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**Caddo Parish Fire District Number Three  
Greenwood, Louisiana**

**Financial Statements With Auditor's Report**

**As of and For the Year Ended December 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 8-11-04

Caddo Parish Fire District Number Three  
Greenwood, Louisiana

Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1 - 2
<b>Required Supplementary Information</b> Management's Discussion and Analysis	3 - 8
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to the Financial Statements	15 - 27
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule	28
Notes to Required Supplementary Information	29
<b>Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	30 - 31
<b>Schedules For Louisiana Legislative Auditor</b>	
Summary Schedule of Prior Year Audit Findings	32
Corrective Action Plan For Current Year Audit Findings	32

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## Independent Auditors' Report

Board of Commissioners  
Caddo Parish Fire District Number Three  
Greenwood, Louisiana

We have audited the accompanying basic financial statements of the Caddo Parish Fire District Number Three, a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Caddo Parish Fire District Number Three'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 Number Three as of December 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 Number Three 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 January 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2004, on our consideration of Caddo Parish Fire District Number Three'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 28 – 29, 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.

A handwritten signature in cursive script, reading "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart  
Certified Public Accountants  
June 23, 2004

## **CADDO PARISH FIRE DISTRICT NUMBER THREE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Caddo Parish Fire District No. 3's financial performance provides an overview of the Caddo Parish Fire District No. 3's financial activities for the fiscal year ended December 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. 3's net assets decreased by \$94,438 or 5%.

The Caddo Parish Fire District No. 3's total general and program revenues were \$975,521 in 2003.

During the year ended December 31, 2003, the Caddo Parish Fire District No. 3 had total expenses, excluding depreciation of \$965,109.

#### **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. 3 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. 3's operations in more detail than the government-wide statements by providing information about the Caddo Parish Fire District No. 3's most significant funds.

The Caddo Parish Fire District No. 3 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 two members of the board and the District operates within the geographical boundaries of Caddo Parish. The accompanying financial statements present information only on the funds maintained by the Caddo Parish Fire District No. 3.

#### **Reporting the Caddo Parish Fire District No. 3 as a Whole**

Our analysis of the Caddo Parish Fire District No. 3 as a whole begins on page 9. One of the most important questions asked about the Caddo Parish Fire District No. 3's finances is "Is the Caddo Parish Fire District No. 3 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. 3 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. 3's *net assets* and changes in them. You can think of the Caddo Parish Fire District No. 3's net assets – the difference between assets and liabilities – as one way to measure the Caddo Parish Fire District No. 3's financial health, or *financial position*. Over time, *increases* or *decreases* in the Caddo Parish Fire District No. 3'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. 3 as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the Caddo Parish Fire District No. 3 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. 3 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. 3 – not the Caddo Parish Fire District No. 3 as a whole. The Caddo Parish Fire District No. 3's *governmental funds* use the following accounting approaches:

Governmental funds – All of the Caddo Parish Fire District No. 3'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. 3'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. 3 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. 3 AS A WHOLE

The Caddo Parish Fire District No. 3's total net assets changed from a year ago, decreasing from \$1,847,796 to \$1,753,358. The December 31, 2003, year was the first period that GASB Statement 34 was applied. The Caddo Parish Fire District No. 3 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 December 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. 3 will be presented.

**Table 1**  
**Net Assets**

	Governmental Activities <u>2003</u>
Current and other assets	\$ 1,462,318
Capital assets	<u>1,162,090</u>
Total assets	<u>2,624,408</u>
Current liabilities	35,445
Long-term liabilities	<u>835,605</u>
Total liabilities	<u>871,050</u>
Net assets:	
Investments in capital assets, net of related debt	914,692
Unrestricted	<u>838,666</u>
Total net assets	<u>\$ 1,753,358</u>

Net assets of the Caddo Parish Fire District No. 3's governmental activities decreased by \$94,438 or 5%. Unrestricted net assets, the part of net assets that can be used to finance Caddo Parish Fire District No. 3 expenses without constraints or other legal requirements, decreased from \$917,254 at December 31, 2002 to \$838,666 at December 31, 2003.

