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CADDO PARISH FIRE DISTRICT NO. 7
OIL CITY, LOUISIANA
FINANCIAL STATEMENTS
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 8-4-04



**CADDO PARISH FIRE DISTRICT NO. 7
OIL CITY, LOUISIANA**

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Certified Public Accountants • Management Consultants • Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Commissioners
Caddo Parish Fire District No. 7
Oil City, Louisiana

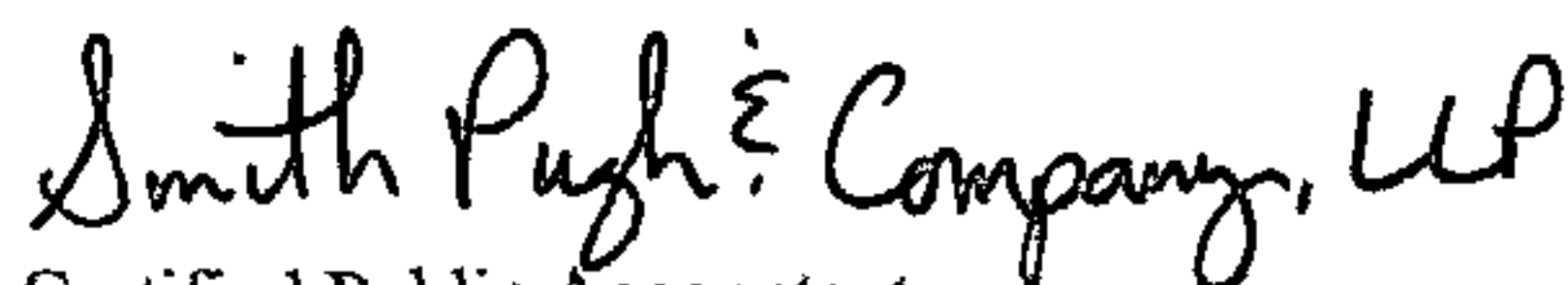
We have audited the accompanying basic financial statements of the Caddo Parish Fire District No. 7 (the District), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the District'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

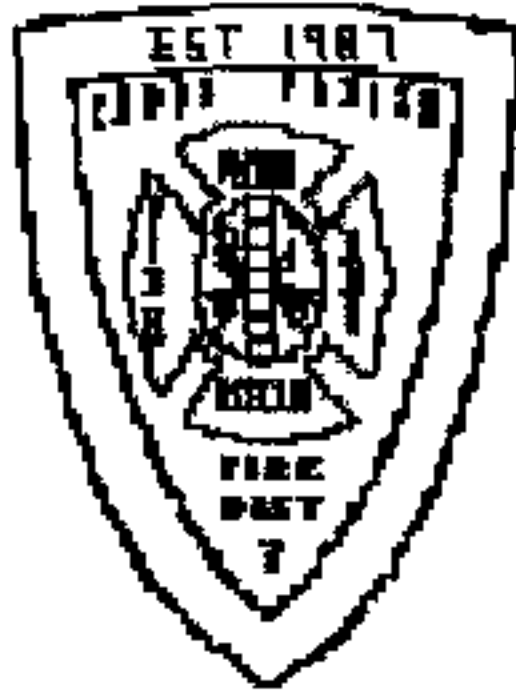
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2004, on our consideration of District's internal control over financial reporting and on 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 2 through 6 and 23, respectively, 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.


