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Benton Fire District No. 4
Benton, 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

Benton Fire District No. 4
Benton, 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 – 26
Required Supplementary Information Budgetary Comparison Schedule	27
Notes to Required Supplementary Information	28
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>	29 – 30
Schedules For Louisiana Legislative Auditor Summary Schedule of Prior Year Audit Findings	31
Corrective Action Plan For Current Year Audit Findings	

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Independent Auditors' Report

Benton Fire District No. 4
Benton, Louisiana

We have audited the accompanying basic financial statements of the Benton Fire District No. 4, a component unit of the Bossier Parish Police Jury, 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 Benton Fire District No. 4'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 Benton Fire District No. 4 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, Benton Fire District No. 4 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 7, 2004, on our consideration of Benton Fire District No. 4'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 27 – 28, 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
June 7, 2004

BENTON FIRE DISTRICT NO. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Benton Fire District No. 4's financial performance provides an overview of the Benton Fire District No. 4'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 Benton Fire District No. 4's net assets increased by \$138,922 or 8%.

The Benton Fire District No. 4's total general revenues were \$946,385 in 2003 compared to \$808,051 in 2002.

During the year ended December 31, 2003, the Benton Fire District No. 4 had total expenses, excluding depreciation of \$670,192.

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 Benton Fire District No. 4 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 Benton Fire District No. 4's operations in more detail than the government-wide statements by providing information about the Benton Fire District No. 4's most significant funds.

The Benton Fire District No. 4 was determined to be a component unit of the Bossier Parish Police Jury. The police jury 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 Benton Fire District No. 4.

Reporting the Benton Fire District No. 4 as a Whole

Our analysis of the Benton Fire District No. 4 as a whole begins on page 9. One of the most important questions asked about the Benton Fire District No. 4's finances is "Is the Benton Fire District No. 4 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 Benton Fire District No. 4 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 Benton Fire District No. 4's *net assets* and changes in them. You can think of the Benton Fire District No. 4's net assets – the difference between assets and liabilities – as one way to measure the Benton Fire District No. 4's financial health, or *financial position*. Over time, *increases* or *decreases* in the Benton Fire District No. 4'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 Benton Fire District No. 4 as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the Benton Fire District No. 4 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 Benton Fire District No. 4 begins on page 11. The fund financial statements begin on page 11 and provide detailed information about the most significant funds maintained by the Benton Fire District No. 4 – not the Benton Fire District No. 4 as a whole. The Benton Fire District No. 4's *governmental funds* use the following accounting approaches:

Governmental funds – All of the Benton Fire District No. 4'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 Benton Fire District No. 4'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 Benton Fire District No. 4 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 BENTON FIRE DISTRICT NO. 4 AS A WHOLE

The Benton Fire District No. 4's total net assets changed from a year ago, increasing from \$1,746,436 to \$1,885,358. The December 31, 2003, year was the first period that GASB Statement 34 was applied. The Benton Fire District No. 4 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 Benton Fire District No. 4 will be presented.

Table 1
Net Assets

	Governmental Activities <u>2003</u>
Current and other assets	\$ 1,601,451
Capital assets	<u>1,236,877</u>
Total assets	<u>2,838,328</u>
Current liabilities	50,568
Long-term liabilities	<u>902,402</u>
Total liabilities	<u>952,970</u>
Net assets:	
Investments in capital assets, net of related debt	334,475
Restricted – debt service	223,893
Unrestricted	<u>1,326,990</u>
Total net assets	<u>\$ 1,885,358</u>

Net assets of the Benton Fire District No. 4's governmental activities increased by \$138,922 or 8%. Unrestricted net assets, the part of net assets that can be used to finance Benton Fire District No. 4 expenses without constraints or other legal requirements, totaled \$1,326,990 at December 31, 2003.

Table 2
Change in Net Assets

	<u>Governmental Activities 2003</u>
Revenues	
General Revenues	
Ad valorem taxes	\$ 906,586
Intergovernmental	30,646
Interest income	<u>9,153</u>
Total revenues	946,385
Expenses	
Public safety – fire protection	<u>807,463</u>
Increase in net assets	<u>\$ 138,922</u>

Total revenues increased \$138,334 (17%) from total revenues in the year ended December 31, 2002 of \$808,051 to total revenues of \$946,385 in the year ended December 31, 2003.

The primary reason for this increase was an increase in property taxes due to growth in the parish.

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 \$1,506,001, which is higher than last year's fund balance of \$1,407,536. The primary reason for this increase was an increase in property taxes due to growth in the parish.