**Table 2**  
**Change in Net Assets**

	<u>Governmental Activities 2003</u>
Revenues	
Program Revenues	
Charges for services – transport fees	\$ 133,419
General Revenues	
Ad valorem taxes	673,013
Service charge assessments	123,351
Intergovernmental	30,272
Interest income	<u>15,466</u>
Total revenues	\$ 975,521
Expenses	
Public safety – fire protection	<u>1,069,959</u>
Decreases in net assets	<u>\$ ( 94,438)</u>

Total revenues increased \$57,878 (6%) from total revenues in the year ended December 31, 2002 of \$917,643 to total revenues of \$975,521 in the year ended December 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 fund balance of \$1,331,974, which is higher than last year's fund balance of \$870,786. The primary reason for the excess is:

- The issuance of certificates of indebtedness.

### **General Fund Budgetary Highlights**

The District adopted a budget for its General Fund for the year ended December 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 28. Highlights for the year are as follows:

- New certificates of indebtedness were issued. Ad valorem and service charge revenues did not meet budgeted projections.

- Expenditures exceeded the budgeted expenditures due to new fire fighting equipment purchased, increases in fuel, retirement expense and insurance.

The District's General Fund balance of \$1,331,974 reported on page 11 differs from the General Fund's *budgetary* fund balance of \$617,004 reported in the budgetary comparison schedule on page 28. 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 December 31, 2003, the Caddo Parish Fire District No. 3 had invested \$1,162,090 in capital assets. (see table 3 below)

**Table 3**  
**Capital Assets At Year End**  
**(Net of Depreciation)**

	Governmental Activities <u>2003</u>
Land	\$ 74,350
Buildings	224,013
Equipment	<u>863,727</u>
Total	<u><u>\$ 1,162,090</u></u>

This year's major additions included:

New ambulance	\$ 57,724
New brush truck	29,264
(2) New life packs	31,699
(12) New air packs	<u>29,100</u>
Total	<u><u>\$ 147,787</u></u>

More detailed information about the capital assets are presented in Note 5 to the financial statements.

## Debt

During the year ended December 31, 2003, the District issued certificates of indebtedness totaling \$803,000 for the purpose of refunding previously issued certificates of indebtedness, acquiring facilities and equipment 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>
Certificates of Indebtedness (backed by Ad valorem taxes)	<u>\$ 820,000</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.

Other obligations include accrued vacation pay. More detailed information about the debt are presented in Note 9 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The Caddo Parish Fire District No. 3's management considered many factors when setting a fiscal year December 31, 2004 budget. Amounts available for appropriation in the governmental funds are expected to be approximately the same except for budgeting to purchase additional equipment from the remaining certificates of indebtedness issued in 2003.

## **CONTACTING THE DISTRICT'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. 3 and to show the Caddo Parish Fire District No. 3's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at 318-938-5290.

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Statement of Net Assets  
December 31, 2003

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 297,885
Investments	331,268
Accounts receivable:	
Ad valorem taxes	675,693
Assessment - service charge	143,815
Other	1,205
Deferred bond issuance costs, net of accumulated amortization	12,452
Capital assets (net)	<u>1,162,090</u>
Total assets	<u>2,624,408</u>
<b>LIABILITIES</b>	
Accounts payable	31,791
Accrued interest payable	3,654
Long-term liabilities:	
Due within one year	88,605
Due in more than one year	<u>747,000</u>
Total liabilities	<u>871,050</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	914,692
Unrestricted	<u>838,666</u>
Total net assets	<u><u>\$ 1,753,358</u></u>

See accompanying notes to the basic financial statements.



Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Balance Sheet  
Governmental Funds  
December 31, 2003

	<u>General Fund</u>
<b>Assets</b>	
Cash	\$ 297,885
Investments	331,268
Accounts receivable	
Ad valorem taxes	675,693
Assessment - service charge	143,815
Other	1,205
	<u>                    </u>
<b>Total assets</b>	<b><u><u>\$ 1,449,866</u></u></b>
<b>Liabilities</b>	
Accounts payable	\$ 31,791
Deferred revenue	86,101
<b>Total liabilities</b>	<b><u><u>117,892</u></u></b>
<b>Fund balances</b>	
Unreserved - undesignated	772,604
Unreserved - designated for equipment and capital assets	559,370
<b>Total fund balances</b>	<b><u><u>1,331,974</u></u></b>
<b>Total liabilities and fund balance</b>	<b><u><u>\$ 1,449,866</u></u></b>

See accompanying notes to the basic financial statements.

**Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Reconciliation of the Balance Sheet of the Governmental Funds  
to the Statement of Net Assets  
For the Year Ended December 31, 2003**

Fund balances - total governmental funds \$ 1,331,974

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the governmental funds 1,162,090

Long-term liabilities, including compensating absences and interest  
payable are not due and payable in the current period and  
therefore are not reported in the governmental funds (839,259)

Other long-term assets are not available to pay for current -  
period expenditures and therefore are deferred in the  
governmental funds 86,101

Governmental funds report the effects of debt issuance costs  
when debt is first issued, whereas these amounts are deferred  
and amortized in the statement of net assets 12,452

Net assets of governmental activities \$ 1,753,358

See accompanying notes to the basic financial statements.

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended Decemer 31, 2003

	<u>Total Governmental Funds</u>
<b>Revenues</b>	
Ad valorem taxes	\$ 642,605
Service charge assessment	134,740
Charges for services - transport fees	133,419
Intergovernmental revenue:	
State revenue sharing	17,971
Fire insurance rebate	18,340
Interest income	<u>15,466</u>
 Total revenues	 <u>962,541</u>
 <b>Expenditures</b>	
Current - fire protection	976,511
 Capital outlay	 157,398
Debt service:	
Principal	72,000
Interest, fees and charges	<u>8,444</u>
 Total expenditures	 <u>1,214,353</u>
 Excess (deficiency) of revenues over expenditures	 <u>(251,812)</u>
 Other financing sources (uses):	
Proceeds of certificates of indebtedness	803,000
Payment to refunded certificates	<u>(90,000)</u>
 Total other financing sources (uses)	 <u>713,000</u>
 Excess (deficiency) of revenues and other sources over expenditures and other uses	 461,188
 Fund balances at beginning of year, as restated	 <u>870,786</u>
 Fund balances at end of year	 <u><u>\$ 1,331,974</u></u>

See accompanying notes to the basic financial statements.

Caddo Parish Fire District Number Three  
Greenwood, 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 December 31, 2003

Net change in fund balances - total governmental funds \$ 461,188

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 \$157,398 exceeded depreciation (\$104,850) in the current period. 52,548

The issuance of long-term debt provides current financial resources of governmental funds, while repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has an effect on net assets.

Repayment of bond principal	72,000
Certificates of indebtedness	(713,000)

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.

Debt issuance costs, net of amortization	12,451
Compensated absences	11,049

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 86,101

With the implementation of GASB Statement 34, certain revenues and expenses were recognized on the full-accrual basis for the first time this year. This is the net effect of prior-year receivables on the adjustment to arrive at beginning net assets. (73,121)

Interest on long-term debt in statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, however, interest expense is recognized as the interest accrues in the statement of net assets (3,654)

Change in net assets of governmental activities	\$ (94,438)
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See accompanying notes to the basic financial statements.

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003

## INTRODUCTION

The Caddo Parish Fire District Number Three was created by resolution of the Caddo Parish Commission on April 11, 1984, to purchase and maintain fire equipment and to provide fire protection for the people of Caddo Parish Fire District Number Three. The District is governed by a board of commissioners consisting of 5 members: 2 members are appointed by the Caddo Parish Commission; 2 members are appointed by the Mayor and Board of Aldermen of Greenwood; and one member, who is the chairman, is appointed by the other 4 board members. Members serve two year terms and receive no compensation for their services.