Certified Public Accountants
Shreveport, Louisiana
June 22, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS



CADDO PARISH FIRE DISTRICT SEVEN

"Volunteers serving with pride and professionalism"
FIRE---WATER---EMS---RESCUE

Commissioners:
Huey Bankard
R. Major Fant
Rodney Fillingim
Scott Moore
Ronald Saulsbury
Casey Hall

Fire Chief:
Bruce Walker

300 Hwy 1 N. PO Box 100 Oil City, LA 71061
(318) 995-7114 Fax (318) 995-0088

Secretary:
Judy Nottingham

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Caddo Parish Fire District No. 7's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on December 31, 2003. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*, the District has started to depreciate capital assets resulting in a calculation of depreciation expense and accumulated depreciation as of December 31, 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) in addition to the basic financial statements. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the District - the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the District's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the District's financial position, which assists users in assessing the District's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with the year even if cash has not been received or paid. The government-wide financial statements include two statements:

- The *Statement of Net Assets* presents all of the District's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- The *Statement of Activities* presents information showing how the District's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some revenues (such as uncollected property taxes) and some expenses that are reported in this statement will not result in cash flows until future years.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

- *Governmental funds financial statements.* The services provided by the District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the District's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the District.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The District is composed of a single governmental fund, the General Fund. The General Fund is the general operating fund of the District and is used to account for all financial resources.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the government funds financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory

fund balance for budgetary purposes and the fund balance of the General Fund as presented in the governmental fund financial statements.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Assets

Net assets may serve over time as a useful indicator of the District’s financial position. The District’s assets exceeded liabilities by \$1,257,896 as of December 31, 2003.

\$585,890 (47%) of the District’s net assets reflects the District’s investment in capital assets such as land, buildings and improvements, equipment, and furniture, less the related debt used to acquire those assets that is still outstanding. At December 31, 2003, there was no balance on general obligation bonds used to finance capital acquisitions. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending. Resources needed to repay the related debt will be provided through tax assessments on property located within the District.

The largest portion of the District’s net assets, \$672,006 (53%) is unrestricted and may be used to meet the District’s ongoing obligations to citizens and creditors at the discretion of the Board of Directors. \$270,627 of the unrestricted net assets of the District consists of cash and highly liquid investments.

**Caddo Parish Fire District No. 7's Net Assets
December 31, 2003**

	Governmental Activities	
	2003	2002
Current assets	\$ 675,921	\$ 856,561
Capital Assets	585,890	637,050
Other assets	75	75
Total assets	<u>1,261,886</u>	<u>1,493,686</u>
Current liabilities	<u>3,990</u>	<u>210,739</u>
Invested in capital assets, net of related debt	585,890	462,050
Unrestricted	672,006	820,897
Total net assets	<u>\$ 1,257,896</u>	<u>\$ 1,282,947</u>

Changes in Net Assets

The District’s net assets decreased by \$25,051 or approximately 2% during the year ended December 31, 2003. Approximately 96% (\$221,138) of the District’s total revenue was derived through property taxes. Revenues were lower than the prior year because of a reduction in the amount of ad valorem taxes levied because it paid off its General Obligation Bonds – Series 1988 during the year. Expenses incurred by the District are primarily for the provision of fire protection and emergency medical treatment to the citizens of the District. Approximately 16% (\$42,132) of the District’s expenses are for salaries and related payroll taxes and employee benefits.

In 2003, governmental activity expenses exceeded program revenues, resulting in the use of \$256,219 in general revenues (mostly property taxes).

**Caddo Parish Fire District No. 7's Changes in Net Assets
December 31, 2003**

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Revenues:		
Program revenues	\$ -	\$ -
General Revenues		
Property taxes	195,555	413,000
Interest and investment income	6,592	4,798
Other	29,021	36,317
Total revenues	<u>231,168</u>	<u>454,115</u>
Expenses:		
Public safety - fire protection	251,649	243,348
Interest on long-term debt	4,570	21,689
Total expenses	<u>256,219</u>	<u>265,037</u>
Increase in net assets	(25,051)	189,078
Net assets, beginning of year	1,282,947	1,093,869
Net assets, end of year	<u>\$ 1,257,896</u>	<u>\$ 1,282,947</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental fund is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

As of the end of the current year, the District's governmental fund reported a fund balance of \$653,956, a decrease of \$118,018, compared to the prior year. This reduction in fund balance is primarily due to the reduction in ad valorem taxes receivable due to the reduction in the amount levied during the year.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved general fund balance as of December 31, 2003, (\$653,956) represents 171% of the total general fund expenditures (\$382,305) for the year ended December 31, 2003.

