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**St. Tammany Parish Fire Protection District No. 4  
Comprehensive Annual Financial Report  
For the Year Ended December 31, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-4-04

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Assets	8
Statement of Activities	9
<b>FUND FINANCIAL STATEMENTS</b>	
Balance Sheet	10
Reconciliation of Government Funds Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
<b>NOTES TO FINANCIAL STATEMENTS</b>	14
<b>SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedule – General Fund	26
Schedule of Compensation Paid to Board Members	27
<b>OTHER INDEPENDENT AUDITORS' REPORT</b>	
Compliance and On Internal Control Over Financial Reporting Based On an Audit of Basic Financial Statements Performed In Accordance With Government Auditing Standards	29

# Skarda & Silva, L.L.P.

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 4  
Mandeville, Louisiana

We have audited the accompanying basic financial statements of the St. Tammany Parish Fire Protection District No. 4 as of 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 financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. 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 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. 4 as of December 31, 2003, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statements No. 33, Accounting and Financial Reporting for Nonexchange Transactions, Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, No. 35 an amendment to No. 34, No. 36 an amendment to No. 33 and No. 37 an amendment to No. 34. This results in a change to the District's method of accounting for certain nonexchange revenues and a change in format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7, 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 supplementary information. However we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2004 on our considerations of St. Tammany Parish Fire Protection District No. 4's internal control structure and on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the St. Tammany Parish Fire Protection District No. 4 taken as a whole. The accompanying Schedule of Compensation Paid to Board of Commissioners is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
May 21, 2004



# FIRE PROTECTION DISTRICT NO. 4

ST. TAMMANY PARISH  
709 GERARD STREET  
MANDEVILLE, LOUISIANA 70448

Phone: (985) 626-8671

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Merrick Tassin  
*Fire Chief*

William C. Esquinance  
*Deputy Chief*

THOMAS DRUEN  
*Chairman*

**Commissioners:**  
WILLIAM "BILL" DOBSON  
*Vice-Chairman*  
HILDA ROSENTHAL  
Secretary/Treasurer  
GILLIS T. MELANCON  
STEVE BRADSHAW

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) is a required element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in their statement No. 34. Its purpose is to provide an overview of the financial activities of the District based on currently known facts, decisions or conditions.

### **THE DISTRICT AS A WHOLE**

The government-wide financial statements present financial information for all activities of the District from an economic resources measurement focus using the accrual basis of accounting. They present governmental activities, such as debt service and general government, separately from business-type activities.

The District's combined net assets as of December 31, 2003, were:

Invested in capital assets	\$2,741,922
Unrestricted assets	<u>5,571,709</u>
<b>Total Net Assets</b>	<b><u>\$8,313,631</u></b>

## FINANCIAL HIGHLIGHTS

A summary of the basic government-wide financial statements is as follows:

### SUMMARY OF STATEMENT OF NET ASSETS

#### ASSETS:

Other assets	\$6,284,693
Capital assets, net of Accumulated depreciation	<u>2,741,922</u>
Total assets	\$9,026,615

#### LIABILITIES:

Other liabilities	\$ 439,720
Non-Current Liabilities	74,800
Compensated Absences current	<u>198,464</u>
Total liabilities	\$ 712,984

#### NET ASSETS:

Invested in capital assets	\$2,741,922
Unrestricted assets	<u>5,571,709</u>
Total Net Assets	\$8,313,631

### SUMMARY OF STATEMENT OF ACTIVITIES

#### REVENUES:

Ad valorem taxes	\$5,601,825
Intergovernmental revenues:	
State revenue sharing	203,039
Fire insurance tax	120,296
Emergency Medical Service	305,150
Grant income	134,415
Interest income	74,562
Sale of equipment	38,000
Other	<u>16,689</u>
Total general revenues	\$6,493,976

## **FINANCIAL HIGHLIGHTS – Continued**

Expenses		
	Public Safety fire protection	\$5,617,043
	Emergency medical services	252,114
	Charges for services	305,150
	Operating Grants	134,415
	Total Services	<u>(187,451)</u>
	Total Expenses	\$5,429,592
Changes in net assets		624,819
Net assets – beginning of year		\$5,280,235
Adjustments to net assets:		
	Capitalize assets & accumulated depreciation	
	As of December 31, 2002	2,654,234
	Compensated absences as of December 31, 2002	<u>(245,657)</u>
Net assets – beginning of year, as restated		<u>7,688,812</u>
Net assets – end of year		<u>\$8,313,631</u>

The receivable for Ad valorem taxes is the net of an allowance at December 31, 2003 of \$338,875. The allowance is set up at 6% of the total Ad valorem allocated to the St. Tammany Parish Fire Protection District No. 4 per the rolls of St. Tammany Parish and is expected to be collected.

