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**DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana**

**General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Two Years Ended
December 31, 1997**

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 MAY 06 1998

**VERNON R
COON**
CERTIFIED PUBLIC ACCOUNTANT

DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana

General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Two Years Ended
December 31, 1997

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Independent Auditor's Report

BOARD OF COMMISSIONERS
DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana

I have audited the general purpose financial statements of the DeSoto Parish Fire District No. 3, as of December 31, 1997, and for each of the years in the two year period then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the DeSoto Parish Fire District No. 3. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the DeSoto Parish Fire District No. 3, as of December 31, 1997, and the results of its operations for each of the years in the two year period then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 21, 1998 on my consideration of the DeSoto Parish Fire District No. 3's internal control structure and a report dated April 21, 1998 on its compliance with laws, regulation, contracts, and grants.

West Monroe, Louisiana
April 21, 1998

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116 PROFESSIONAL DRIVE,
WEST MONROE,
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PHONE 318.325.2121
TOLL FREE LOUISIANA
1.800.541.5020
FAX 318.324.1630

**GENERAL PURPOSE FINANCIAL STATEMENTS
(OVERVIEW)**

DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS

Combined Balance Sheet, December 31, 1997

	GOVERNMENTAL FUND TYPE GENERAL FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
ASSETS			
Cash and cash equivalents	\$61,308		\$61,308
Receivables - property assessments	167,045		167,045
Land, buildings, and equipment		\$520,937	520,937
TOTAL ASSETS	<u>\$228,353</u>	<u>\$520,937</u>	<u>\$749,290</u>
LIABILITIES AND FUND EQUITY			
Liabilities - accounts payable	\$3,618	NONE	\$3,618
Fund Equity:			
Investment in general fixed assets		\$520,937	520,937
Fund balance - unreserved - undesignated	224,735		224,735
Total Fund Equity	<u>224,735</u>	<u>520,937</u>	<u>745,672</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$228,353</u>	<u>\$520,937</u>	<u>\$749,290</u>

The accompanying notes are an integral part of this statement.

DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana
GOVERNMENTAL FUND TYPE

Statement of Revenues, Expenditures,
and Changes in Fund Balance -
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 1997

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Intergovernmental revenue - state funds:			
Fire insurance rebate		\$5,737	\$5,737
Other state grants		488	488
Fire protection service charge	\$96,000	133,260	37,260
Use of money and property - interest earnings	4,000	1,901	(2,099)
Other revenues		2,500	2,500
Total revenues	<u>100,000</u>	<u>143,886</u>	<u>43,886</u>
EXPENDITURES			
Public safety:			
Current:			
Personal services and related benefits	17,958	17,672	286
Operating services	45,603	28,365	17,238
Materials and supplies	5,500	3,728	1,772
Capital outlay	12,000	5,534	6,466
Debt service	<u>48,467</u>	<u>48,467</u>	
Total expenditures	<u>129,528</u>	<u>103,766</u>	<u>25,762</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(29,528)	40,120	69,648
FUND BALANCE AT BEGINNING OF YEAR	<u>32,000</u>	<u>184,615</u>	<u>152,615</u>
FUND BALANCE AT END OF YEAR	<u>\$2,472</u>	<u>\$224,735</u>	<u>\$222,263</u>

The accompanying notes are an integral part of this statement.

DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana
GOVERNMENTAL FUND TYPE

Statement of Revenues, Expenditures,
and Changes in Fund Balance -
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 1996

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Intergovernmental revenue - state funds:			
Fire insurance rebate	\$4,000	\$5,703	\$1,703
Other state grants		677	677
Fire protection service charge	95,000	131,943	36,943
Use of money and property - interest earnings		1,243	1,243
Other revenues		707	707
Total revenues	<u>99,000</u>	<u>140,273</u>	<u>41,273</u>
EXPENDITURES			
Public safety:			
Current:			
Personal services and related benefits	17,400	18,282	(882)
Operating services	47,703	40,846	6,857
Materials and supplies	6,500	4,798	1,702
Capital outlay	12,000	17,846	(5,846)
Debt service	48,467	48,467	
Total expenditures	<u>132,070</u>	<u>130,239</u>	<u>1,831</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(33,070)	10,034	43,104
FUND BALANCE AT BEGINNING OF YEAR	<u>35,000</u>	<u>174,581</u>	<u>139,581</u>
FUND BALANCE AT END OF YEAR	<u>\$1,930</u>	<u>\$184,615</u>	<u>\$182,685</u>

The accompanying notes are an integral part of this statement.

DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana

Notes to the Financial Statements
As of and for the Two Years Ended December 31, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DeSoto Parish Fire District No. 3 was created by the DeSoto Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492 on July 22, 1987. The district is governed by a five member board appointed by the police jury. Board members serve without compensation. The district is responsible for maintaining and operating fire stations and equipment and providing fire protection within the boundaries of the district.

A. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the DeSoto Parish Police Jury is the financial reporting entity for DeSoto Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria determining which component units should be considered part of the DeSoto Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial responsibility. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body,
and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.

DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana
Notes to the Financial Statements (Continued)

2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury created the district, appoints the commissioners of the district, and has the ability to impose its will on the district, the district was determined to be a component unit of the DeSoto Parish Police Jury, the financial reporting entity. 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 DeSoto Parish financial reporting entity.

B. 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 segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term obligations) that are not recorded in the "funds" because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The district's current operations require only the use of governmental funds (General Fund). Annual property assessments approved by voters of the district and interest earnings on investments are accounted for in this fund. General operating expenditures are paid from the fund.

C. FIXED ASSETS AND LONG-TERM DEBT

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures (capital outlay) in the governmental funds and the related assets are reported in the general fixed assets account group. Approximately 92 per cent of general fixed assets are valued at actual cost while the remaining 8 per cent are valued at estimated cost, based on the actual historical cost of like items. No depreciation has been provided on general fixed assets. The cost of normal maintenance and repairs that do not add to the value of fixed assets or materially extend their useful lives are not capitalized. The district has no long-term debt at December 31, 1997.

D. BASIS OF ACCOUNTING

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for reporting all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The district uses the following practices in recognizing and reporting revenues and expenditures:

Revenues

Property assessments are recognized in the year in which the assessments are due.

Interest income on demand and time deposits is recorded when the interest has been earned and the amount is determinable.

Based on the above criteria, property assessments have been treated as susceptible to accrual.

DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana
Notes to the Financial Statements (Continued)

Expenditures

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

E. BUDGET PRACTICES

A preliminary budget for the ensuing year is prepared by the board of commissioners and made available to the public. The budget is then adopted during the regular December meeting. The proposed budget for the General Fund is prepared on the modified accrual basis of accounting. The budget is established and controlled by the board of commissioners at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the board of commissioners. The district does not use encumbrance accounting in its accounting system.

Formal budgetary integration is employed as a management control device during the year. Budgeted amounts included in the accompanying financial statements include the original adopted budget amounts.

F. CASH AND CASH EQUIVALENTS

Under state law, the district may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The district may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 1997, the district has cash and cash equivalents (book balances) totaling \$61,308, follows:

Demand deposits	\$30,940
Petty cash	30,318
Time deposits	<u>50</u>
Total	<u>\$61,308</u>

DESOTO PARISH FIRE DISTRICT NO. 3
 Stonewall, Louisiana
 Notes to the Financial Statements (Continued)

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. Deposit balances (bank balances) at December 31, 1997, total \$61,519, and are fully secured by federal deposit insurance.

G. VACATION AND SICK LEAVE

Employees are granted from 1 to 3 weeks of vacation per year depending on length of service. In addition, employees are granted 12 days of sick leave each year. Sick leave may be accumulated to a maximum of 25 days. At December 31, 1997, there are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund when leave is actually taken.

H. TOTAL COLUMN ON THE BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. CHANGES IN GENERAL FIXED ASSETS

The following presents the changes in general fixed assets for the two years ended December 31, 1997:

	<u>Balance</u> <u>January 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u>
1996:				
Land and buildings	\$128,152			\$128,152
Equipment	<u>369,405</u>	<u>\$17,846</u>		<u>387,251</u>
Total	<u>\$497,557</u>	<u>\$17,846</u>	<u>NONE</u>	<u>\$515,403</u>

DESOTO PARISH FIRE DISTRICT NO. 3
 Stonewall, Louisiana
 Notes to the Financial Statements (Continued)

	<u>Balance</u> <u>January 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u>
1997:				
Land and buildings	\$128,152			\$128,152
Equipment	<u>387,251</u>	<u>\$5,534</u>		<u>392,785</u>
Total	<u>\$515,403</u>	<u>\$5,534</u>	<u>NONE</u>	<u>\$520,937</u>