### (1) Summary of Significant Accounting Policies

The Caddo Parish Fire District Number Three'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 Number Three 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 Number Three's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Caddo Parish Fire District Number Three'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 Number Three has elected to implement the general provisions of the Statement in the current year.

#### A. Reporting Entity

Because the Caddo Parish Commission appoints two members of the governing board and because the District operates within the geographical boundaries of Caddo Parish, The District was determined to be a component unit of the Caddo Parish Commission, the governing body of the parish and the governmental body with oversight responsibility. This report includes only funds and account groups which are maintained by the District and does not present information on the Caddo Parish Commission, the general government service provided by that governmental unit, or the other governmental units that comprise the Commission.

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

**B. Basic Financial Statements – Government-Wide Statements**

The Caddo Parish Fire District Number Three's basic financial statements include both government-wide (reporting the funds maintained by the Caddo Parish Fire District Number Three as a whole) and fund financial statements (reporting the Caddo Parish Fire District Number Three'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 Number Three's general fund is classified as governmental activities. The Caddo Parish Fire District Number Three 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 as well as long-term debt and obligations. The Caddo Parish Fire District Number Three'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 Number Three's functions. The functions are supported by program revenues and 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. Program revenues of the District consist of transport fees billed to insurance companies and individuals. 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 Number Three as an entity and the change in the Caddo Parish Fire District Number Three'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 Number Three 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.

The following fund types are used by the Caddo Parish Fire District Number Three:

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 Number Three:

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

- a. General fund is the general operating fund of the Caddo Parish Fire District Number Three. It is used to account for all financial resources except those required to be accounted for in another fund.

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 was determined to be a major fund.

**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 Number Three consist principally of property taxes, service charges on property, transport fees collected from billings, other intergovernmental revenues, and interest income. Property taxes and service charges are recorded in the year in which the taxes are levied. Property taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. Interest income is recorded when earned. Transport fees and other intergovernmental revenues are recorded when received because they are generally not measurable until actually received.

**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.

(Continued)

**Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)**

**E. Budgets**

The district uses the following budget practices:

1. A preliminary budget for the ensuing year is prepared by the Fire Chief and Officers of the District prior to December 31 of each year and is made available for public inspection at least fifteen days prior to the beginning of each fiscal year.
2. After completion of all action necessary to finalize and implement the budget, the budget is adopted by the Board of Commissioners.
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 the general fund. No amendments were made 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 Statue (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 fair value.

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 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	30 – 40 years
Equipment	3 – 30 years

H. Deferred Bond Issuance Costs

In conjunction with the issuance of certificate of indebtedness for capital asset purchases, bond issuance costs were incurred. These costs are capitalized in the government-wide financial statements and amortized on a straight line basis over the term of the new bond issue. Included in interest expense for the year ended December 31, 2003 was amortization of \$655.

I. Deferred Revenue

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

J. Compensated Absences

The district has the following policy relating to vacation and sick leave:

After one year of service, fireman earn from 18 to 28 days of annual leave each year, depending on their length of service. Annual leave must be taken in the year earned. Unused annual leave cannot be accumulated. Upon termination, employees are paid for any earned but unused annual leave in the year of termination. The current portion of compensated absences payable (the amount estimated to be used during the period of availability) is recorded as a liability in the fund financial statements. The entire balance of compensated absences payable is recognized as a liability in the government-wide financial statements. The non-current portion represents a reconciling item between the fund and government-wide statements.

Each full-time employee is entitled to full pay during sickness or incapacity not brought about by his or her own negligence or culpable indiscretion, for a period of not less than 52 weeks, during any calendar year.