The emergency medical service is net of an allowance at December 31, 2003 of \$99,441.00. The allowance has been setup at 27% of the outstanding receivable of \$197,069.04 for the fiscal year 2003. December 2003 ended with an average monthly collection rate of 55.28%.

Due to the complexity of recovering EMS fees, there is a delay in receiving payments. For example, as of December 31, 2003 the St. Tammany Fire District 4 had a 72.56% average monthly collection rate for fiscal year 2002. We expect a similar collection rate for 2003 at the end of fiscal year 2004.



There were two ad valorem tax millages authorized for the year ended December 31, 2003.00. One tax millage was 25.0 and there was an additional 2.0 tax millage.

At December 31, 2003, employees of the District have accumulated and vested \$273,264 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

For the year ended December 31, 2003, \$218,722 in depreciation expense was allocated to fire protection activities and \$32,771 to emergency medical service activities.

Substantially all employees of the St. Tammany Fire Protection District No. 4 are members of the Louisiana Firefighters Retirement System. In addition to certain dedicated taxes that are remitted to the System, covered employees are required by state statute to contribute 8% of their covered annual salary and the District is to contribute at an actuarially determined rate. On July 21, 2003 the percentage increased from 9% to 21%.

The District is a defendant in two medical malpractice suits filed during performance of emergency medical transport services. The District expects any losses to be covered by insurance. In March of 2004, a civil suit was filed against the District alleging miscalculation of overtime pay. The District plans to defend this matter vigorously. An estimate of any possible loss cannot be made at this time.

During 2003, the District was awarded a grant from the Federal Emergency Management Agency in the amount of \$149,350 to purchase emergency medical service equipment. The Federal funding was 90% or \$134,415 and the District provided 10% or \$14,935.

In August 2003, the District entered into a \$173,234 construction contract to renovate Fire Station No. 42. For the year ended December 31, 2003, \$70,064 has been expended. The completion date of the renovation is estimated to be July 4, 2004.

During the year ended December 31, 2003, the full time employees received additional pay in the amount of \$299,250 from the State of Louisiana in the form of State Firefighter Supplemental pay. These intergovernmental funds are not reflected in the financial statements of the District for the year ended December 31, 2003.

The financial position deteriorated for fiscal year ending December 2003 by being impacted with an unexpected increase in the Firefighter's Retirement System and litigation as explained above. A result of this deterioration has impacted the funds that would have been allocated to future fire and EMS apparatus purchases through the apparatus fund. The increase in the District's contribution to the Firefighter's Retirement Fund will impact the Districts Budget in following years. Increases in Health Insurance and other benefits will also impact the Budget in following years.



Designated funds set aside by the Board are the Apparatus Fund, used to replace fire apparatus on a 15 year cycle. Using a cost benefit analysis, the useful life of the fire apparatus for this District is approximately 15 years. The Fire Districts aerial apparatus is nearing its useful life span and will need to be replaced at an approximate cost of between \$300,000 and \$450,000 within the next few years. EMS apparatus has a replacement cycle for this District of between 3 and 5 years for initial response trucks and up to 8 years on second response trucks. The Emergency Fund has been established to cover short term impacts to the budget for disasters and unforeseen emergencies to prevent lay-offs and cut-backs in services to the citizens. The Building Fund was established to provide for future expansion of buildings and facilities as the District requires in order to provide quality service to the citizens. These designated funds allow the District to purchase capital items and cover emergencies with funds available rather than occurring debt and paying interest.

A comparative analysis will be provided in future years when prior year information is available.

The District continues to closely monitor the use of its funds by both the District and each individual fire station to ensure that the funds are spent wisely. We are very proud of the progress that has been made throughout the parish in providing quality fire protection to all citizens.

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for money it receives. If you have any questions about this report or need additional financial information, contact Chief Merrick Tassin, St. Tammany Fire District No. 4, 709 Gerard St., Mandeville, La. 70448.