General Fund Budgetary Highlights

The District adopted a budget for its General Fund for the year ended December 31, 2003. There were three amendments to the budget during the year. The District's budgetary comparison is presented as required supplementary information and shown on page 27. Highlights for the year are as follows:

- Revenue from property taxes was approximately \$40,000 higher than projected due to increased growth in the parish.
- The District spent less on capital outlay from its General Fund than projected, due to delays in purchasing new truck and related equipment.

The District's General Fund balance of \$1,280,943 reported on page 11 differs from the General Fund's *budgetary* fund balance of \$573,338 reported in the budgetary comparison schedule on page 27. 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 Benton Fire District No. 4 had invested \$1,236,877 in capital assets. (see table 3 below)

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

	Governmental Activities <u>2003</u>
Land	\$ 15,450
Buildings	413,247
Equipment	93,036
Vehicle improvements	11,080
Apparatus	<u>704,064</u>
Total	<u>\$ 1,236,877</u>

This year's major additions included:

Computer equipment	\$ 1,398
Fitness equipment	<u>3,424</u>
Total	<u>\$ 4,822</u>

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

Debt

Outstanding debt at December 31, 2003 was comprised of the following:

**Table 4
Outstanding Debt At Year End**

	<u>Governmental Activities 2003</u>
General obligation bonds	<u>\$ 490,000</u>
Capital lease obligations	<u>\$ 412,402</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 detailed information about the debt is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Benton Fire District No. 4'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 increase due to an increase in property taxes due to growth in the parish. Expenditures are expected to increase, as well, due to additional staff being hired; purchase of a new (used) fire truck and related equipment; and purchase of fire-fighting equipment in preparation for PIAL rating.

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 Benton Fire District No. 4 and to show the Benton Fire District No. 4's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Benton Fire District No. 4, at P.O. Box 521, Benton, Louisiana 71006.

Benton Fire District No. 4
 Benton, Louisiana
 Statement of Net Assets
 December 31, 2003

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 403,930
Investments	305,051
Accounts receivable - ad valorem taxes	892,470
Capital assets (net)	1,236,877
Total assets	2,838,328
LIABILITIES	
Accounts payable	29,291
Accrued expenses	7,718
Accrued interest payable	13,559
Long-term liabilities:	
Portion due within one year	120,821
Portion due after one year	781,581
Total liabilities	952,970
NET ASSETS	
Investment in capital assets, net of related debt	334,475
Restricted for debt service	223,893
Unrestricted	1,326,990
Total net assets	\$ 1,885,358

See accompanying notes to the basic financial statements.

Benton Fire District No. 4
 Benton, Louisiana
 Statement of Activities
 For the Year Ended December 31, 2003

GOVERNMENTAL ACTIVITIES

Expenses:

General government	\$ 34,063
Public Safety - Fire Protection	724,196
Interest on long-term debt	49,204
Total expenses	807,463

General revenues:

Ad valorem taxes	906,586
Intergovernmental - fire insurance rebate	30,646
Interest income	9,153
Total general revenues	946,385

Change in net assets	138,922
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Net assets - beginning, restated	1,746,436
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Net assets - ending	\$ 1,885,358
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See accompanying notes to the basic financial statements.

Benton Fire District No. 4
 Benton, Louisiana
 Balance Sheet
 Governmental Funds
 December 31, 2003

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 268,287	\$ 135,643	\$ 403,930
Investments	305,051		305,051
Accounts receivable-ad valorem taxes	793,288	99,182	892,470
Total assets	\$ 1,366,626	\$ 234,825	\$ 1,601,451
Liabilities			
Accounts payable	\$ 26,036	\$ 3,255	\$ 29,291
Accrued expenses	7,718		7,718
Deferred revenue	51,929	6,512	58,441
Total liabilities	85,683	9,767	95,450
Fund balances			
Reserved for debt service		225,058	225,058
Unreserved	1,280,943		1,280,943
Total fund balances	1,280,943	225,058	1,506,001
Total liabilities and fund balances	\$ 1,366,626	\$ 234,825	

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.	1,236,877
Other long-term assets are not available to pay for current - period expenditures and therefore are deferred in the governmental funds	58,441
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.	(915,961)
Net assets of governmental activities	\$ 1,885,358

See accompanying notes to the basic financial statements.