GENERAL FUND BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the District complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA - R.S. 39:1301 et seq.).

The District's budget was amended during 2003 because ad valorem tax revenues were less than originally budgeted amount.

The actual expenditures were \$59,768 more than the final budget amounts.

Revenues available for expenditure were \$25,529 above the final budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2003, amounts to \$1,561,184, net of accumulated depreciation of \$975,294, leaving a book value of \$585,890. This investment in capital assets includes fire stations (land, buildings and improvements), fire trucks, emergency response vehicles, fire fighting and rescue equipment, office equipment and furniture.

The total increase in the District's investment in the cost of capital assets for the current year was approximately 0.04%. Actual cost to construct and purchase capital assets was \$722 for the year. Depreciation charges for the year totaled \$51,882.

Debt Administration

The District's outstanding general obligation bond was issued in May 1, 1988 in the original amount of \$1,500,000. The obligation is secured by the ability of the District to levy property taxes to ensure payment of the debt and was approved by a vote of the citizens of the District.

The District incurred no additional long-term debt during 2003 and its total long-term debt decreased by \$175,000, the amount of the annual principal maturity of the Series 1988 General Obligation Bond. The outstanding general obligation bond was paid in full on May 31, 2003.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended December 31, 2004 was prepared:

- The District has lowered the expected amount of property tax revenue because of the reduction in ad valorem taxes levied due to the pay off of bonds during 2003.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Caddo Parish Fire District No. 7 for all of the District's citizens, taxpayers, investors, and creditors. This financial report seeks to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Bruce W. Walker, Fire Chief, Caddo Parish Fire District No. 7, P.O. Box 100, Oil City, Louisiana 71061, or by calling (318) 995-7111.

BASIC FINANCIAL STATEMENTS

Caddo Parish Fire District No. 7

**Statement of Net Assets
December 31, 2003**

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 270,627
Investments	179,015
Ad valorem taxes receivable - net	197,954
Prepaid insurance	28,325
Refundable deposits	75
Capital assets - net of accumulated depreciation	585,890
Total Assets	<u>1,261,886</u>
Liabilities :	
Accounts payable	2,964
Payroll withholdings	1,026
Total Liabilities	<u>3,990</u>
Net Assets:	
Invested in capital assets, net of related debt	585,890
Unrestricted	672,006
Total Net Assets	<u>\$ 1,257,896</u>

**The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.**

Caddo Parish Fire District No. 7

**Statement of Activities
December 31, 2003**

	Program Expenses	Program Revenues	Net Revenues (Expenses) and Changes in Net Assets
	<u> </u>	<u> </u>	<u> </u>
			Total
Governmental Activities:			
Public safety- fire protection	\$ 251,649	\$ -	\$ (251,649)
Interest on long term debt	4,570	-	(4,570)
Total governmental activities	<u>\$ 256,219</u>	<u>\$ -</u>	<u>(256,219)</u>
 General Revenues:			
Taxes:			
Ad valorem taxes			195,555
State fire insurance rebate			16,537
State revenue sharing			9,046
Interest earned			2,619
Investment income			3,973
Miscellaneous			3,438
Total general revenues			<u>231,168</u>
Change in net assets			(25,051)
Net Assets, beginning of year			<u>1,282,947</u>
Net Assets, end of year			<u>\$ 1,257,896</u>

**The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.**

Caddo Parish Fire District No. 7

**Balance Sheet
Governmental Fund
December 31, 2003**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 270,627
Investments	179,015
Ad valorem taxes receivable - net	197,954
Prepaid insurance	28,325
Refundable deposits	75
Total Assets	<u>\$ 675,996</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 2,964
Payroll withholdings	1,026
Deferred revenue	18,050
Total Liabilities	<u>22,040</u>
Fund Balance:	
Unreserved and undesignated	<u>653,956</u>
Total Liabilities and Fund Balance	<u>\$ 675,996</u>

**The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.**

Caddo Parish Fire District No. 7

**Reconciliation of Fund Balance on the Balance Sheet
for Governmental Fund to Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2003**

Fund Balance - Governmental Fund	\$ 653,956
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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 fund:

Add - capital assets	1,561,184
Deduct - accumulated depreciation	(975,294)

Some of the property tax revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the fund.