(Continued)

**Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)**

**K. 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.

**L. Assessment – Service Charge**

A primary revenue source is the service charge fee assessed by the District. The District is authorized to levy a fee not to exceed \$50.00 per year to assess persons owning each residential or commercial structure located wholly or partly within the boundaries of said District.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the district or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**N. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

(2) Levied Taxes

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

	Authorized Millage	Levied Millage	Expiration Date
Operating	15.00	12.50	2019

(3) Cash and Cash Equivalents

At December 31, 2003, the District has cash and cash equivalents (book balances) totaling \$297,885 in interest bearing demand deposits.

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 custodial bank that is mutually acceptable to both parties. At December 31, 2003, the District had \$327,531 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$227,531 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 ten days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

(4) Investments

At December 31, 2003, the district had investments totaling \$331,268 consisting of the following:

Type	Fair Value	Cost
Certificates of deposit	\$ 248,079	\$ 248,079
Money market funds	40,172	40,172
Government backed mortgage securities	43,017	45,792
	\$ 331,268	\$ 334,043

The investments are considered category 1 in applying the credit risk of GASB. The securities are held by the District's agent in the District's name.

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

(5) Capital Assets

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

	<u>Balance at Jan. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Dec. 31, 2003</u>
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 74,350	\$ -	\$ -	\$ 74,350
Capital assets, being depreciated:				
Buildings	414,779	-	-	414,779
Equipment	<u>1,287,669</u>	<u>157,398</u>	<u>-</u>	<u>1,445,067</u>
Total capital assets, being depreciated at historical cost	<u>1,702,448</u>	<u>157,398</u>	<u>-</u>	<u>1,859,846</u>
Less accumulated depreciation:				
Buildings	( 178,657)	( 12,109)	-	( 190,766)
Equipment	<u>( 488,599)</u>	<u>( 92,741)</u>	<u>-</u>	<u>( 581,340)</u>
Total accumulated depreciation	<u>( 667,256)</u>	<u>( 104,850)</u>	<u>-</u>	<u>( 772,106)</u>
Governmental activities capital assets, net	<u>\$ 1,109,542</u>	<u>\$ 52,548</u>	<u>\$ -</u>	<u>\$ 1,162,090</u>

Depreciation expense for the year ended December 31, 2003, was \$104,850. No prior accumulated depreciation was calculated on capital assets disposed of as of January 1, 2003, for purposes of GASB 34 conversion.

(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.

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

(7) Retirement Systems

Louisiana Firefighters Retirement System

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. The 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 per cent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rates for 2003 were as follows: January 2003 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 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 rules 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 December 31, 2003, the District contributed \$56,407 to the retirement system, which was a contribution rate of 9 per cent and 18.25 per cent. The District's contributions to the System for the years ending December 31, 2003, 2002, and 2001, were \$56,407, \$53,040, and \$40,762, respectively, equal to the required contributions for each year.

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

(8) Change in Accounting Principles and Restatement of Fund Equity

A. Change in Accounting Principle

For 2003, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions"; GASB Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments"; GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

For 2003, the District has increased the threshold amount for capitalizing fixed assets to \$5,000.

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the major fund of the District as previously reported.

Fund balance, December 31, 2002	\$	917,253
GASB Interpretation No. 6		
Adjustment – Compensated absences payable		26,654
GASB Statement 33/36		
Adjustment--		
Assessment – service charge	(	39,319)
Ad valorem taxes	(	27,763)
State revenue sharing	(	6,039)
Fund balance, December 31, 2002, restated		<u>870,786</u>
GASB 34		
Adjustment to Net Assets--		
Debt	(	179,000)
Compensated absences	(	26,654)
Capital assets, net		1,109,543
Deferred revenue		<u>73,121</u>
Government Activities		
Net Assets, December 31, 2002	\$	<u>1,847,796</u>