Benton Fire District No. 4
 Benton, Louisiana
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2003

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 815,713	\$ 105,683	\$ 921,396
Intergovernmental-fire insurance rebate	30,646		30,646
Interest income	7,909	1,243	9,152
Total revenues	854,268	106,926	961,194
Expenditures			
Current:			
General government	30,808	3,255	34,063
Public Safety	586,575		586,575
Debt Service			
Principal retirement	46,184	65,000	111,184
Interest and fiscal charges	27,928	24,558	52,486
Paying agent fee		350	350
Capital outlay	4,822		4,822
Total expenditures	696,317	93,163	789,480
Excess of revenues over (under) expenditures	157,951	13,763	171,714
Fund balances at beginning of year, restated	1,122,992	211,295	1,334,287
Fund balances at end of year	\$ 1,280,943	\$ 225,058	\$ 1,506,001

See accompanying notes to the basic financial statements.

Benton Fire District No. 4
 Benton, 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 \$ 171,714

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 depreciation (\$137,271) exceeded
 capital outlays (\$4,822) in the current period. (132,449)

The repayment of principal of long-term debt consumes current
 financial resources of governmental funds. 111,184

Revenues in the statement of activities that do not provide current financial
 resources are not reported as revenues in the funds. 58,441

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. (73,250)

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 3,282

Change in net assets of governmental activities \$ 138,922

See accompanying notes to the basic financial statements.

Benton Fire District No. 4
Benton, Louisiana
Notes to Financial Statements
December 31, 2003

INTRODUCTION

The Benton Fire District No. 4 (the District) was created by the Bossier Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492, on November 10, 1987 by ordinance number 2096. The District is governed by a five member board of commissioners appointed by the Bossier Parish Police Jury, the Town of Benton, and by the commissioners themselves. The Board of Commissioners received no compensation during 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 Benton Fire District No. 4'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 Benton Fire District No. 4 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 Benton Fire District No. 4's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Benton Fire District No. 4'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 Benton Fire District No. 4 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 Bossier Parish Police Jury, the financial reporting entity. The police jury 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)

Benton Fire District No. 4
Benton, Louisiana
Notes to Financial Statements
December 31, 2003
(Continued)

The accompanying financial statements present information only on the funds maintained by the district and do not present information on the Bossier Parish Police Jury, 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 Benton Fire District No. 4's basic financial statements include both government-wide (reporting the funds maintained by the Benton Fire District No. 4 as a whole) and fund financial statements (reporting the Benton Fire District No. 4's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Benton Fire District No. 4's general fund and debt service fund are classified as governmental activities. The Benton Fire District No. 4 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 Benton Fire District No. 4'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 Benton Fire District No. 4'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 Benton Fire District No. 4 as an entity and the change in the Benton Fire District No. 4's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Benton Fire District No. 4 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)

Benton Fire District No. 4
Benton, Louisiana
Notes to Financial Statements
December 31, 2003
(Continued)

The following fund types are used by the Benton Fire District No. 4:

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 Benton Fire District No. 4:

- a. General funds are the general operating funds of the Benton Fire District No. 4. They are used to account for all financial resources except those required to be accounted for in another fund.
- b. The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

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 debt service 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 Benton Fire District No. 4 consist principally of property taxes, other intergovernmental revenues, donations, and interest income. Property taxes are recorded in the year the taxes are assessed. Property taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year. 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)

Benton Fire District No. 4
Benton, Louisiana
Notes to Financial Statements
December 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 fire chief 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 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. The original budget was amended three times during 2003. Those amendments are reflected in the budgetary comparisons included in the accompanying financial statements.

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)

Benton Fire District No. 4
Benton, Louisiana
Notes to Financial Statements
December 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:

Apparatus	5 – 35 years
Buildings	20 – 40 years
Vehicle improvements	10 – 20 years
Equipment	5 – 25 years

H. Compensated Absences

The District follows leave policies set forth in Louisiana Revised Statutes 33:1995, et. al. After having served one year, firemen shall be entitled to an annual vacation of eighteen days with full pay. This vacation period shall be increased one day for each year of service over ten years, up to a maximum vacation period of thirty days, all of which shall be with full pay. Vacation pay not used by December 31 of each year is forfeited.

Firemen are entitled to full pay during sickness for a period of not less than fifty-two weeks per year.

I. 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 and capital lease obligations.

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 principal and interest reported as expenditures.

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)

Benton Fire District No. 4
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

K. 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.

L. 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. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(2) Levied Taxes

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Operating	10.00	10.00	2007
Operating	10.00	10.00	2007
Debt Service	variable	2.50	2008

(3) Cash and Cash Equivalents

At December 31, 2003, the district had cash and cash equivalents (book balances) totaling \$403,930, as follows:

Demand deposits	\$ 20,344
Interest-bearing demand deposits	<u>383,586</u>
	<u>\$ 403,930</u>

(Continued)

Benton Fire District No. 4
Benton, Louisiana
Notes to Financial Statements
December 31, 2003
(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. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the district had \$405,812 in deposits (collected bank balances). These deposits are secured from risk by \$122,226 of federal deposit insurance and \$283,586 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.

