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**FIRE PROTECTION DISTRICT NO. 1
OF TENSAS PARISH, LOUISIANA
TENSAS PARISH POLICE JURY**

**Financial Statements and
Independent Auditor's Reports
For the Year Ended
December 31, 2004**

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 7-20-05

FIRE PROTECTION DISTRICT NO. 1
OF TENSAS PARISH, LOUISIANA
Annual Financial Statements
As of and for the Year Ended December 31, 2004
With Supplemental Information

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INDEPENDENT AUDITORS' REPORT

Members of the Board Commissioners
Fire Protection District No. 1 of Tensas Parish, Louisiana
St. Joseph, Louisiana

We have audited the accompanying basic financial statements of the Fire Protection District No. 1 of Tensas Parish, Louisiana, a component unit of the Tensas Parish Police Jury, as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of Fire Protection District No. 1 of Tensas Parish, Louisiana's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year comparative information has been derived from the District's 2003 financial statements, and, in our reported dated June 20, 2004, we expressed unqualified opinion on the financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Fire Protection District No. 1 of Tensas Parish, Louisiana, as of December 31, 2004 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2005 on our consideration of the Fire Protection District No. 1 of Tensas Parish, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Members of the Board Commissioners
Fire Protection District No. 1 of Tensas Parish
Page Two

The Management's Discussion and Analysis and the other required supplementary information on pages 3 through 7 and 28 through 29, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Fire Protection District No. 1 of Tensas Parish, Louisiana. Such information has been subjected to the auditing procedures applied in the examination of the basic statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ferriday, Louisiana
June 28, 2005

Switzer, Hopkins & Mang

**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Our discussion and analysis of Fire Protection District No. 1 of Tensas Parish, Louisiana (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2004.

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 June 1999.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities by \$609,671
- Expenditures exceeded revenues by \$(80,584)
- Net capital assets were \$763,732
- Total long term debt was \$448,000
- Payroll for the year was \$33,321

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and sales taxes. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 – 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The basic governmental fund financial statements can be found on pages 11 – 17 of this report.

**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$609,671 as of December 31, 2004 and \$611,754 as of December 31, 2003.

The following is a summary of the net assets at December 31, 2004:

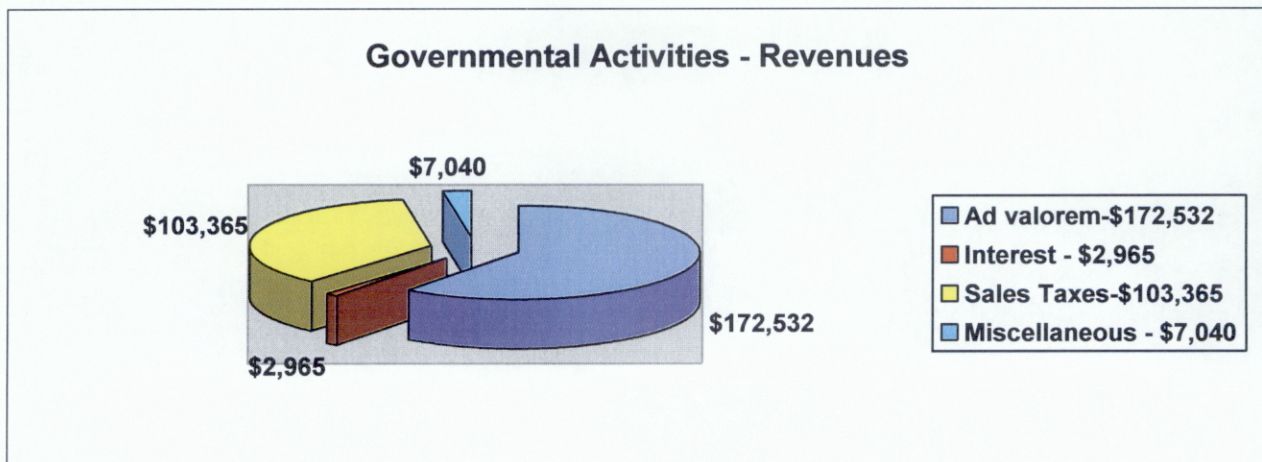
| | <u>2004</u> | <u>2003</u> |
|--|-------------------|-------------------|
| Current and other assets | \$ 284,705 | \$ 359,492 |
| Capital assets | <u>763,732</u> | <u>813,232</u> |
| Total assets | <u>1,048,437</u> | <u>1,172,724</u> |
| | | |
| Current liabilities | 103,767 | 92,970 |
| Long-term liabilities | <u>418,000</u> | <u>468,000</u> |
| Total liabilities | <u>521,767</u> | <u>560,970</u> |
| | | |
| Net Assets | | |
| Investment in capital assets (net of related debt) | 345,732 | 345,232 |
| Unrestricted | <u>263,939</u> | <u>266,522</u> |
| Total net assets | <u>\$ 609,671</u> | <u>\$ 611,754</u> |