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

(9) Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Certificate of Indebtedness:					
Certificates of Indebtedness, Series 1999	\$ 71,000	\$ -	\$ ( 71,000)	\$ -	\$ -
Certificates of Indebtedness, Series 1999-LPFA	14,000	-	( 7,000)	7,000	7,000
Certificates of Indebtedness, Series 2000	80,000	-	( 80,000)	-	-
Certificates of Indebtedness, Series 2000-LPFA	14,000	-	( 4,000)	10,000	5,000
Certificates of Indebtedness, Series 2003	-	272,000	-	272,000	11,000
Certificates of Indebtedness, Series 2003-LPFA	-	31,000	-	31,000	5,000
Certificates of Indebtedness, Series 2003A	-	425,000	-	425,000	35,000
Certificates of Indebtedness, Series 2003A-LPFA	-	75,000	-	75,000	10,000
<b>Total Certificates of Indebtedness</b>	<u>179,000</u>	<u>803,000</u>	<u>( 162,000)</u>	<u>820,000</u>	<u>73,000</u>
Other long-term liabilities:					
Compensated Absences	<u>26,654</u>	<u>-</u>	<u>( 365)</u>	<u>26,289</u>	<u>26,289</u>
<b>Total other long-term liabilities</b>	<u>26,654</u>	<u>-</u>	<u>( 365)</u>	<u>26,289</u>	<u>26,289</u>
<b>Governmental Activities long-term liabilities</b>	<u>\$ 205,654</u>	<u>\$ 803,000</u>	<u>\$ ( 162,365)</u>	<u>\$ 846,289</u>	<u>\$ 99,289</u>
Less amounts due within period of availability—recorded in accounts payable				<u>( 10,684)</u>	<u>( 10,684)</u>
<b>Total long-term liabilities, government-wide statements</b>				<u>\$ 835,605</u>	<u>\$ 88,605</u>

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

Bonds payable at December 31, 2003 are comprised of the following individual issue:

Series 2003, original amount \$272,000 for acquiring equipment; Refunding a portion of series 1999 and series 2000; trucks and costs of issuance due in annual installments of \$11,000 to \$38,000 through March 1, 2013; interest rate of 3.63%; repayment of debt is paid from the operating ad valorem tax levied by the District.	\$ 272,000
Series 1999, original amount \$34,000 for acquiring fire trucks and costs of issuance due in annual installments of \$6,000 to \$7,000 through March 1, 2004; Interest rate 0% through the Louisiana Public Facilities Authority; repayment of debt is paid from the operating ad valorem tax levied by the District.	7,000
Series 2003A, original amount \$425,000 for acquiring equipment, fire facilities and costs of issuance due in annual installments of \$35,000 to \$56,000 through March 1, 2013; Interest rate of 3.60%; repayment of debt is paid from the operating ad valorem levied by the District.	425,000
Series 2001, original amount \$22,000 for acquiring fire trucks and costs of issuance due in annual installments of \$4,000 to \$5,000 through March 1, 2005; Interest rate 0% through the Louisiana Public Facilities Authority; repayment of debt is paid from the operating ad valorem tax levied by the District.	10,000
Series 2003A, original amount \$75,000 for acquiring equipment, fire facilities and costs of issuance due in annual installments of \$10,000 to \$20,000 through March 1, 2008; Interest rate of 0% through the Louisiana Public Facilities Authority; repayment of debt is paid from the operating ad valorem levied by the District.	75,000
Series 2003, original amount \$31,000 for acquiring fire equipment, and costs of issuance due in annual installments of \$5,000 to \$8,000 through March 1, 2008; Interest rate of 0% through the Louisiana Public Facilities Authority; repayment of debt is paid from the operating ad valorem levied by the District.	31,000
	<u>\$ 820,000</u>

(Continued)

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Financial Statements  
December 31, 2003  
(Continued)

Debt service requirements at December 31, 2003, were as follows:

Fiscal Year	Certificate of Indebtedness		
	Principal	Interest	Total
2004	\$ 73,000	\$ 23,579	\$ 96,579
2005	74,000	22,540	96,540
2006	76,000	20,571	96,571
2007	78,000	18,657	96,657
2008	80,000	16,796	96,796
2009-2013	439,000	40,761	479,761
	\$ 820,000	\$ 142,904	\$ 962,904

Interest expense in the statement of activities for the year ended December 31, 2003 was \$12,098.