(4) Investments

At December 31, 2003, Benton Fire District #4 had investments totaling \$305,051 in Louisiana Asset Management Pool (LAMP). The investments are registered in the name of LAMP and are held in the custodial bank's trust account at the Federal Reserve. Because the investments are held by the custodian in the name of LAMP, the investments are considered Category A in applying the credit risk of GASB Codification Section 150.125. The market value of this particular type of investment is not materially different from its carrying amount.

(Continued)

Benton Fire District No. 4
 Benton, 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:

	Balance at Jan. 1, 2003	Additions	Deletions	Balance at Dec. 31, 2003
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,450	\$ -	\$ -	\$ 15,450
Total capital assets, not being depreciated	<u>15,450</u>	<u>-</u>	<u>-</u>	<u>15,450</u>
Capital assets, being depreciated:				
Buildings	526,072	-	-	526,072
Equipment	164,819	4,822	11,607	158,034
Vehicle improvements	29,250	-	-	29,250
Apparatus	1,689,389	-	11,617	1,677,772
Total capital assets, being depreciated at historical cost	<u>2,409,530</u>	<u>4,822</u>	<u>23,224</u>	<u>2,391,128</u>
Less accumulated depreciation:				
Buildings	(98,446)	(14,379)	-	(112,825)
Equipment	(64,118)	(12,487)	11,607	(64,998)
Vehicle improvement	(16,099)	(2,071)	-	(18,170)
Apparatus	(876,991)	(108,334)	11,617	(973,708)
Total accumulated depreciation	<u>(1,055,654)</u>	<u>(137,271)</u>	<u>23,224</u>	<u>(1,169,701)</u>
Total capital assets, being depreciated, net	<u>1,353,876</u>	<u>(132,449)</u>	<u>-</u>	<u>1,221,427</u>
Governmental activities capital assets, net	<u>\$ 1,369,326</u>	<u>\$ (132,449)</u>	<u>\$ -</u>	<u>\$ 1,236,877</u>

Depreciation expense for the year ended December 31, 2003, was \$137,271. No prior accumulated depreciation was calculated on capital assets disposed of as of January 1, 2003, for purposes of GASB 34 conversion.

(Continued)

Benton Fire District No. 4
Benton, Louisiana
Notes to Financial Statements
December 31, 2003
(Continued)

(6) 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 percent 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 or amended by state statute.

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

Plan members are required by state statute to contribute 8 per cent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rates during 2003 were 9 percent for the period January through March, 10.25 percent for April, 18.25 percent for May through June, and 21 percent for July through December. 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. The District's contributions to the System for the years ending December 31, 2003, 2002, and 2001 were \$44,748, \$19,140, and \$13,822, respectively, equal to the required contributions for each year.

Other employees of the district who are not eligible to participate in the Firefighters' Retirement System are members of the Social Security System or the deferred compensation Section 457 plan.

(Continued)

Benton Fire District No. 4
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

During 1999, the District began participating in a deferred compensation plan in accordance with the Internal Revenue Code Section 457 (Section 457 Plan). Under Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, plans that meet the criteria in NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, should be reported as an expendable trust fund in the financial statements of the government. Because the District's Section 457 Plan does not meet this criteria, the balances in assets and liabilities were not presented in the financial statements of the District. The District's contributions to the Section 457 Plan were \$3,752, \$7,216, and \$6,783 for the years ended December 31, 2003, 2002, and 2001, respectively.

(7) Leases

For the year ended December 31, 2003, the district had two operating leases on certain properties that are utilized by the district. Lease payments on these two leases for the year ended December 31, 2003 were \$600. The minimum annual commitments under noncancelable operating leases are as follows:

Year Ending December 31,

2004	\$	600
2005		600
2006		600
2007		600
2008		600
2009 – 2013		3,000
2014 – 2018		3,000
2019 – 2023		1,000
2024 – 2028		500
2029 – 2033		500
2034 – 2038		500
2039 – 2043		500
2044 – 2048		500
2049 – 2053		500
2054 – 2058		500
2059 – 2063		500
2064 – 2068		500
2069 – 2073		500
2074 – 2078		500
2079 – 2083		500
2084 – 2088		500
		<u>500</u>
	\$	<u>16,500</u>

(Continued)

Benton Fire District No. 4
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

(8) 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.