<u>18,050</u>

Net Assets of Governmental Activities	<u><u>\$ 1,257,896</u></u>
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**The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.**

Caddo Parish Fire District No. 7

**Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
December 31, 2003**

	<u>General Fund</u>
Revenues:	
Ad valorem taxes	\$ 228,674
Intergovernmental revenues:	
State fire insurance rebate	16,537
State revenue sharing	9,046
Interest earnings	2,619
Investment earnings	3,973
Other	3,438
Total revenues	<u>264,287</u>
Expenditures:	
Current:	
Fire protection	199,767
Debt service:	
Principal	175,000
Interest	6,816
Capital outlay	722
Total expenditures	<u>382,305</u>
Net change in fund balance	<u>(118,018)</u>
Fund balance, beginning	771,974
Fund balance, ending	<u>\$ 653,956</u>

**The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.**

Caddo Parish Fire District No. 7

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of
Governmental Fund to the Statement of Activities
December 31, 2003**

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

Net Change in Fund Balance - Total Governmental Fund	\$ (118,018)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$51,822) exceed capital outlays (\$722) in the current period.	(51,100)
Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities	175,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds Property taxes	(33,119)
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 fund Accrued bond interest expense	<u>2,186</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (25,051)</u></u>

**The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.**

Caddo Parish Fire District No. 7

Notes to Financial Statements December 31, 2003

INTRODUCTION

The Caddo Parish Fire District No. 7 ("the District") was created by the Caddo Parish Commission by ordinance as provided under the Louisiana Revised Statutes 40:1496. The District is comprised of property in Northwest Caddo Parish and is governed by a board of commissioners, who are appointed by the Caddo Parish Commission. The purpose of the District is to provide fire protection and emergency services to residents of the District.

1. Summary of Significant Accounting Policies:

The accounting methods and procedures adopted by the District conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The District applies all relevant Government Accounting Standards Board (GASB) pronouncements. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. GAAP, as applicable to governments, also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants. The following notes to the financial statements are an integral part of the District's financial statements.

The following are the District's significant accounting policies:

Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity is financial accountability. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

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

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

Caddo Parish Fire District No. 7

**Notes to Financial Statements
December 31, 2003**

1. Summary of Significant Accounting Policies (continued):

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all nonfiduciary activities of the District. The statement of activities demonstrates the degree to which the direct expenses of a given function segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function, segment or component unit. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District consists of one program, fire protection.

Governmental fund financial statements are provided for the District. The District consists of one governmental fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Accounting – In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Assets and a Statement of Activities for the District as a whole. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity – Interfund receivables and payables are eliminated in the Statement of Net Assets.

Application of FASB Statements and Interpretations – Reporting on governmental type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Capitalizing Assets – Tangible or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, and buildings are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Assets.

Program Revenues – The Statement of Activities presents two categories of program revenues – (1) charges for services; and (2) operating grants and contributions.

Charges for services are those revenues arising from exchange or exchange like transactions with external parties that purchase, use or directly benefit from the programs goods, services or privileges.

Operating grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for operating purposes of a program.

Caddo Parish Fire District No. 7

**Notes to Financial Statements
December 31, 2003**

1. Summary of Significant Accounting Policies (continued):

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Restricted Net Assets – Restricted net assets are those for which a constraint has been imposed either externally or by law. Resources restricted for a specific purpose are exhausted before unrestricted net assets are used.