**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

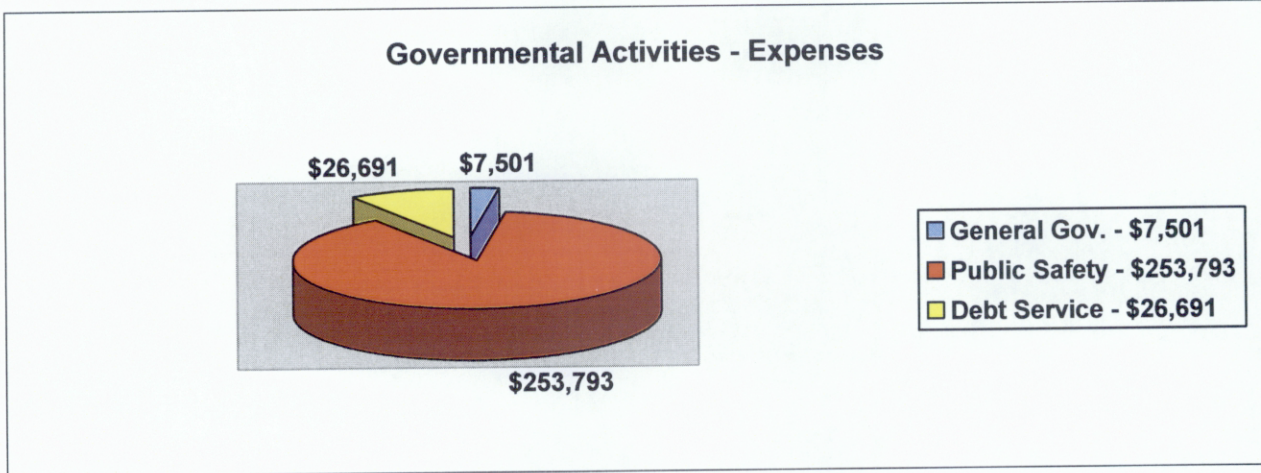
The following is a summary of the statement of activities:

| | <u>2004</u> | <u>2003</u> |
|---------------------------------------|--------------------|--------------------|
| Revenues: | | |
| Program revenues | \$ 285,902 | \$ 346,875 |
| Expenses: | | |
| General and administrative | 7,501 | 4,219 |
| Public safety - Fire | 253,793 | 239,136 |
| Debt service - interest | <u>26,691</u> | <u>32,100</u> |
| Total expenses | <u>287,985</u> | <u>275,455</u> |
| (Decrease) increase in net assets | (2,083) | 71,420 |
| Net assets beginning of year | <u>611,754</u> | <u>540,334</u> |
| Net assets end of year | <u>\$ 609,671</u> | <u>\$ 611,754</u> |

The following are a graphical representation of information presented in the Statement of Activities for Governmental Activities:



**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**



GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget was not amended during the last year.

The actual expenditures were \$17,937 below the budget amounts.

Revenues available for expenditure were \$26,611 above the budgeted amounts.

CAPITAL ASSETS

At the end of the year, the District has \$763,611 invested in capital assets, including land, buildings, furniture, fire fighting equipment and vehicles. This year there were additions of \$19,613 in capital assets. More detailed information about the District's capital assets is presented in Note 4 of the financial statements.

The additions included the following:

| | |
|-------------------------|------------------|
| Water storage tanks (3) | \$ 11,484 |
| Yanmar utility trailer | 3,300 |
| Pump - 5 horsepower | 2,229 |
| Bush hog mower | 1,500 |
| 18 x 83 Superlite | <u>1,100</u> |
| Total | <u>\$ 19,613</u> |

**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

DEBT

At year-end, the District had \$418,000 in certificates of indebtedness outstanding. This is a decrease from last year of \$128,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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, customers 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 Ricky Jones, Fire Chief, 205 Hancock Street, St. Joseph, Louisiana 71366.