(9) Long-term Debt

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

	<u>Balance</u> <u>12/31/02</u>	<u>Issues—</u> <u>Additions</u>	<u>Payments -</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/03</u>	<u>Amount Due</u> <u>Within One Year</u>
General Obligation Bonds	\$ 555,000	\$ -	\$ 65,000	\$ 490,000	\$ 70,000
Capital Lease Obligation	<u>458,586</u>	<u>-</u>	<u>46,184</u>	<u>412,402</u>	<u>50,821</u>
	<u>\$ 1,013,586</u>	<u>\$ -</u>	<u>\$ 111,184</u>	<u>\$ 902,402</u>	<u>\$ 120,821</u>

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

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

General Obligation Bonds -

\$615,000 - 2001 bonds for the purpose of refunding all of its outstanding General Obligation Bonds, Series 1990, due in annual installments of \$60,000 to \$95,000 through March 1, 2009; interest rate of 4.7 percent. The debt redemption is paid from the Debt Service Fund.

\$ 490,000

Capital Lease Obligation at December 31, 2003 is comprised of the following agreement:

Agreement dated February 19, 2001 for the lease-purchase of one rescue pumper and one ladder truck totaling \$542,714; due in 10 annual payments of \$74,112 effective interest rate of approximately 6.09% through 2003, then 4.89%. The annual lease payments are paid from the General Fund.

412,402

Total

\$ 902,402

(Continued)

Benton Fire District No. 4
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

At December 31, 2003 the amount of funds available to service the General Obligation bonds is \$225,058.

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 120,821	\$ 41,551	\$ 162,372
2005	128,306	35,658	163,964
2006	130,913	29,527	160,440
2007	143,647	23,033	166,680
2008	151,515	16,052	167,567
2009 – 2010	<u>227,200</u>	<u>12,008</u>	<u>239,208</u>
	<u>\$ 902,402</u>	<u>\$ 157,829</u>	<u>\$ 1,060,231</u>

(10) 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 \$1,000.

(Continued)

Benton Fire District No. 4
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

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.

	<u>General</u>	<u>Debt</u>	<u>Total</u>
Fund balance, December 31, 2002	\$1,185,622	\$221,914	\$1,407,536
GASB Statement 33			
Adjustment—			
Ad valorem taxes	<u>(62,630)</u>	<u>(10,619)</u>	<u>(73,249)</u>
Fund balance, December 31, 2002, restated	<u>1,122,992</u>	<u>211,295</u>	1,334,287
GASB 34			
Adjustment to Net Assets—			
Debt			(1,013,586)
Capital assets, net			1,369,327
Deferred revenue			73,249
Accrued interest			<u>(16,841)</u>
Government Activities			
Net Assets, December 31, 2002			<u>\$ 1,746,436</u>

Benton Fire District No. 4
 Benton, Louisiana
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 717,000	\$ 717,000	\$ 756,359	\$ 39,359
Intergovernmental-fire insurance rebate	31,000	31,000	30,646	(354)
Interest income	12,000	12,000	7,909	(4,091)
Total revenues	760,000	760,000	794,914	34,914
Expenditures				
Current:				
General government	29,000	29,000	28,966	34
Public Safety	732,500	760,000	578,857	181,143
Debt Service				
Principal retirement	106,000	78,000	46,184	31,816
Interest and fiscal charges			27,928	(27,928)
Capital outlay	42,500	43,000	4,822	38,178
Total expenditures	910,000	910,000	686,757	223,243
Excess of revenues over (under) expenditure	(150,000)	(150,000)	108,157	258,157
Fund balances at beginning of year	150,000	150,000	465,181	315,181
Fund balances at end of year	\$ -	\$ -	\$ 573,338	\$ 573,338

See accompanying note to required supplementary information.

Benton Fire District No. 4
Benton, Louisiana
Notes to Required Supplementary Information
December 31, 2003

The District's budget is adopted on a cash basis for all funds. There was three 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)	\$ 108,157
Adjustments:	
Revenue accruals – net	59,354
Expenditure accruals – net	<u>(9,560)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ 157,951</u>

COOK & MOREHART

Certified Public Accountants

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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
Benton Fire District No. 4

We have audited the basic financial statements of Benton Fire District No. 4 as of and for the year ended December 31, 2003, and have issued our report thereon dated June 7, 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 Benton Fire District No. 4'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 Benton Fire District No. 4'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 cursive script that reads "Cook & Morehart". The signature is written in black ink and includes a long, sweeping horizontal line that extends to the right across the page.

Cook & Morehart
Certified Public Accountants
June 7, 2004

Benton Fire District No. 4
Benton, Louisiana
Summary Schedule of Audit Findings
December 31, 2003

Summary Schedule of Prior Audit Findings

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

Corrective Action Plan for Current Year Audit Findings

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