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government Fund Financial Statements – The Governmental financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Principal revenue sources considered susceptible to accrual include property taxes, and interest on investments. Other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

Interest on general long-term obligations is recognized when paid.

Fund Accounting

The financial activities of the District are recorded in individual funds, each of which is deemed to be a separate accounting entity. The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including collection and disbursement of specific or legally restricted monies, the acquisition, construction, or improvement of capital assets, and the servicing of long-term debt. Governmental funds of the District include:

General Fund – the general operating fund of the District and accounts for all financial resources.

Use of Estimates

The preparation of financial statements generally requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Caddo Parish Fire District No. 7

Notes to Financial Statements December 31, 2003

1. *Summary of Significant Accounting Policies (continued):*

Budgeting and Budgetary Control

A budget for the ensuing year is prepared by the fire chief and approved by the board of commissioners prior to December 31st of each year. The proposed budget is prepared on a cash basis of accounting that is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The budget is legally adopted and amended, as necessary, by the board of commissioners. The board reserves all authority to make changes to the budgets. Unexpended appropriations lapse at year end and must be re-appropriated in the next year's budget to be expended. The budget was amended in 2003. See "Exhibit 1".

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

Cash and Cash Equivalents

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

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible accounts.

Governmental fund type receivables consist primarily of amounts due for property taxes.

Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of time deposits exceed 90 days, they are classified as investments. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported as investment earnings.

Capital Assets

The District's assets are recorded at historical cost. Capital assets are recorded as expenditures in the governmental fund financial statements. 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 expense is recorded in the government-wide financial statements using the straight-line method over the useful lives of the assets. All assets of the District are reported in the accompanying financial statements.

Compensated Absences

Compensated absences for vacation and sick leave do not accrue past the calendar year and are not paid for if not taken.

Caddo Parish Fire District No. 7

**Notes to Financial Statements
December 31, 2003**

1. Summary of Significant Accounting Policies (continued):

Long-term Obligations

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability reported on the Statement of Net Assets. In the fund financial statements, debt principal payments of the governmental fund are recognized as expenditures when paid.

Deferred Revenue

Deferred revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at December 31, and collected within 60 days thereafter to pay obligations due at December 31.

Net Assets/Fund Balances

In the Statement of Net Assets, the differences between a government's assets and liabilities are recorded as net assets. The three components of net assets are as follows:

Invested in Capital Assets, Net of Related Debt - This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Assets - This category records net assets that are restricted by external sources such as banks or by law. The District had no restricted net assets as of December 31, 2003.

Unrestricted Net Assets - This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Reserved - The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

Unreserved - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

2. Cash and Cash Equivalents:

At December 31, 2003, the District has cash and cash equivalents (book balances) totaling \$270,627 as follows:

	Bank Balances	Book Balances
Interest-bearing demand deposits	\$ 275,477	\$ 270,327
Petty Cash	-	300
Total	<u>\$ 275,477</u>	<u>\$ 270,627</u>

Caddo Parish Fire District No. 7

**Notes to Financial Statements
December 31, 2003**

2. Cash and Cash Equivalents (continued):

These deposits are stated at cost, which approximates market. Under state law, these deposits 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 deposits 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 \$275,477 in deposits (collected bank balances) that were secured from risk by \$100,000 of federal deposit insurance and \$450,000 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 the deposited funds upon demand.

3. Investments:

The District invests in an open end mutual fund that is registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which has underlying investments consisting solely of and limited to securities of the United States government or its agencies.

The District's investments are categorized to give an indication of the level of risk assumed by the District. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name
3. Uninsured or unregistered, with securities held by the counter party, or by its trust department or agent but not in the District's name.