**ST TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2003**

**ASSETS**

Current assets

Cash and cash equivalents	\$ 473,006
Receivables	5,795,771
Prepaid insurance	15,833
Deposits	84
	6,284,695

Non-current assets

Capital assets - net of accumulated depreciation	2,741,922
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Total Assets 9,026,617

**LIABILITIES**

Current liabilities

Accounts payable	66,100
Salary benefits payable	373,620
Compensated absences - current	198,464
	638,184

Non-current liabilities

Compensated absences - non-current	74,800
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Total Liabilities 712,984

**NET ASSETS**

Invested in capital assets	2,741,922
Unrestricted assets	5,571,709
	5,571,709

Total Net Assets \$ 8,313,631

The accompanying notes are an integral part of this statement.

**ST TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	PROGRAM REVENUES			
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS	TOTAL	
<b>EXPENSES</b>				
Public safety - fire protection:	\$ 5,617,043	\$ -	\$ -	\$ 5,617,043
Emergency medical services:	252,114	305,150	134,415	(187,451)
Total Governmental activities	\$ 5,869,157	\$ 305,150	\$ 134,415	5,429,594
<b>GENERAL REVENUES</b>				
Ad valorem taxes				5,601,825
Intergovernmental revenues:				
State revenue sharing				203,039
Fire insurance tax				120,296
Interest income				74,562
Sale of equipment				38,000
Other				16,691
Total general revenues				6,054,413
Changes in net assets				624,819
Net assets - beginning of year, as previously reported				5,280,235
Adjustments to net assets:				
Capitalize assets and accumulated depreciation as of December 31, 2002				2,654,234
Compensated absences as of December 31, 2002				(245,657)
Net assets - beginning of year, as restated				7,688,812
Net assets - end of year				\$ 8,313,631

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4  
BALANCE SHEET - GOVERNMENTAL FUND  
DECEMBER 31, 2003**

**ASSETS**

Cash and cash equivalents	\$ 473,006
Receivables:	
Ad valorem taxes, net of allowance for uncollectible taxes of \$338,875	5,324,702
Emergency medical service, net of allowance for uncollectible fees of \$99,441	268,859
State revenue sharing	202,210
Prepaid expenditures	15,833
Deposits	<u>84</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 6,284,693</u></u></b>

**LIABILITIES AND FUND BALANCE**

Liabilities	
Accounts payable	\$ 66,100
Accrued payroll and benefits	<u>373,620</u>
Total liabilities	439,720
Fund balance	
Designated	329,745
Undesignated	<u>5,515,228</u>
Total fund balance	<u>5,844,973</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u><u>\$ 6,284,693</u></u></b>

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2003**

Fund balances - total governmental funds		\$ 5,844,973
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental capital assets	\$ 4,904,446	
Less accumulated depreciation	<u>2,162,525</u>	2,741,921
Long term liabilities are not due and payable in the current period therefore they are not reported in the funds. Long term liabilities consist of the following:		
Compensated absences		<u>(273,264)</u>
Net assets of governmental activities		<u><u>\$ 8,313,630</u></u>

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>REVENUES</b>	
Ad valorem taxes	\$ 5,601,825
State revenue sharing	203,039
2% fire insurance tax	120,296
Emergency medical service	305,150
Interest income	74,562
Grant income	134,415
Other income	16,689
Sale of equipment	<u>38,000</u>
 Total revenues	 6,493,976
<b>EXPENDITURES</b>	
Personnel services and benefits	4,262,936
Contracted services	149,785
Legal and professional	34,476
Insurance	800,787
Repairs and maintenance	106,032
Station supplies	54,701
Medical supplies and fees	44,667
Office	21,297
Other	4,898
Occupancy	54,375
Fire prevention education and training	15,177
Fuel and oil	26,113
Dues, subscriptions and licenses	5,352
Travel and meals	9,461
Capital outlay	204,766
Grant outlays	<u>134,415</u>
 Total expenditures	 5,929,238
Excess (deficiency) of revenues over expenditures	 564,738
Fund balance-beginning of year	<u>5,280,235</u>
	<u><u>\$ 5,844,973</u></u>

The accompanying notes are an integral part of this statement.

**ST TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Net changes in fund balance - Total governmental fund	\$	564,738
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the costs of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount of capital expenditures over depreciation		87,688
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Governmental funds report compensated absences as expenditures when the amount is paid. In the statement of activities, the net accretion/decretion is reported as an expense		<u>(27,607)</u>
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Changes in net assets of governmental activities	\$	<u><u>624,819</u></u>
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The accompanying notes are an integral part of this statement.



## ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Formation and Operations

The St. Tammany Parish Fire Protection District No. 4 is a component unit of St. Tammany Parish created by ordinance of the St. Tammany Parish Council on January 16, 1958. The Fire District is administered by a board of commissioners of five members. Two members are appointed by the St. Tammany parish and two members are appointed by the City of Mandeville. These four members select the fifth member who serves as the chairman. Each commissioner is entitled to receive a per diem payment of \$100 for each board meeting attended. The Fire District provides fire protection and emergency medical services for the entire fourth ward of St. Tammany Parish which has a population of 44,000. The St. Tammany Parish Fire Protection District no. 4 maintains and operated four fire protection facilities, a training center and employs 95 employees.

Fire protection districts are created for the purpose of acquiring, maintaining, and operating facilities, machinery, equipment, water tanks, water hydrants, water lines, and other things necessary to provide proper fire protection and control of the property within the District.

##### Reporting Entity

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

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

- a) Appointing a voting majority of an organization's governing body, and the ability of the Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burden on the organization.
- b) Organizations for which the Council does not appoint a voting majority but are fiscally dependent on the Council.
- c) Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

## ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

The St. Tammany Parish Fire Protection District No. 4 was determined to be a component unit of St. Tammany Parish, the reporting entity, because the reporting entity's financials statements would be misleading if data of the St. Tammany Parish Fire Protection District No. 4 was not included due to the significance of the relationship and scope of public services. The accompanying financial statements present information only on the funds maintained by the St. Tammany Parish Fire Protection District No. 4 and do not present information on the Parish, the general government services provided by the Parish, or other governmental units that comprise the financial reporting entity.

#### Basis of Presentation and Accounting

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34. The District has implemented the provisions of this statement for the year ended December 31, 2003. The implementation of these statements has created additional statements, schedules, reports and note disclosures as follows:

- Management Discussion and Analysis (MD&A) section providing an analysis of the overall financial position and results of operations.

- Financial statements are prepared using the full accrual accounting methods:

  - Depreciation is recorded on depreciable assets and assets are recorded net of accumulated depreciation.

- The basic financial statements include Government-Wide Statements and Fund Financial Statements, as explained in the following note disclosures:

#### Government-Wide Statements

The statement of net assets and the statement of activity display information about the District. The District's activities are financed through taxes, intergovernmental revenues, and other non exchange transactions. The governmental-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and are recorded in the year assessed. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

## ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Assets used in operation with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, leasehold improvements, and building are depreciated over their estimated useful lives. Depreciation is not calculated on land, land improvements or construction in progress. Accumulated depreciation is recorded at net of depreciable assets in the statement of net assets.

The statement of activities presents a comparison between direct expenses and program revenues for the activities of the District. Program revenues consist of charges for services which are revenue from exchanges or exchange like transactions with external parties that purchase, use or directly benefit from the program's goods, services, or privileges. These revenues include fees charged for emergency medical services. Program revenues also consist of operating grants and contributions which are resources restricted for operating purposes of a program. These include grants and contributions with restriction that permit the resources to be used for a program's operating of capital needs at the recipient government's discretion.

The financial statements of the St. Tammany Parish Fire Protection District No. 4 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### Fund Accounting

The District uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity using the modified accrual method to report revenues and expenditures.

Funds of the District are classified as governmental funds. Governmental funds account for the district's general activities, including the collection and disbursement of specific or legally restricted monies, and the renovation a fire station. The only fund in 2003 for the District was the General Fund which is the operating fund. The General Fund accounted for all of the financial resources including renovation of a fire station.

#### Basis of Accounting

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

## ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt and compensated absences are recorded as fund liabilities when due. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures when incurred.

Those revenues of the District susceptible to accrual are ad valorem taxes, insurance taxes, state revenue sharing, emergency medical services and interest. Substantially all other revenues are recorded when received.

#### Budget and Budgetary Accounting

Formal budgetary accounting is employed as a management control device during the year for the general fund. The budget is adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). All appropriations, which are not expended, lapse at year-end. Unexpended appropriations and any excess revenues over expenditures are carried forward to subsequent year as beginning fund balance.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

#### Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest bearing demand deposits and money market accounts. It is the policy of the District to treat highly liquid investments with a maturity of ninety (90) days or less as cash equivalents. Investments are stated at cost.

