State of Louisiana.

During the year ended October 31, 2003, the District contributed \$5,353 to the retirement system, which was a contribution rate of 9 per cent. During the year, the District began depositing an additional 12 per cent into an escrow account, pending settlement of the lawsuit.

(Continued)

Caddo Parish Fire District No. 2
 Shreveport, Louisiana
 Notes to Financial Statements
 October 31, 2003
 (Continued)

Contributions for the years ended October 31, 2002 and 2001 were \$3,977 and \$4,297, equal to the required contributions for those years.

Other employees of the district who are not eligible to participate in the Firefighters' Retirement System are members of the Social Security System.

(6) Risk Management

The District purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the prior year.

(7) Long-term Debt

At October 31, 2003, long-term debt consisted of the following:

General Obligation Bonds –

Series 2003 General Obligation Bonds, dated April 1, 2003, due in annual installments of \$15,000 – \$40,000 through April 1, 2023; interest at 3.0% – 5%. The bonds are secured by and payable from ad valorem taxes.

\$ 500,000

Changes in long-term debt for the year ended October 31, 2003 are summarized as follows:

	<u>Balance</u> <u>10/31/02</u>	<u>Issues–</u> <u>Additions</u>	<u>Payments -</u> <u>Expenditures</u>	<u>Balance</u> <u>10/31/03</u>	<u>Amount Due</u> <u>Within One Year</u>
Certificates of Indebtedness	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 0</u>

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
October 31, 2003

Annual requirements to retire long-term debt are as follows:

<u>Year Ending October 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ —	\$ 31,644	\$ 31,644
2005	15,000	20,721	35,721
2006	15,000	19,971	34,971
2007	20,000	19,096	39,096
2008	20,000	18,096	38,096
2009–2013	110,000	77,994	187,994
2014–2018	140,000	54,817	194,817
2019–2023	180,000	21,292	201,292
	<u>\$ 500,000</u>	<u>\$ 263,631</u>	<u>\$ 763,631</u>

(8) Prior Year Restatement

In November, 2002, the Caddo Parish Fire District No. 2 implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement No. 34 requires reporting capital assets net of accumulated depreciation in the government-wide financial statements. The impact of the restatement on the governmental funds is as follows:

Fund Balance, October 31, 2002	\$ 163,096
Adjustment to capitalize assets and record beginning accumulated depreciation on those assets as of October 31, 2002	<u>338,834</u>
Governmental activities net assets, October 31, 2002	<u>\$ 501,930</u>

(9) Commitments

Subsequent to October 31, 2003, the District awarded a contract for construction of a new facility for approximately \$197,000. In addition, the District purchased a new fire truck for approximately \$176,000. Funding for the construction and truck will be made from bond proceeds received in 2003.

Caddo Parish Fire District No. 2
 Shreveport, Louisiana
 Schedule of Revenues, Expenditures, and Changes in Fund Balances-
 Budget (Cash Basis) and Actual
 General Fund
 For the Year Ended October 31, 2003

	General Fund		
	Budget - Original and Final	Actual	Variance- Favorable (Unfavorable)
Revenues			
Ad valorem taxes	\$ 90,827	\$ 92,051	\$ 1,224
Service charge	79,050	94,520	15,470
Intergovernmental			
Fire insurance rebate	4,250	5,287	1,037
State revenue sharing	4,735	3,578	(1,157)
Donations and other income		2,362	2,362
Interest income	4,477	1,985	(2,492)
Total revenues	183,339	199,783	16,444
Expenditures			
Current:			
General government		2,755	(2,755)
Public Safety	158,983	168,877	(9,894)
Capital outlay	50,555	14,561	35,994
Total expenditures	209,538	186,193	23,345
Excess of revenues over (under) expenditures	(26,199)	13,590	39,789
Fund balances at beginning of year	149,832	167,987	18,155
Fund balances at end of year	\$ 123,633	\$ 181,577	\$ 57,944

The accompanying notes are an integral part of this statement.

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Required Supplementary Information
October 31, 2003

The District's budget is adopted on a cash basis for all funds. There were no amendments to the 2003 budget. Budget comparison statements included in the accompanying financial statements include the original and adopted budgets. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ 13,590
Adjustments:	
Expenditure accruals – net	<u>(1,506)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ 12,084</u>

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. NOBLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET.)

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

C. BRYAN COYLE, CPA
ALICE E. S. GREEN, CPA

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

Board of Commissioners
Caddo Parish Fire District No. 2

We have audited the basic financial statements of Caddo Parish Fire District No. 2 as of and for the year ended October 31, 2003, and have issued our report thereon dated April 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Caddo Parish Fire District No. 2's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caddo Parish Fire 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 basic 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 basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Cook & Morehart
Certified Public Accountants
April 9, 2004

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Summary Schedule of Audit Findings
October 31, 2003

Summary Schedule of Prior Audit Findings

There were no management letter comments for the prior year audit for the year ended October 31, 2002.

There was one finding for the prior year audit for the year ended October 31, 2002.

Finding 01-01: Need to Comply with Louisiana Government Budget Act.

Current Status: No finding was noted in current year audit for the year ended October 31, 2003.

Corrective Action Plan for Current Year Audit Findings

There were no management letter comments or findings for the current year audit for the year ended October 31, 2003.