3. CHANGES IN GENERAL LONG-TERM DEBT

The following is a summary of long-term debt transactions for the two years ended December 31, 1997:

Lease payable at January 1, 1996	\$88,395
Additions:	
1996	NONE
1997	NONE
Reductions:	
1996	(42,832)
1997	<u>(45,563)</u>
Lease payable at December 31, 1997	<u>NONE</u>

At December 31, 1995, the fire district had a capital lease in effect for two fire trucks. The lease had an original recorded amount of \$240,028 and was retired from the General Fund during the two years ended December 31, 1997.

5. PENSION SYSTEM

The district has one full-time employee who participates in the social security system. The employee contributes 7.65% of her total salary to social security (FICA and Medicare) which is matched by employer contributions. For the two years ended December 31, 1997, employer contributions were \$1,224, and \$1,218 respectively. Total salaries paid for 1997, were \$15,996 and for 1996 salaries were \$15,924. The district does not guarantee the benefits granted by the Social Security System.

DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana
Notes to the Financial Statements (Continued)

4. LITIGATION AND CLAIMS

The district is not involved in any litigation at December 31, 1997, nor is it aware of any unasserted claims.

**Independent Auditor's Reports Required
by *Government Auditing Standards***

The following independent auditor's reports on compliance with laws, regulations, contracts and grants, and on internal control structure are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



**Independent Auditor's Report on
Compliance With Laws, Regulations, Contracts, and Grants**

BOARD OF COMMISSIONERS
DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana

I have audited the general purpose financial statements of the DeSoto Parish Fire District No. 3, a component unit of the DeSoto Parish Police Jury, as of December 31, 1997, and for each of the years in the two year period then ended, and have issued my report thereon dated April 21, 1998.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards and the audit guide require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the DeSoto Parish Fire District No. 3 is the responsibility of the fire district's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the DeSoto Parish Fire District No. 3's compliance with certain provisions of laws, regulations, contracts, and grants. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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116 PROFESSIONAL DRIVE,
WEST MONROE,
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PHONE 318.325.2121
TOLL FREE LOUISIANA
1.800.541.5020
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BOARD OF COMMISSIONERS
DESOTO PARISH FIRE DISTRICT NO. 3

Stonewall, Louisiana
Independent Auditor's Report
on Compliance, etc.,
December 31, 1997

This report is intended for the information of the DeSoto Parish Fire District No. 3 and management of the fire district. This is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to be 'C. M. ...', written in a cursive style.

West Monroe, Louisiana
April 21, 1998



**Independent Auditor's Report
on the Internal Control Structure**

**BOARD OF COMMISSIONERS
DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana**

I have audited the general purpose financial statements of the DeSoto Parish Fire District No. 3 as of December 31, 1997, and for each of the years in the two year period then ended, and have issued my report thereon dated April 21, 1998.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the DeSoto Parish Fire District No. 3 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are 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 general purpose 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 my audit of the general purpose financial statements of the DeSoto Parish Fire District No. 3 for the two years ended December 31, 1997, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control

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BOARD OF COMMISSIONERS
DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana
Independent Auditor's Report on
Internal Control Structure,
December 31, 1997

risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted the following matter involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the fire district's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

All accounting functions of the district, i.e., depositing and posting receipts and preparing, posting and issuing checks are performed by one individual. Such functions are not compatible and should be performed by separate individuals. However, because of the size of the district and its limited revenues, it is not economically feasible to correct this deficiency.

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 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.

My 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 material weaknesses as defined above. However, I do not consider the reportable condition described above to be material weaknesses.

The audit report for the two years ended December 31, 1995, included findings related to segregation of duties as described above.

BOARD OF COMMISSIONERS
DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana
Independent Auditor's Report on
Internal Control Structure,
December 31, 1997

This report is intended for the information of members of the DeSoto Parish Fire District No. 3 and management of the district. This is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to be 'Vernon R. ...', written in a cursive style.

West Monroe, Louisiana
April 21, 1998

Schedule 1

**DESOTO PARISH FIRE DISTRICT NO. 3
Stonewall, Louisiana**

**Summary Schedule of Prior Year Findings
For the Two Years Ended December 31, 1997**

There were no audit findings reported in the audit for the two years ended December 31, 1995.