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ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

ANNUAL 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

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 3

We have audited the accompanying basic financial statements of the St. Tammany Parish Fire Protection District No. 3, a component unit of the St. Tammany Parish Council, as of December 31, 2003 and for the two years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 audits provide 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 St. Tammany Parish Fire Protection District No. 3 as of December 31, 2003, and the results of its operations for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and *Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements* as of January 1, 2002. This results in a change in the form and content of the basic financial statements.

The budgetary comparison schedules identified on pages 25 and 26 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 3

Our audit was made for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the St. Tammany Parish Fire Protection District No. 3. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards* we have also issued a report dated March 26, 2004, on our consideration of the St. Tammany Parish Fire Protection District No. 3's internal control over financial reporting and on our tests of its compliance with 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 the report in considering the results of our audit.

March 26, 2004

*Smith, Heval & Associates, L.L.C.*

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3  
LACOMBE, LOUISIANA**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2003**

Our discussion and analysis of St. Tammany Parish Fire District No. 3's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2003 and December 31, 2002.

The Management's Discussion and Analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 issued in June 1999. As this is the first year that the District has implemented this model, certain comparative information with the previous year, which is by design included in this reporting model, will not be included in this analysis as permitted by GASB Statement No. 34 with respect to first year reporting. Beginning with next year's report, the District will include this comparative analysis and information.

**FINANCIAL HIGHLIGHTS**

The financial statements included in this report provide insight into the financial status for the year-end. Based upon the operation of 2003 the District's net assets increased by \$217,601, and resulted in ending net assets of \$1,099,658.

Total spending for the governmental activity was \$489,638 for the year, which was \$217,601 less than the taxes, grants, contributions and investment earnings received for this activity of \$544,059.

The interest earned on checking accounts and investments in certificates of deposit was \$2,320 for the year.

**USING THIS ANNUAL REPORT**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 9 and 10 provide information about the financial activities of the District and illustrate a longer-term view of the District's finances. Fund financial statements start on page 12. For governmental type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's significant funds.

The District's independent auditor attests in his report that the Basic Financial Statements are fairly stated. The auditor is providing varying degrees of assurance regarding the Required Supplemental Information, the levels of which are illustrated in the auditor's report.

**REPORTING THE DISTRICT AS A WHOLE, THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES**

Our analysis of the District as a whole begins on page 9. These statements help to illustrate the status of the District resulting from the last two years activities. The statements included all assets and liabilities using the accrual basis of accounting. In this method, all of the current year's revenues and expenses are taken into account regardless of when cash is paid or received.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3  
LACOMBE, LOUISIANA

Management's Discussion and Analysis  
For the Year Ended December 31, 2003

**REPORTING THE DISTRICT AS A WHOLE, THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES - Continued**

The District's net assets are determined by examining the difference in assets and liabilities. Examining the District's net assets is an effective way to determine the financial status of the District. Increases and decreases in net assets are an indicator of the District's overall increasing or decreasing financial performance.

In the Statement of Net Assets and the Statement of Activities, the District reports only governmental type activities as well as grants. The majority of the District's activities are of this type; taxes and grants finance most of the activities.

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS, FUND FINANCIAL STATEMENTS**

The analysis of the District's major fund begins on page 12. The fund financial statements provide detailed information about the most significant fund rather than the District as a whole.

The District uses a governmental type fund. Most of the District's services are reported in this governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. This fund is 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 District's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. 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 statement.

**THE DISTRICT'S FUNDS**

As previously mentioned, the District uses funds to help control and manage money for particular purposes. At the completion of the year, the District's general fund reported a fund balance of \$524,296. This reflects an increase of \$168,714 from last year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

On April 19, 2002, Louisiana Heart Hospital donated an acre of land to the District for the purpose of building a new fire station.

In 2003, the District experienced an increase of Ad Valorem taxes in addition to receiving a grant from FEMA.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3  
LACOMBE, LOUISIANA

Management's Discussion and Analysis  
For the Year Ended December 31, 2003

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

Information on the District's General Fund balance is reported on page 13. The General Funds' budgetary information is reported in the budgetary comparison schedule on page 28.