Investments held by the District at December 31, 2003 consisted of \$179,015 in the Treasury & Agency Fund, a fixed income fund investment. In accordance with GASB Codification 150.126, the investment in Treasury & Agency Fund at December 31, 2003 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

Treasury & Agency Fund is administered by One Group Dealer Services, Inc. The primary objective of the fund is to provide a high level of current income by investing in U.S. Treasury and other U.S. agency obligations. The fund's portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA - R.S. 33:2955. Accordingly, the fund's investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The investment in this fund is stated at fair value based on quoted market rates. One Group Dealer Services, Inc. is registered with the SEC as an investment company.

Caddo Parish Fire District No. 7

**Notes to Financial Statements
December 31, 2003**

4. Ad Valorem Taxes:

The District levies taxes on real and business personal property within its boundaries on November 1st of each year. Property taxes are due before December 31st and attach as an enforceable lien on property as of January 1st of the following year. Property taxes are recorded as receivables and revenue in the year assessed to the extent that revenues are collected within 60 days after year-end. All levied taxes not received within 60 days after year-end are recorded as revenue when payment is received.

On January 16, 1988, the voters of the District authorized a ten (10) mill ad valorem tax. The purpose of the tax is for maintaining and operating fire protection facilities, purchasing fire trucks and other fire fighting equipment, and paying the cost of obtaining water for fire protection purposes, including charges for fire hydrant rentals and services. The amount levied for 2003 was 10 mills.

For the year ended December 31, 2003, total ad valorem taxes of 10 mills were levied on property with assessed valuations totaling \$21,538,660 after the application of homestead exemptions and adjudicated property. Total taxes levied at December 31, 2003, for operation was \$215,387.

An allowance for uncollectible taxes is deducted from the gross taxes and service charges assessed and recorded in the current year. Uncollectible taxes are those taxes which, based on historical data, are not expected to be collected in the subsequent year.

A summary of ad valorem taxes receivable at December 31, 2003, follows:

Ad valorem taxes	\$ 215,387
Less: Allowance for uncollectible taxes	<u>(17,433)</u>
	<u><u>\$ 197,954</u></u>

5. Capital Assets:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Governmental activities:			
Depreciable capital assets:			
Buildings & improvements	\$ 696,740	\$ -	\$ 696,740
Equipment & furniture	843,720	722	844,442
	<u>1,540,460</u>	<u>722</u>	<u>1,541,182</u>
Less accumulated depreciation:			
Buildings & improvements	(236,784)	(17,692)	(254,476)
Equipment & furniture	(686,628)	(34,190)	(720,818)
	<u>(923,412)</u>	<u>(51,882)</u>	<u>(975,294)</u>
Net depreciable capital assets	617,048	(51,160)	565,888
Land	20,002	-	20,002
Net capital assets	<u><u>\$ 637,050</u></u>	<u><u>\$ (51,160)</u></u>	<u><u>\$ 585,890</u></u>

Caddo Parish Fire District No. 7

**Notes to Financial Statements
December 31, 2003**

6. Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including workers' compensation. There were no significant reductions in insurance coverage from the prior year.

7. Per Diem Paid to Commissioners:

Following is a summary of per diem amounts paid during this period:

Name	Term Expires	Amount per Meeting	Meetings Paid	Total Paid
Scott Moore, Chairman	01/01/05	\$ 30	15	\$ 450
Casey Hall, Vice-Chairman	01/01/05	30	13	390
Rodney Fillingim, Treasurer	01/01/06	30	15	450
Huey Bankard	01/01/06	30	13	390
Major Fant	01/01/05	30	15	450
Ronald Saulsbury	01/01/06	30	13	390
				<u>\$ 2,520</u>

8. Long-Term Obligations:

A summary of change in long-term obligations is as follows:

	1988 Series General Obligation Bonds
Balance, December 31, 2002	\$ 175,000
Debt retired	(175,000)
Balance, December 31, 2003	<u>\$ -</u>

Bonds payable consisted of a \$1,500,000 bond issue dated May 1, 1988 for the purpose of acquiring land, buildings, and equipment to be used in providing fire protection to the District, due in semi-annual installments of \$25,000 to \$175,000 through May 1, 2003. The bonds were paid in full on May 1, 2003.