During the year ended December 31, 2003, \$90,000 of the 2003 issue of certificates of indebtedness were used to repay previously issued certificates of indebtedness.

(10) Accounts Payable

Accounts payable at December 31, 2003 consisted of the following:

Accounts payable	\$ 4,147
Payroll liabilities	16,960
Compensated absences	10,684
	\$ 31,791

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 750,000	\$ 604,302	\$ (145,698)
Service charge - assessment	160,000	137,988	(22,012)
Charges for services - transport fees	150,000	133,419	(16,581)
State revenue sharing	12,000	17,971	5,971
Fire insurance rebate	15,000	18,340	3,340
Interest income	10,000	15,466	5,466
<b>Total revenues</b>	<b>1,097,000</b>	<b>927,486</b>	<b>(169,514)</b>
<b>Expenditures</b>			
Current - fire protection	830,800	962,759	(131,959)
Capital outlay	6,100	157,398	(151,298)
Debt service	97,000	80,444	16,556
<b>Total expenditures</b>	<b>933,900</b>	<b>1,200,601</b>	<b>(266,701)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>163,100</b>	<b>(273,115)</b>	<b>(436,215)</b>
<b>Other financing sources (uses):</b>			
Proceeds of certificates of indebtedness		803,000	803,000
Payment to refunded certificates		(90,000)	(90,000)
<b>Total other financing sources (uses)</b>		<b>713,000</b>	<b>713,000</b>
<b>Excess (deficiencies) of revenues and other sources over expenditures and other uses</b>	<b>163,100</b>	<b>439,885</b>	<b>276,785</b>
<b>Fund balances at beginning of year</b>	<b>200,000</b>	<b>177,119</b>	<b>(22,881)</b>
<b>Fund balances at end of year</b>	<b>\$ 363,100</b>	<b>\$ 617,004</b>	<b>\$ 253,904</b>

The accompanying notes are an integral part of this statement.

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Notes to Required Supplementary Information  
December 31, 2003

The District's budget is adopted on a cash basis for all funds. There were no amendments to the 2003 budget. The budget comparison schedule included in the accompanying financial statements includes the original and amended budget. 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 (deficiency) of revenues and other sources over expenditures and other uses (budget basis)	\$ 439,885
Adjustments:	
Revenue accruals – net	32,027
Expenditure accruals – net	<u>( 10,724)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ 461,188</u>

# COOK & MOREHART

*Certified Public Accountants*

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SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

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 Number Three

We have audited the basic financial statements of Caddo Parish Fire District Number Three as of and for the year ended December 31, 2003, and have issued our report thereon dated June 23, 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 Number Three'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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and is described in the accompanying schedule of findings as item number 2003-1.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caddo Parish Fire District Number Three'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.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart  
Certified Public Accountants  
June 23, 2004

Caddo Parish Fire District Number Three  
Greenwood, Louisiana  
Summary Schedule of Audit Findings  
December 31, 2003

**Summary Schedule of Prior Audit Findings**

There were two management letter comments for the prior year audit for the year ended December 31, 2002.

**Management Letter Comment #1**

2003 Audit filed timely

**Management Letter Comment #2**

Improvement was noted in 2003 Audit

**Corrective Action Plan for Current Year Audit Findings**

Reference No:	2003-1
Description of Finding:	The District did not amend its budget in accordance with the Local Government Budget Act. Total revenues failed to meet budgeted revenues by five percent or more and total actual expenditures exceeded budgeted expenditures by five percent or more.
Corrective Action Planned:	Caddo Parish Fire District Number Three will amend the budget in the future in accordance with the local budget act.
Name of Contact Person:	Chief Don McMullen