CAPITAL ASSETS

At the end of 2003, the District had \$659,838 invested in capital assets, including building, furniture, fire fighting equipment, and vehicles. More detailed information about the District's Capital assets is presented in Note F of the financial statements.

DEBT

At year-end, the District had \$665,000 in certificates of indebtedness outstanding. More detailed information is presented in Note G of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District was successful in passing a 10-mil increase in real estate taxes levied within its jurisdiction. This will result in approximately \$200,000 of additional revenue next year. It is the District's intention to use this increase to fund hiring of additional employees and to purchase additional fire equipment.

Taking all factors into consideration, the District's general fund balance is expected to remain unchanged by the close of 2004.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Charles A. Flynn, III, Fire Chief, P.O. Box 849, Lacombe, Louisiana 70445.

## BASIC FINANCIAL STATEMENTS



ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

STATEMENT OF NET ASSETS

December 31, 2003

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 582,624
Receivables - ad valorem taxes	488,216
Receivables - revenue sharing	34,546
Construction in progress	36,436
Capital assets (net of accumulated depreciation)	<u>659,838</u>
 Total assets	 1,801,660
<b>LIABILITIES</b>	
Accounts payable	4,773
Accrued expenses	11,550
Accrued interest	8,197
Noncurrent liabilities:	
Due within one year	60,000
Due in more than one year	<u>617,482</u>
 Total liabilities	 <u>702,002</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	631,274
Unrestricted	<u>468,384</u>
 Total net assets	 <u>\$ 1,099,658</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2003

<u>Activities</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
<b>Governmental activities:</b>				
Public safety - fire protection	\$ 478,718	\$ 77,033	\$ 86,147	\$ (315,538)
Interest on long-term debt	10,920	-	-	(10,920)
Total	<u>\$ 489,638</u>	<u>\$ 77,033</u>	<u>\$ 86,147</u>	<u>\$ (326,458)</u>
<b>General revenues:</b>				
Taxes -				
Property taxes				490,026
State revenue sharing				34,738
2% Fire tax				16,975
Interest and investment earnings				<u>2,320</u>
Total general revenues				<u>544,059</u>
Change in net assets				217,601
Net assets - beginning				<u>882,057</u>
Net assets - ending				<u>\$ 1,099,658</u>

The accompanying notes are an integral part of the basic financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2002

<u>Activities</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental activities:				
Public safety - fire protection	\$ 390,391	\$ 4,903	\$ 132,583	\$ (252,905)
Interest on long-term debt	833	-	-	(833)
Total	<u>\$ 391,224</u>	<u>\$ 4,903</u>	<u>\$ 132,583</u>	<u>\$ (253,738)</u>
General revenues:				
Taxes -				
Property taxes				295,127
State revenue sharing				24,387
2% Fire tax				17,706
Interest and investment earnings				<u>2,381</u>
Total general revenues				<u>339,601</u>
Change in net assets				85,863
Net assets - beginning				<u>796,194</u>
Net assets - ending				<u>\$ 882,057</u>

The accompanying notes are an integral part of the basic financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2003

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 17,857	\$ 564,767	\$ 582,624
Receivables - ad valorem taxes	488,216		488,216
Receivables - revenue sharing	<u>34,546</u>		<u>34,546</u>
Total assets	<u>\$ 540,619</u>	<u>\$ 564,767</u>	<u>\$ 1,105,386</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 4,773	\$	\$ 4,773
Accrued expenses	<u>11,550</u>		<u>11,550</u>
Total liabilities	16,323	-	16,323
<b>FUND EQUITY</b>			
Fund balance			
Reserved for construction		564,767	564,767
Unreserved	<u>524,296</u>		<u>524,296</u>
Total fund equity	<u>524,296</u>	<u>564,767</u>	1,089,063
Total liabilities and fund equity	<u>\$ 540,619</u>	<u>\$ 564,767</u>	

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

Capital assets and construction in progress used in governmental activities are not financial resources and, therefore, are not reported in the funds.	696,274
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(677,482)
Accrued interest on long-term liabilities is not reported in the governmental funds.	<u>(8,197)</u>
Net assets of governmental activities	<u>\$ 1,099,658</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
- GOVERNMENTAL FUNDS