Louisiana revised statutes authorize the District to invest in (1) United States bonds, treasury notes or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana, an investment as stipulated in LSA-R.S. 39:1271, or any other federally insured investments or (2) in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. Government or its agencies.



ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Prepaid Expenses

Prepaid expenses represent the unused portion of insurance and equipment maintenance policies in effect at the balance sheet date.

Fixed Asset

Fixed assets are recorded as expenditures at the time of purchase and the related assets are capitalized. All purchased fixed assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated fixed assets, if any, are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets over \$500 are capitalized.

Depreciation is computed using the straight-line method over the following estimated lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Leasehold improvements	40 years
Furniture and fixtures	5 years
Firefighting equipment	10 years
Transportation equipment (Fire truck, ambulance)	15 years
Medical equipment	5 years

Use of Estimates in the Preparation of Financial Statements

The preparation of the District's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities as of December 31, 2003. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used in 2003 financial statements.

Ad Valorem Taxes

Ad valorem taxes are normally levied in November and billed in December. These taxes are due in January of the following year. Any unpaid taxes are collected in connection with an auction held in May. The Sheriff's department bills and collects the District's ad valorem taxes.

Ad valorem taxes are levied based on property values determined by the St. Tammany Parish Assessor (a separate entity). All land and residential improvements are assessed at 10 percent of its fair market value, and other property at 15 percent of its fair market value.

The District's ad valorem tax revenues are recognized when levied to the extent that they are determined to be currently collectible.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Emergency Medical Services

In 1994 the Fire District started providing emergency medical transportation to the residents of the fourth ward of St. Tammany Parish. Residents who use the medical transportation service are charged a fee of \$300. In 2004, the fee was increased to \$325 along with a mileage charge.

Compensated Absences

The Fire District has the following policies relating to annual and sick leave:

**Annual leave – Annual leave accrues at the rate of 7.76 hours for employees hired prior to June 9, 1986 and at the rate of 7.34 for employees hired after June 9, 1986 per pay period for two weeks of service performed by employees on a 56 hour work week and 12.0 hours for each month of service performed by employees on a 40 hour work week. After 10 years of service, annual leave accrues at the rate of 8.18 hours per pay period for each two weeks of service performed by employees on a 56 hour work week. Annual leave not taken during a year can be accumulated. Accumulation of annual leave is limited to 450 hours per employee on December 31<sup>st</sup> of each calendar year.**

**Sick leave – Employees of the District are entitled to full pay during sickness or incapacity, not brought about by their own negligence for a period of not more than 52 weeks. Sick leave cannot be accumulated.**

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

Fund Equity

Designated fund balances consist of the following activity as of December 31, 2003:

Balance 12/31/2002	\$ 443,581
Increases per Board	41,123
Decreases per Board	(154,959)
	<hr/>
Balance 12/31/2003	\$ 329,745

Designated Fund Balances are for the following:

Apparatus Fund	\$ 109,371
Emergency Fund	100,000
Training Facility Fund	30,783
Building Fund	89,591
	<hr/>
	\$ 329,745

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budget**

The St. Tammany Parish Fire Protection District No. 4 utilized the following budgetary practices:

A budget is adopted annually for the General Fund in accordance with Louisiana Revised Statutes 39:1304 and 39:1305. The 2003 budget was first published in the official parish journal on November 12, 2002 and made available for public inspection on the same date. The public meeting for the proposed budget was held on December 23, 2003 and the budget was adopted on that date. The District approves the budget and any revisions. Periodically, individual items of budgeted revenues and expenditures are compared to actual amounts and revision is approved is necessary. The 2003 Budget was amended on December 9, 2003. For the year ended December 31, 2003, actual revenues exceeded budgeted revenues by over 5%. Expenditures may not exceed available funds.

**NOTE C – CASH AND CASH EQUIVALENTS**

At December 31, 2003 the District has cash and cash equivalents totaling \$473,006 as follows:

Cash on hand	\$ 150
Interest bearing demand deposits	472,856
	<hr/>
Total	\$ 473,006
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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 \$666,608 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$2,872,901 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 provision of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.