BASIC FINANCIAL STATEMENTS

FIRE PROTECTION DISTRICT NO. 1 OF
TENSAS PARISH, LOUISIANA
Statement of Net Assets
December 31, 2004 and 2003

| <u>ASSETS</u> | <u>2004</u> | <u>2003</u> |
|---|-------------------|-------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 69,732 | \$ 141,913 |
| Receivables, net | 184,322 | 107,065 |
| Prepaid items | 13,538 | 14,691 |
| Deposits | <u>1,500</u> | <u>1,500</u> |
| Total current assets | <u>269,092</u> | <u>265,169</u> |
| Non-Current Assets: | | |
| Restricted: | | |
| Cash and cash equivalents | 15,613 | 94,323 |
| Capital assets, net | <u>763,732</u> | <u>813,232</u> |
| Total non-current assets | <u>779,345</u> | <u>907,555</u> |
| Total assets | <u>1,048,437</u> | <u>1,172,724</u> |
| | | |
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Accounts payable | 7,069 | 4,477 |
| Accrued liabilities | 13,698 | 10,493 |
| Current portion - loans payable | <u>83,000</u> | <u>78,000</u> |
| Total current liabilities | <u>103,767</u> | <u>92,970</u> |
| Non-Current Liabilities: | | |
| Long term portion - loans payable | <u>335,000</u> | <u>468,000</u> |
| Total liabilities | <u>438,767</u> | <u>560,970</u> |
| | | |
| <u>NET ASSETS</u> | | |
| Invested in capital assets, net of related debt | 345,732 | 345,232 |
| Unrestricted | <u>263,939</u> | <u>266,522</u> |
| Total net assets | <u>\$ 609,671</u> | <u>\$ 611,754</u> |

The accompanying notes are an integral part of these financial statements.

FIRE PROTECTION DISTRICT NO. 1 OF
TENSAS PARISH, LOUISIANA
Statement of Activities
Year Ended December 31, 2004 and 2003

| <u>GENERAL REVENUES</u> | <u>2004</u> | <u>2003</u> |
|------------------------------|-------------------|-------------------|
| Taxes | | |
| Ad valorem taxes | \$ 172,532 | \$ 161,241 |
| Sales tax | 103,365 | 98,607 |
| Grants | - | 57,648 |
| Interest income | 2,965 | 3,582 |
| Miscellaneous expenses | 7,040 | 25,797 |
| Total general revenues | <u>285,902</u> | <u>346,875</u> |
| <u>GENERAL EXPENSES</u> | | |
| Governmental activities | | |
| General government | 7,501 | 4,219 |
| Public safety - fire | 253,793 | 239,136 |
| Interest expense | 26,691 | 32,100 |
| Total general expenses | <u>287,985</u> | <u>275,455</u> |
| Change in net assets | (2,083) | 71,420 |
| Net assets-beginning of year | <u>611,754</u> | <u>540,334</u> |
| Net assets-end of year | <u>\$ 609,671</u> | <u>\$ 611,754</u> |

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS (FSS)

FIRE PROTECTION DISTRICT NO. 1 OF
TENSAS PARISH, LOUISIANA
Balance Sheet – Governmental Funds
December 31, 2004 and 2003

| <u>ASSETS</u> | General Fund | Debt Service Fund | -----Total----- Governmental Funds | |
|--|-------------------|-------------------------|---------------------------------------|-------------------|
| | | | <u>2004</u> | <u>2003</u> |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 69,732 | \$ - | \$ 69,732 | \$ 141,913 |
| Receivables, net | 184,322 | - | 184,322 | 107,065 |
| Prepaid items | 13,538 | - | 13,538 | 14,691 |
| Deposits | 1,500 | - | 1,500 | 1,500 |
| Restricted assets | - | 15,613 | 15,613 | 94,323 |
| Total assets | <u>269,092</u> | <u>15,613</u> | <u>284,705</u> | <u>359,492</u> |
| <u>LIABILITIES</u> | | | | |
| Current Liabilities: | | | | |
| Accounts payables | 7,069 | - | 7,069 | 4,477 |
| Accrued liabilities | 5,666 | 8,032 | 13,698 | 10,493 |
| Total current liabilities | <u>12,735</u> | <u>8,032</u> | <u>20,767</u> | <u>14,970</u> |
| Fund balance | | | | |
| Reserved for debt service | - | 7,581 | 7,581 | 94,323 |
| Unreserved | 256,357 | - | 256,357 | 250,199 |
| Total fund balance | <u>256,357</u> | <u>7,581</u> | <u>263,938</u> | <u>344,522</u> |
| Total liabilities and fund balance | <u>\$ 269,092</u> | <u>\$ 15,613</u> | <u>\$ 284,705</u> | <u>\$ 359,492</u> |