For the Year Ended December 31, 2003

	<u>General</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 490,026	\$	\$ 490,026
Revenue sharing	34,738		34,738
Earnings on investments	1,117	1,113	2,230
2% Fire tax	16,975		16,975
Grant	58,147		58,147
Reimbursed expenses	10,935		10,935
Folgers payment	52,000		52,000
Donations	39,351		39,351
Miscellaneous	2,747		2,747
<b>Total revenues</b>	<b>706,036</b>	<b>1,113</b>	<b>707,149</b>
<b>EXPENDITURES</b>			
Public safety - fire protection			
Salaries	167,903		167,903
Advertisement	1,611		1,611
Communication	10,615		10,615
Election	5,227		5,227
Health insurance	22,326		22,326
Insurance	59,653		59,653
Miscellaneous	6,179		6,179
Office supplies	6,384		6,384
Per diem	1,800		1,800
Payroll taxes	7,678		7,678
Professional fees	38,892		38,892
Retirement	21,840		21,840
Repairs	5,779		5,779
Supplies	10,624		10,624
Training	8,022		8,022
Turn out gear	2,685		2,685
Uniforms	1,551		1,551
Utilities	11,360		11,360
Vehicles - fuel	10,500		10,500
Vehicles - repairs	27,943		27,943
Capital outlay - equipment	91,027		91,027
Capital outlay - construction		36,346	36,346
Debt service - principal	15,000		15,000
Debt service - interest	2,723		2,723
<b>Total expenditures</b>	<b>537,322</b>	<b>36,346</b>	<b>573,668</b>
Excess (deficiency) of revenues over expenditures before other financing sources	168,714	(35,233)	133,481
<b>OTHER FINANCING SOURCES</b>			
Loan proceeds	-	600,000	600,000
Excess of revenues and other financing sources over expenditures	168,714	564,767	733,481
FUND BALANCE - BEGINNING OF YEAR	355,582	-	355,582
FUND BALANCE - END OF YEAR	\$ 524,296	\$ 564,767	\$ 1,089,063

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
- GOVERNMENTAL FUNDS

For the Year Ended December 31, 2002

	<u>General</u>
REVENUES	
Ad valorem taxes	\$ 295,127
Revenue sharing	24,387
Earnings on investments	2,381
2% Fire tax	17,706
Grant	22,583
Reimbursed expenses	4,431
Donations	110,250
Miscellaneous	<u>222</u>
Total revenues	477,087
EXPENDITURES	
Public safety - fire protection	
Salaries	160,053
Advertisement	1,627
Communication	8,678
Health insurance	23,000
Insurance	30,794
Miscellaneous	1,449
Office supplies	7,397
Per diem	1,650
Payroll taxes	7,026
Professional fees	9,522
Retirement	12,816
Repairs	4,476
Supplies	8,243
Training	9,635
Turn out gear	3,904
Uniforms	2,636
Utilities	10,643
Vehicles - fuel	7,491
Vehicles - repairs	19,996
Capital outlay - equipment	187,889
Capital outlay - land	80,000
Debt service - interest	<u>833</u>
Total expenditures	<u>599,758</u>
Excess (deficiency) of revenues over expenditures before other financing sources	(122,671)
OTHER FINANCING SOURCES	
Loan proceeds	<u>80,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(42,671)
FUND BALANCE - BEGINNING OF YEAR	<u>398,253</u>
FUND BALANCE - END OF YEAR	<u>\$ 355,582</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

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

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances - total governmental funds (page 13)	\$ 733,481
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	89,709
The issuance of long-term debt (e.g., certificates of indebtedness, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(605,589)</u>
Change in net assets of governmental activities (page 10)	<u>\$ 217,601</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

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, 2002

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ (42,671)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	208,534
The issuance of long-term debt (e.g., certificates of indebtedness, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(80,000)</u>
Change in net assets of governmental activities (page 11)	<u>\$ 85,863</u>

The accompanying notes are an integral part of this statement.



ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The mission of the St. Tammany Parish Fire Protection District No. 3 (the District) is to provide fire protection in that area of the Parish which includes Lacombe. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies:

1. Reporting Entity

The District was created in 1954 by Ordinance 3017 of the St. Tammany Parish Council. The District is governed by a Board of Commissioners which are appointed by the St. Tammany Parish Council. The District consists of five Commissioners who serve two year terms.