9. Leases:

The District has entered into a 25 year operating lease for station number five. The lease began in 1993 and rental payments are \$12 per year.

The District has entered into two operating leases with a town and a water district for the use of water and fire hydrants. The lease with the water district calls for annual payments of \$1,200 and is subject to review and/or cancellation on each yearly anniversary date. The lease with the town calls for annual payments of \$624 and is subject to review and or cancellation on each yearly anniversary date.

Caddo Parish Fire District No. 7

**Notes to Financial Statements
December 31, 2003**

10. Reconciliation of Differences between the Budgetary-Basis Fund Financial Statements and the GAAP- Basis Fund Financial Statements:

As discussed in Note 1, the budget is prepared on a cash basis of accounting. However, the modified accrual basis of accounting is used for fund financial reporting purposes in accordance with GAAP. Exhibit 1 on page 22 is a reconciliation of revenues and expenditures recognized in accordance with GAAP to revenues and expenditures recognized in accordance to the budgetary basis (cash basis) for the year ended December 31, 2003.

Since accounting principles applied for purposes of developing data on a budgetary basis (cash basis) differ significantly from those used to present financial statements in conformity with GAAP (modified accrual basis), a reconciliation of resulting basis and entity differences in the revenues in excess of (less than) expenditures between budgetary and GAAP presentations for the year ended December 31, 2003, is presented below for the General Fund.

Budgetary Basis Fund Balance, beginning of year	\$	482,503
Excess of total revenues over total expenses (Budgetary Basis)		<u>(33,141)</u>
Budgetary Basis Fund Balance, end of year		449,362
Basis differences:		
Add: Net accrued revenues and related receivables		226,634
Less: Net accrued expenditures and related liabilities		<u>(22,040)</u>
GAAP Basis Fund Balance, end of year	\$	<u><u>653,956</u></u>

Caddo Parish Fire District No. 7

**Notes to Financial Statements
December 31, 2003**

**Exhibit 1
Budgetary/GAAP Reporting Reconciliation
General Fund**

	Actual on GAAP Basis	Adjustment to Budgetary Basis	Actual on Budgetary Basis
Revenues:			
Ad valorem taxes	\$ 228,674	\$ 108,201	\$ 336,875
Intergovernmental:			
State fire insurance rebate	16,537	-	16,537
State revenue sharing	9,046	-	9,046
Interest earnings	6,592	-	6,592
Miscellaneous	3,438	-	3,438
Total revenues	<u>264,287</u>	<u>108,201</u>	<u>372,488</u>
Expenditures:			
Current-fire protection:			
Election Expense	11,761	-	11,761
Fuel	5,599	(130)	5,469
Insurance	40,068	5,135	45,203
Professional fees	10,081	-	10,081
Repairs and maintenance	23,317	384	23,701
Pension fund contribution	11,517	(11,517)	-
Per Diem	2,610	-	2,610
Other	4,510	(226)	4,284
Rent	1,200	-	1,200
Salaries	39,120	-	39,120
Taxes, licenses, dues	3,773	1	3,774
Supplies	17,780	(126)	17,654
Training & travel expenses	2,509	1,746	4,255
Utilities	17,137	431	17,568
Volunteer reimbursement	8,785	-	8,785
Total fire protection	<u>199,767</u>	<u>(4,302)</u>	<u>195,465</u>
Debt service:			
Principal & interest	181,816	(78)	181,738
Capital outlay	722	27,704	28,426
Total expenditures	<u>382,305</u>	<u>23,324</u>	<u>405,629</u>
Excess of Expenditures over Revenues	<u>(118,018)</u>	<u>\$ 84,877</u>	<u>\$ (33,141)</u>
Fund Balances, Beginning	<u>771,974</u>		
Fund Balances, Ending	<u>\$ 653,956</u>		