**FIRE PROTECTION DISTRICT NO. 1 OF
 TENSAS PARISH, LOUISIANA**
**Reconciliation of the Governmental Funds Balance Sheet
 To the Statement of Net Assets
 December 31, 2004 and 2003**

| | <u>2004</u> | <u>2003</u> |
|--|-------------------|-------------------|
| Total fund balances for governmental funds at December 31, 2004 | \$ 263,938 | \$ 344,522 |
| <p>Total net assets reported for governmental activities in the statement of net assets is different because:</p> | | |
| <p>Capital assets used governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p> | | |
| Cost of capital assets | 966,540 | 946,926 |
| Less accumulated depreciation: | | |
| Buildings | (35,572) | (20,636) |
| Equipment | (167,235) | (113,058) |
| Long-term liabilities | <u>(418,000)</u> | <u>(546,000)</u> |
| Total net assets of governmental activities at December 31, 2004 | <u>\$ 609,671</u> | <u>\$ 611,754</u> |

FIRE PROTECTION DISTRICT NO. 1 OF
TENSAS PARISH, LOUISIANA
Statement of Revenues, Expenditures and Changes
In Fund Balance
Years Ended December 31, 2004 and 2003

| | General | Debt | -----Total----- | |
|----------------------------|----------------|----------------|--------------------|----------------|
| | Fund | Service | Governmental Funds | |
| <u>REVENUES:</u> | <u>Fund</u> | <u>Fund</u> | <u>2004</u> | <u>2003</u> |
| Taxes | | | | |
| Ad valorem taxes | \$ 172,532 | \$ - | \$ 172,532 | \$ 161,241 |
| Sales tax | 103,365 | - | 103,365 | 98,607 |
| Grant income | - | - | - | 57,648 |
| Interest income | 2,770 | 195 | 2,965 | 3,582 |
| Miscellaneous revenues | 7,040 | - | 7,040 | 25,798 |
| Total revenues | <u>285,707</u> | <u>195</u> | <u>285,902</u> | <u>346,876</u> |
| <u>EXPENDITURES:</u> | | | | |
| General government | | | | |
| Legal and accounting | 7,501 | - | 7,501 | 4,219 |
| Public safety - fire | | | | |
| Salaries | 33,231 | - | 33,231 | 27,077 |
| Insurance | 17,586 | - | 17,586 | 46,393 |
| Contract labor | 7,498 | - | 7,498 | 32,950 |
| Repairs | 47,055 | - | 47,055 | 19,423 |
| Utilities and telephone | 22,652 | - | 22,652 | 14,795 |
| Supplies | 13,727 | - | 13,727 | 10,651 |
| Rent | 9,955 | - | 9,955 | 9,955 |
| Retirement | 12,644 | - | 12,644 | 9,227 |
| Office supplies | 3,009 | - | 3,009 | 2,696 |
| Fuel | 7,609 | - | 7,609 | 2,356 |
| Travel | 1,328 | - | 1,328 | 1,954 |
| Miscellaneous | 8,387 | - | 8,387 | 1,294 |
| Total public safety - fire | <u>184,681</u> | <u>-</u> | <u>184,681</u> | <u>178,771</u> |
| Debt service | | | | |
| Principal retirement | - | 128,000 | 128,000 | 74,000 |
| Interest expense | - | 26,691 | 26,691 | 32,100 |
| Total debt service | <u>-</u> | <u>154,691</u> | <u>154,691</u> | <u>106,100</u> |
| Capital outlay | 19,613 | - | 19,613 | 199,093 |
| Total expenditures | <u>211,795</u> | <u>154,691</u> | <u>366,486</u> | <u>488,183</u> |