**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE D – RECEIVABLES**

Receivables at December 31, 2003, were comprised of the following:

Ad valorem taxes	\$ 5,324,703
State revenue sharing	202,210
Emergency medical service	268,858
	<hr/>
Total	<u>\$ 5,795,771</u>

The receivable for Ad valorem taxes is net of an allowance at December 31, 2003 of \$338,875. The allowance is set up at 6 % of the total Ad valorem tax allocated to the St. Tammany Parish Fire Protection District No. 4 per the rolls of St. Tammany Parish and is expected to be collected.

The emergency medical service is net of an allowance at December 31, 2003 of \$99,441. The allowance has been setup at 27% of the outstanding receivable at December 31, 2003.

**NOTE E – LEVIED AD VALOREM TAXES**

There were two ad valorem tax millages authorized and levied for the year ended December 31, 2003. One tax millage was 25.0 and there was an additional 2.0 tax millage.

**NOTE F – COMPENSATED ABSENCES/LONG TERM OBLIGATIONS**

At December 31, 2003, employees of the District have accumulated and vested \$273,264 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

Long-term obligations payable at December 31, 2002	\$ 245,657
Additions	226,071
Deductions	<u>(198,464)</u>
Total	273,264
Less current obligation	<u>(198,464)</u>
Long-term obligations payable at December 31, 2003	<u>\$ 74,800</u>

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE G – CHANGES IN CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2003:

<b>Cost</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Land	\$ 72,950			\$ 72,950
Buildings	1,956,052	96,688		2,052,740
Equipment	658,369	71,420		729,789
Furniture and fixtures	148,767	1,558		150,325
Transportation equipment	1,685,731		(121,443)	1,564,288
Medical equipment	164,839	169,515		334,354
	<u>\$ 4,686,708</u>	<u>\$ 339,181</u>	<u>(121,443)</u>	<u>\$ 4,904,446</u>
<b>Accumulated Depreciation</b>				
Land	-	-		-
Buildings	457,084	48,669		505,754
Equipment	431,711	57,274		488,984
Furniture and fixtures	117,674	10,257		127,931
Transportation equipment	940,133	113,933	(121,443)	932,623
Medical equipment	85,872	21,360		107,232
	<u>2,032,474</u>	<u>251,493</u>	<u>(121,443)</u>	<u>2,162,524</u>
Net Assets	<u>\$ 2,654,234</u>			<u>\$ 2,741,922</u>

For the year ended December 31, 2003, \$218,722 in depreciation expense was allocated to fire protection activities and \$32,771 to emergency medical service activities.

**NOTE H – 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 it serves. In accordance with the revised statutes, such funds shall be used only for the purpose of “rendering more efficient and efficacious” fire protection as the District shall direct.

## ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4

### NOTES TO FINANCIAL STATEMENTS

#### NOTE I – PENSION PLAN

Substantially all employees of the St. Tammany Parish Fire Protection District No. 4 are members of the Louisiana Firefighters Retirement System (System), a multiple-employer (cost-sharing), public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of fire districts and their staff, which is administered and controlled by a separate board of trustees. Contributions of participating fire districts are pooled with the System to fund accrued benefits, with employer/employee contribution rates approved by the Louisiana Legislature.

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 by state statute.

In addition to certain dedicated taxes that are remitted to the System, (which constitute major funding of the System), covered employees are required by state statute to contribute 8.00% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rates during the year ended December 31, 2003 ranged from 9 % to 21%. The contributions for the years ended December 31, 2003, 2002 and 2001 were \$524,194, \$260,010 and \$233,673, respectively. The Districts total payroll as of December 31, 2003 was \$3,261,280 and covered payroll totaled \$3,025,129.

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.

#### NOTE J – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all employees permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The District has no liability for losses under the Plan and does not guaranty any of the benefits under the plan.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE K – LITIGATIONS AND CLAIMS**

The District is a defendant in two medical malpractice suits filed during performance of emergency medical transport services. The District expects any losses to be covered by insurance. In March of 2004, a civil suit was filed against the District alleging miscalculation of overtime pay. The District plans to defend this matter vigorously. An estimate of any possible loss cannot be made at this time.

**NOTE L – FEMA GRANT**

During 2003, the District was awarded a grant from the Federal Emergency Management Agency in the amount of \$149,350 to purchase emergency medical service equipment. The Federal funding was 90% or \$134,415 and the District provided 10% or \$14,935.

**NOTE M – COMMITMENTS**

In August 2003, the District entered into a \$ 173,234 construction contract to renovate Fire Station No. 42. For the year ended December 31, 2003, \$70,064 has been expended. The completion date of the renovation is estimated to be May 2004.