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because the Parish Council appoints all members of the District and as such is financially accountable for the District. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

2. Basis of Presentation

The accompanying basic financial statements of the St. Tammany Parish Fire Protection District No. 3 have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," issued in June 1999. As a result, an entirely new financial presentation format has been implemented.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation - Continued

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds.

Fund Financial Statements (FFS)

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental funds:

The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

The Capital Projects Fund accounts for proceeds of certificates of indebtedness and the construction of a new fire house and renovation of an existing firehouse.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus/Basis of Accounting

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

4. Budgets and Budgetary Accounting

The District adopts an annual budget for the General Fund on a modified accrual basis of accounting. The budget is legally adopted and amended as necessary by the District.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Cash and Cash Equivalents and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days, however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

7. Capital Assets

All fixed assets are recorded at historical costs. Depreciation of all exhaustible fixed assets is charged as an expense against their operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District capitalizes for depreciation purposes equipment over \$2,500. The following estimated useful lives and methods are used to compute depreciation:

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Capital Assets - Continued

Buildings	30 years	Straight Line
Vehicles	5 years	Straight Line
Equipment	10 - 15 years	Straight Line
Computers	5 years	Straight Line

Depreciation expense amounted to \$50,512 and \$46,121 for the years ended December 31, 2003 and December 31, 2002, respectively.

8. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

9. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

NOTE B - AD VALOREM TAXES

Property taxes for the operations and bond debt service of the District are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 2000. Taxes are due and payable December of the following year.

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

	<u>Authorized</u>	<u>Levied</u>	<u>Expiration</u>
Maintaining, acquiring, constructing, improving and operating fire protection and rescue services	5.00	5.00	2012
Maintaining, acquiring, constructing, improving and operating fire protection and rescue services	10.63	10.63	2012

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE B - AD VALOREM TAXES (Continued)

	<u>Authorized</u>	<u>Levied</u>	<u>Expiration</u>
Maintaining, acquiring, constructing, improving and operating fire protection and rescue services	10.00	10.00	2012
Maintaining, acquiring, constructing, improving and operating fire protection and rescue services	10.00	10.00	2009

NOTE C - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2003:

Demand deposits	<u>\$582,624</u>
-----------------	------------------

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 has \$589,890 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 in federal deposit insurance and \$489,890 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 that the fiscal agent has failed to pay deposited funds upon demand.

NOTE D - 2% FIRE INSURANCE TAX

The District is eligible and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas that they serve. In accordance with the Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection as the District shall direct.

NOTE E - CONSTRUCTION COMMITMENT

On February 26, 2004, the District entered into a construction contract in the amount of \$434,000 to build a new fire house and to renovate existing firehouse at a contract price of \$31,743.

## ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## NOTE F - CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2003 and 2002 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
For the year ended December 31, 2003:				
Capital assets not being depreciated:				
Land	\$ 202,350	\$ -	\$ -	\$ 202,350
Capital assets being depreciated:				
Building	196,700	6,161	-	202,861
Firefighting and rescue equipment	149,402	62,486	-	211,888
Communication equipment	48,550	-	-	48,550
Other equipment	41,336	-	-	41,336
Vehicles	467,054	35,228	-	502,282
Computers	5,500	-	-	5,500
Total capital assets being depreciated	<u>908,542</u>	<u>103,875</u>	<u>-</u>	<u>1,012,417</u>
Less accumulated depreciation for:				
Building	(139,350)	(2,073)	-	(141,423)
Firefighting and rescue equipment	(117,710)	(10,648)	-	(128,358)
Communication equipment	(37,770)	(1,510)	-	(39,280)
Other equipment	(25,955)	(2,564)	-	(28,519)
Vehicles	(180,992)	(32,617)	-	(213,609)
Computers	(2,640)	(1,100)	-	(3,740)
Total accumulated depreciation	<u>(504,417)</u>	<u>(50,512)</u>	<u>-</u>	<u>(554,929)</u>
Total capital assets being depreciated - net	<u>404,125</u>	<u>53,363</u>	<u>-</u>	<u>457,488</u>
Capital assets - net	<u>\$ 606,475</u>	<u>\$ 53,363</u>	<u>\$ -</u>	<u>\$ 659,838</u>
For the year ended December 31, 2002:				
Capital assets not being depreciated:				
Land	\$ 122,350	\$ 80,000	\$ -	\$ 202,350
Capital assets being depreciated:				
Building	196,700	-	-	196,700
Firefighting and rescue equipment	130,423	18,979	-	149,402
Communication equipment	48,550	-	-	48,550
Other equipment	41,336	-	-	41,336
Vehicles	312,478	154,576	-	467,054
Computers	4,400	1,100	-	5,500
Total capital assets being depreciated	<u>733,887</u>	<u>174,655</u>	<u>-</u>	<u>908,542</u>
Less accumulated depreciation for:				
Building	(137,500)	(1,850)	-	(139,350)
Firefighting and rescue equipment	(110,311)	(7,399)	-	(117,710)
Communication equipment	(36,260)	(1,510)	-	(37,770)
Other equipment	(22,323)	(3,632)	-	(25,955)
Vehicles	(150,362)	(30,630)	-	(180,992)
Computers	(1,540)	(1,100)	-	(2,640)
Total accumulated depreciation	<u>(458,296)</u>	<u>(46,121)</u>	<u>-</u>	<u>(504,417)</u>
Total capital assets being depreciated - net	<u>275,591</u>	<u>128,534</u>	<u>-</u>	<u>404,125</u>
Capital assets - net	<u>\$ 397,941</u>	<u>\$ 208,534</u>	<u>\$ -</u>	<u>\$ 606,475</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE G - LONG-TERM DEBT

The following is a summary of bond transactions of the St. Tammany Parish Fire Protection District No. 3 for the two years ended December 31, 2003:

General Obligation:	<u>Certificates of Indebtedness</u>	<u>Compensated Absences</u>	<u>Total</u>
Payable at January 1, 2002	\$ -	\$ -	\$ -
Additions	80,000	-	80,000
Retired	<u>-</u>	<u>-</u>	<u>-</u>
Payable at December 31, 2002	80,000	-	80,000
Additions	600,000	12,482	612,482
Retired	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Payable at December 31, 2003	<u>\$ 665,000</u>	<u>\$ 12,482</u>	<u>\$ 677,482</u>

Certificate of indebtedness dated May 23, 2002; balance due in annual principal installments, starting March 1, 2003, of \$10,000 - \$17,000 plus semiannual interest payments through March 1, 2019; with interest at 4.50% secured by a pledge of ad valorem millages

\$ 65,000

\$600,000 Certificate of Indebtedness dated August 25, 2003; balance due in annual principal installments, starting March 1, 2004, of \$45,000 - \$71,000 plus semiannual interest payments through March 1, 2009; with interest at 3.42% secured by a pledge of ad valorem millages

\$ 600,000

\$ 665,000

Certificates of Indebtedness bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the District is legally restricted from incurring long term bonded debt in excess of 10% of the assessed value of taxable property in the district. At December 31, 2003 the District had not exceeded this statutory limit.



ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE G - LONG-TERM DEBT (Continued)

The following is a schedule of future principal debt service requirements:

<u>Year Ending</u> <u>December 31</u>	<u>Certificates of Indebtedness</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 60,000	\$ 22,141	\$ 82,141
2005	69,000	19,560	88,560
2006	72,000	17,106	89,106
2007	74,000	14,561	88,561
2008	59,000	12,329	71,329
2009 - 2013	<u>331,000</u>	<u>29,156</u>	<u>360,156</u>
	<u>\$ 665,000</u>	<u>\$ 114,853</u>	<u>\$ 779,853</u>

NOTE H - LOUISIANA FIREFIGHTERS RETIREMENT SYSTEM PENSION NOTE

*Plan Description.* Substantially all employees of Fire Protection District No. 3 of St. Tammany Parish are members of the Louisiana Firefighters Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees.

Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance prior to January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third per cent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and 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.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE H - LOUISIANA FIREFIGHTERS RETIREMENT SYSTEM PENSION NOTE (Continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement system, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

*Funding Policy.* Plan members are required by state statute to contribute 8% of their annual covered salary and St. Tammany Parish Fire Protection District No. 3 is required to contribute at an actuarially determined rate. The current rate is 21% of annual covered payroll. The contribution requirements of plan members and St. Tammany Parish Fire Protection District No. 3 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. St. Tammany Parish Fire Protection District No. 3's contributions to the System for the years ending December 31, 2003 and 2002 were \$21,840 and \$12,816, respectively.