The accompanying notes are an integral part of these financial statements

FIRE PROTECTION DISTRICT NO. 1 OF
TENSAS PARISH, LOUISIANA
Statement of Revenues, Expenditures and Changes
In Fund Balance
Years Ended December 31, 2004 and 2003

| | General Fund | Debt Service Fund | -----Total----- Governmental Funds | |
|---|-------------------|-------------------------|---------------------------------------|-------------------|
| | | | <u>2004</u> | <u>2003</u> |
| Excess (deficiency) of revenues over expenditures | \$ 73,912 | \$ (154,496) | \$ (80,584) | \$ (141,307) |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| Transfer in (out) | <u>(78,247)</u> | <u>78,247</u> | <u>-</u> | <u>-</u> |
| (Deficiency) of expenditures over revenues | <u>(4,335)</u> | <u>(76,249)</u> | <u>(80,584)</u> | <u>(141,307)</u> |
| Fund balance, beginning (deficit) | 260,692 | 83,830 | 344,522 | (60,171) |
| Prior period adjustment | <u>-</u> | <u>-</u> | <u>-</u> | <u>546,000</u> |
| Fund balance, beginning restated | <u>260,692</u> | <u>83,830</u> | <u>344,522</u> | <u>485,829</u> |
| Fund balance end of year | <u>\$ 256,357</u> | <u>\$ 7,581</u> | <u>\$ 263,938</u> | <u>\$ 344,522</u> |

The accompanying notes are an integral part of these financial statements

FIRE PROTECTION DISTRICT NO. 1 OF
TENSAS PARISH, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balance
Year Ended December 31, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|--|--------------------|---------------------|
| Net changes in fund balance - governmental fund | \$ (80,584) | \$ (141,307) |
| <p>Amounts reported for governmental activity in the statement of activity is different because:</p> <p>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.</p> <p>Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances</p> | | |
| Depreciation expense | 19,613 (69,112) | 199,093 (60,366) |
| <p>Governmental funds report debt service payments as expenditures. However, in the statement of activities, repayments of principal of indebtedness reduces long-term liabilities in the statement of net assets. This is the amount of principal payments made were</p> | | |
| | <u>128,000</u> | <u>74,000</u> |
| Change in net assets per statement of activities | <u>\$ (2,083)</u> | <u>\$ 71,420</u> |

FIRE PROTECTION DISTRICT NO. 1 OF
TENSAS PARISH, LOUISIANA
Statement of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual (GAAP Basis) – General Fund
Year Ended December 31, 2004 and 2003

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>Unfavorable</u> |
|---|-------------------|-------------------|---|
| <u>REVENUES:</u> | | | |
| Taxes | | | |
| Ad valorem taxes | \$ 158,796 | \$ 172,532 | \$ 13,736 |
| Sales tax | 97,000 | 103,365 | 6,365 |
| Interest income | - | 2,770 | 2,770 |
| Miscellaneous revenues | 3,300 | 7,040 | 3,740 |
| Total revenues | <u>259,096</u> | <u>285,707</u> | <u>26,611</u> |
| <u>EXPENDITURES</u> | | | |
| General government | 5,000 | 7,501 | (2,501) |
| Public safety | 204,732 | 184,681 | 20,051 |
| Capital outlay | 20,000 | 19,613 | 387 |
| Total expenditures | <u>229,732</u> | <u>211,795</u> | <u>17,937</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | | | |
| | 29,364 | 73,912 | 44,548 |
| <u>OTHER FINANCING USES</u> | | | |
| Transfers | - | (78,247) | (78,247) |
| (Deficiency) of expenditures over revenues | 29,364 | (4,335) | 33,699 |
| Fund balance, beginning of year | <u>260,692</u> | <u>260,692</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 290,056</u> | <u>\$ 256,357</u> | <u>\$ 33,699</u> |

Note: Budget was not amended during the year

NOTES TO THE FINANCIAL STATEMENTS

FIRE PROTECTION DISTRICT NO. 1
OF TENSAS PARISH, LOUISIANA
Notes to Financial Statements
December 31, 2004