REQUIRED SUPPLEMENTARY INFORMATION

Caddo Parish Fire District No. 7

**Schedule of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual
(Non-GAAP Budgetary Basis) – General Fund
December 31, 2003**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Ad valorem taxes	\$ 359,042	\$ 310,779	\$ 336,875	\$ 26,096
Intergovernmental:				
State fire insurance rebate	15,000	16,537	16,537	-
State revenue sharing	8,000	9,046	9,046	-
Interest earnings	4,759	6,417	6,592	175
Miscellaneous	1,958	4,180	3,438	(742)
Total revenues	<u>388,759</u>	<u>346,959</u>	<u>372,488</u>	<u>25,529</u>
Expenditures:				
Current-fire protection:				
Election Expense	-	12,487	11,761	726
Fuel	7,500	5,639	5,469	170
Insurance	36,000	45,203	45,203	-
Professional fees	10,200	10,081	10,081	-
Repairs and maintenance	32,700	26,706	23,701	3,005
Per Diem	2,160	2,610	2,610	-
Other	11,000	3,575	4,284	(709)
Rent	2,000	1,200	1,200	-
Salaries	38,000	39,379	39,120	259
Taxes, licenses, dues	4,911	3,352	3,774	(422)
Supplies	8,550	5,336	17,654	(12,318)
Training & travel expenses	3,000	2,709	4,255	(1,546)
Utilities	17,000	17,990	17,568	422
Volunteer reimbursement	8,000	8,959	8,785	174
Total fire protection	<u>181,021</u>	<u>185,226</u>	<u>195,465</u>	<u>(10,239)</u>
Debt service:				
Principal & interest	181,738	146,037	181,738	(35,701)
Capital outlay	26,000	14,598	28,426	(13,828)
Total expenditures	<u>388,759</u>	<u>345,861</u>	<u>405,629</u>	<u>(59,768)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	-	1,098	(33,141)	\$ (34,239)
Fund Balances, Beginning	481,596	481,596	481,596	
Fund Balances, Ending	<u>\$ 481,596</u>	<u>\$ 482,694</u>	<u>\$ 448,455</u>	

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.



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

Members of the Board of Commissioners
Caddo Parish Fire District No. 7
Caddo Parish, Louisiana

We have audited the basic financial statements of Caddo Parish Fire District No. 7 (the District) a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 22, 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 the District'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 the District'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 operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, the Board of Commissioners and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record and is distributed by the Legislative Auditor under Louisiana R.S. 24:513

Smith Pugh & Company, LLP

Certified Public Accountants
Shreveport, Louisiana
June 22, 2004

Caddo Parish Fire District No. 7

**Schedule of Findings and Questioned Costs
December 31, 2003**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Reportable condition(s) identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> No	
Noncompliance material to the financial statements noted?	<u> </u> Yes	<u> X </u> No	

Section II - Financial Statement Findings

See Summary Schedule of Audit Findings

Caddo Parish Fire District No. 7

**Summary Schedule of Audit Findings
December 31, 2003**

CURRENT YEAR:

Findings Related to Compliance

There were no findings for the year ended December 31, 2003.

Findings Related to Internal Control

There were no findings for the year ended December 31, 2003.

PRIOR YEAR FINDINGS

Findings Related to Compliance

2002-1

Criteria or specific requirement: La. Rev. Stat. 39:1310 requires the adopted budget to be amended whenever total revenues and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

Condition: Actual total revenues and other sources in the general fund failed to meet total budgeted revenues and other sources by nine percent (\$37,385) for the year ended December 31, 2002.

Questioned costs: None.

Recommendation: We recommend that the Board of Commissioners closely monitor the relationship between actual revenues and budgeted revenues to ensure compliance with La. Rev. Stat. 39:1310.

Status: Resolved

Findings Related to Internal Control

There were no findings for the year ended December 31, 2002.