**REQUIRED SUPPLEMENTAL INFORMATION**

## ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

## GENERAL FUND

## BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 298,718	\$ 298,718	\$ 490,026	\$ 191,308
Revenue sharing	25,000	25,000	34,738	9,738
Earnings on investments	-	-	1,117	1,117
2% Fire tax	17,706	17,706	16,975	(731)
Grant	-	-	58,147	58,147
Reimbursed expenses	-	-	10,935	10,935
Folgers payment	-	-	52,000	52,000
Donations	-	-	39,351	39,351
Miscellaneous	-	-	2,747	2,747
<b>Total revenues</b>	<b>341,424</b>	<b>341,424</b>	<b>706,036</b>	<b>364,612</b>
<b>EXPENDITURES</b>				
Public safety - fire protection				
Salaries	159,000	159,000	167,903	(8,903)
Advertisement	1,000	1,000	1,611	(611)
Communication	7,000	7,000	10,615	(3,615)
Election	-	-	5,227	(5,227)
Health insurance	22,000	22,000	22,326	(326)
Insurance	29,612	29,612	59,653	(30,041)
Miscellaneous	3,041	3,041	6,179	(3,138)
Office supplies	6,160	6,160	6,384	(224)
Per diem	2,000	2,000	1,800	200
Payroll taxes	3,600	3,600	7,678	(4,078)
Professional fees	25,250	25,250	38,892	(13,642)
Retirement	21,000	21,000	21,840	(840)
Repairs	5,190	5,190	5,779	(589)
Supplies	8,000	8,000	10,624	(2,624)
Training	7,500	7,500	8,022	(522)
Turn out gear	3,000	3,000	2,685	315
Uniforms	1,500	1,500	1,551	(51)
Utilities	10,000	10,000	11,360	(1,360)
Vehicles - fuel	6,000	6,000	10,500	(4,500)
Vehicles - repairs	10,000	10,000	27,943	(17,943)
Capital outlay - equipment	52,098	52,098	91,027	(38,929)
Debt service - principal	14,000	14,000	15,000	(1,000)
Debt service - interest	2,722	2,722	2,723	(1)
<b>Total expenditures</b>	<b>399,673</b>	<b>399,673</b>	<b>537,322</b>	<b>(137,649)</b>
Excess (deficiency) of revenues over expenditures	\$ <u>(58,249)</u>	\$ <u>(58,249)</u>	168,714	\$ <u>226,963</u>
FUND BALANCE - BEGINNING OF YEAR			<u>355,582</u>	
FUND BALANCE - END OF YEAR			\$ <u>524,296</u>	

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2002

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 292,009	\$ 292,009	\$ 295,127	\$ 3,118
Revenue sharing	24,526	24,526	24,387	(139)
Earnings on investments	4,710	4,710	2,381	(2,329)
2% Fire tax	16,063	16,063	17,706	1,643
Grant	-	-	22,583	22,583
Reimbursed expenses	-	-	4,431	4,431
Donations	-	30,100	110,250	80,150
Miscellaneous	960	966	222	(744)
<b>Total revenues</b>	<b>338,268</b>	<b>368,374</b>	<b>477,087</b>	<b>108,713</b>
<b>EXPENDITURES</b>				
Public safety - fire protection				
Salaries	145,833	145,833	160,053	(14,220)
Advertising	809	809	1,627	(818)
Communication	7,242	7,242	8,678	(1,436)
Health insurance	18,000	18,000	23,000	(5,000)
Insurance	30,000	30,000	30,794	(794)
Miscellaneous	5,382	5,382	1,449	3,933
Office supplies	6,160	6,260	7,397	(1,137)
Per diem	1,699	1,699	1,650	49
Payroll taxes	2,300	2,300	7,026	(4,726)
Professional fees	28,930	28,930	9,522	19,408
Retirement	8,000	8,000	12,816	(4,816)
Repairs	16,400	16,400	4,476	11,924
Supplies	22,314	22,314	8,243	14,071
Training	11,300	11,300	9,635	1,665
Turn out gear	5,000	5,000	3,904	1,096
Uniforms	1,400	1,400	2,636	(1,236)
Utilities	10,000	10,000	10,643	(643)
Vehicles - fuel	4,500	4,500	7,491	(2,991)
Vehicles - repairs	13,000	13,000	19,996	(6,996)
Capital outlay - equipment	61,683	209,354	187,889	21,465
Capital outlay - construction	-	-	80,000	(80,000)
Debt service - interest	-	-	833	(833)
<b>Total expenditures</b>	<b>399,952</b>	<b>547,723</b>	<b>599,758</b>	<b>(52,035)</b>
Excess (deficiency) of revenues over expenditures before other financing sources	(61,684)	(179,349)	(122,671)	56,678
<b>OTHER FINANCING SOURCES</b>				
Loan proceeds	-	-	80,000	80,000
Excess (deficiency) of revenues and other financing sources over expenditures	\$ (61,684)	\$ (179,349)	(42,671)	\$ 136,678
FUND BALANCE - BEGINNING OF YEAR			398,253	
FUND BALANCE - END OF YEAR			\$ 355,582	