**NOTE N – SUPPLEMENTAL SALARIES**

During the year ended December 31, 2003, the full time employees received additional pay in the amount of \$299,520 from the State of Louisiana. These intergovernmental funds are not reflected in the financial statements of the District for the year ended December 31, 2003.

**SUPPLEMENTAL INFORMATION**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem taxes	\$ 4,716,140	\$ 4,699,467	\$ 5,601,825	\$ 902,358
State revenue sharing	187,000	199,756	203,039	3,283
2% fire insurance tax	90,000	120,296	120,296	0
Emergency medical service	365,000	365,000	305,150	(59,850)
Interest income	69,000	66,563	74,562	7,999
Grant income	134,415	134,415	134,415	-
Other income	30,000	23,000	16,689	(6,311)
Sale of equipment	-	32,600	38,000	5,400
<b>Total revenues</b>	<b>5,591,555</b>	<b>5,641,097</b>	<b>6,493,976</b>	<b>852,879</b>
<b>EXPENDITURES</b>				
Personnel services and benefits	4,126,959	4,014,659	4,262,936	(248,277)
Contracted services	131,500	149,236	149,785	(549)
Legal and professional	27,000	26,400	34,476	(8,076)
Insurance	763,007	804,385	800,787	3,598
Repairs and maintenance	80,000	97,000	106,032	(9,032)
Station supplies	52,450	43,100	54,701	(11,601)
Medical supplies and fees	38,500	40,500	44,667	(4,167)
Office	27,600	27,786	21,297	6,489
Other	500	500	4,898	(4,398)
Occupancy	53,000	53,000	54,375	(1,375)
Fire prevention education and training	20,600	18,300	15,177	3,123
Fuel and oil	25,000	26,000	26,113	(113)
Dues, subscriptions and licenses	7,300	6,400	5,352	1,048
Travel and meals	12,000	11,000	9,461	1,539
Capital outlay	215,684	326,209	204,766	121,443
Grant outlays	134,415	134,415	134,415	-
<b>Total expenditures</b>	<b>5,715,515</b>	<b>5,778,890</b>	<b>5,929,238</b>	<b>(150,348)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(123,960)</b>	<b>(137,793)</b>	<b>564,738</b>	<b>702,531</b>
<b>Fund balance-beginning of year</b>	<b>5,280,235</b>	<b>5,280,235</b>	<b>5,280,235</b>	<b>-</b>
	<b><u>\$ 5,156,275</u></b>	<b><u>\$ 5,142,442</u></b>	<b><u>\$ 5,844,973</u></b>	<b><u>\$ 702,531</u></b>

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 4**

**SUPPLEMENTAL INFORMATION SCHEDULE**

**FOR THE YEAR ENDED DECEMBER 31, 2003**

**COMPENSATION PAID TO BOARD OF COMMISSIONERS**

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Payment per diem is made in accordance with Louisiana Revised Statute 40:1498 which authorizes per diem payments of \$30 per board meeting attended through August 14, 2001. Effective August 15, 2001, the authorized per diem payment was increased to \$100 per board meeting and \$50 per committee meeting. The maximum number of committee meeting per month allowed is 2.

**Schedule of Compensation Paid Board Members  
For the Year Ended December 31, 2003**

<u>Name</u>	<u>Amount</u>
Steve Bradshaw	\$ 1,200
William Dobson	1,550
Thomas Druen	800
Gillis Melancon	1,500
Hilda Rosenthal	1,450
	<hr/>
Total	<u>\$6,500</u>



**OTHER INDEPENDENT AUDITORS' REPORTS**

# Skarda & Silva, L.L.P.

*Certified Public Accountants*

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Mandeville, LA 70471

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

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 4  
Covington, Louisiana

We have audited the financial statements of the St. Tammany Parish Fire Protection District No. 4 as of and for the year ended December 31, 2003, and have issued our report thereon dated May 21, 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 St. Tammany Parish Fire Protection District No. 4'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 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 St. Tammany Parish Fire Protection District No. 4's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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.

This report is intended for the information of the St. Tammany Parish Fire Protection District No. 4's management and the Legislative Auditor of the State of Louisiana, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Board of Commissioners of the St. Tammany Parish Fire Protection District No. 4, is a matter of public record.

A handwritten signature in cursive script, appearing to read "Shane & Silva, LLP".

May 21, 2004