The accompanying notes are an integral part of this statement.

**OTHER SUPPLEMENTAL INFORMATION**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

SCHEDULE OF GOVERNING BOARD

December 31, 2003

<u>Board of Commissioners</u>	<u>2003 Compensation</u>	<u>2002 Compensation</u>
Leo Casanave P. O. Box 105 Lacombe, LA 70445 (985) 882-7466	\$390	\$390
John Dussouy P. O. Box 39 Lacombe, LA 70445 (985) 882-7110	330	330
Sorola Palmer 28399 Camellia Drive Lacombe, LA 70445 (985) 882-3392	390	360
James Smith 26060 Cloverland Road Lacombe, LA 70445 (985) 882-5132	360	390
Dewey Spies 59233 Pine Bay Lane Lacombe, LA 70445 (985) 882-6861	330	-
Allen Schaefer 28462 Lake Drive Lacombe, LA 70445 (985) 882-5513	-	210

# Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY)

*Certified Public Accountants*

P.O. Box 3790

Covington, Louisiana 70434-3790

Samuel K. Smith, CPA  
Patrick "Bryan" Huval, CPA

(985) 892-6633 - Covington  
(985) 892-4666 - FAX

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 3

We have audited the financial statements of the St. Tammany Parish Fire Protection District No. 3 as of December 31, 2003 and for the two years then ended and have issued our report thereon dated March 26, 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.

As part of obtaining reasonable assurance about whether the St. Tammany Parish Fire Protection District No. 3's 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the following paragraph.

During the year ended December 31, 2003, General Fund total expenditures of \$537,322 exceeded total budgeted expenditures of \$399,673 creating an unfavorable variance of \$137,649. Also, during the year ended December 31, 2002, General Fund total actual expenditures of \$599,758 exceeded total budget expenditures of \$547,723 creating an unfavorable variance of \$52,035. The unfavorable variance amount in both years exceeds 5% of budgeted expenditures. LRS 39:1310 requires the management of the District to amend the budget when actual expenditures exceed budgeted by more than 5%. The District should monitor the budget frequently and amend it when it appears expenditures will exceed appropriation by more than 5%. Also, the District did not make its budget available for public inspection as required by LRS 39:1306.

In planning and performing our audit, we considered the St. Tammany Parish Fire Protection District No. 3's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 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.



To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 3

This report is intended for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

March 26, 2004

*Smith, Heval & Associates, L.L.C.*

RECEIVED  
LEGISLATIVE AUDITOR

04 JUN 30 AM 11:48

June 21, 2004

Legislative Audit Advisory Committee  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

To Whom it May Concern:

For the years ended December 31, 2002 and 2003, our general fund actual expenditures exceeded budgeted by more than 5%. We will institute procedures to monitor budget to actual reports on a periodic basis. Also, for the year ended December 31, 2003, we did not make our budget available for public inspection. Due to a new ad valorem millage, our revenues exceeded the \$250,000 threshold. For future budgets we will publish a notification in the official journal and will hold a public hearing prior to adoption.

Sincerely



Charles A. Flynn, III  
Fire Chief