INTRODUCTION

1. The Tensas Parish Police Jury created the Fire Protection District No. 1 of Tensas Parish, Louisiana May 25, 1999 by resolution. The District operates in compliance with Part I Chapter 7, Title 40 of the Louisiana Revised Statutes of 1950.
2. The purpose of the District is to provide fire protection for Tensas Parish.
3. The District's boundaries are all of Tensas Parish, Louisiana. Tensas Parish is located in Northeast Louisiana and has a population of 6,300.
4. A Board of Commissioners of five members appointed by the Tensas Parish Police Jury governs the District. The board members are presently serving without compensation.
5. The District had one paid employee during 2004.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government Wide and Fund Financial Statements

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 activities of the Fire Protection District No. 1 of Tensas Parish, Louisiana (hereafter referred to as the District).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include taxes interest and other items that are restricted to meetings the operational or capital requirements of a particular function or segment.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

FIRE PROTECTION DISTRICT NO. 1
OF TENSAS PARISH, LOUISIANA
Notes to Financial Statements
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, sales taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following governmental funds:

1. General Fund – the general operating fund of the district and accounts for all financial resources, except those required to be accounted for in other funds.
2. Debt Service Fund – accounts for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations recorded in the general long-term obligations account group.

C. Deposits and Investments

The entity's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the entity to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool and mutual funds consisting solely of government backed securities.

D. Receivables and Payables

All trade and property tax receivables are shown net of allowance for uncollectives.

FIRE PROTECTION DISTRICT NO. 1
 OF TENSAS PARISH, LOUISIANA
 Notes to Financial Statements
 December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

| | <u>Authorized Millage</u> | <u>Levied Millage</u> |
|----------------|-------------------------------|---------------------------|
| Taxes due for: | | |
| Fire Protectin | 4.42 | 4.42 |

Sales taxes of 1/4% for fire protection expires 2009.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

Certain cash accounts are restricted by debt covenants and may be used only for payment of bonds and interest.

G. Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|----------------------------|
| Buildings and improvements | 30 years |
| Furniture and fixtures | 5 years |
| Vehicles | 5 years |
| Equipment | 15 years |

FIRE PROTECTION DISTRICT NO. 1
OF TENSAS PARISH, LOUISIANA
Notes to Financial Statements
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

H. Compensated Absences

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

Vacation: After one year, employee receives five days vacation
 After two years, employee receives ten days vacation.

Sick leave: Employee accumulated one day per month.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. 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.

K. Budget Practices

A proposed operating budget for the General Fund, prepared on the modified accrual basis of accounting, is approved by the Board of Commissioners and adopted in accordance with the Local Government Budget Law. The proposed operating budget are legally adopted and amended, as necessary, by the District. All appropriations lapse at year-end.

Formal budget integration employed as a management control device. Budget amounts included in the accompanying financial statements include the original budget amounts and all subsequent amendments, if any.

**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

2. CASH AND CASH EQUIVALENTS

At December 31, 2004 the District has cash and cash equivalents (book balances) totaling \$85,345 as follows:

| | |
|----------------------------------|------------------|
| Interest-bearing demand deposits | \$ 29,256 |
| Certificates of deposit | <u>56,089</u> |
| Total | <u>\$ 85,345</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or 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, 2004, the District has \$86,099 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$64,747 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

3. RECEIVABLES

The receivables of \$ 184,322 at December 31, 2004 are as follows:

| | |
|--------------------------------------|-------------------|
| Ad valorem | \$ 156,984 |
| Sales taxes | 27,338 |
| Less allowance for doubtful accounts | <u>-</u> |
| Total receivables | <u>\$ 184,322</u> |

4. CAPITAL ASSETS

Capital assets and depreciation activities as of and for the year ended December 31, 2004 for the primary government is as follows:

**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

4. CAPITAL ASSETS – continued

| | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------|-----------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 3,509 | \$ - | \$ - | \$ 3,509 |
| Capital assets being depreciated | | | | |
| Buildings | 443,039 | - | - | 443,039 |
| Equipment | 500,378 | 19,613 | - | 519,991 |
| Total capital assets being depreciated | 943,417 | 19,613 | - | 963,030 |
| Less accumulated depreciation for: | | | | |
| Buildings | (20,636) | (14,936) | - | (35,572) |
| Equipment | (113,058) | (54,177) | - | (167,235) |
| Total accumulated depreciation | (133,694) | (69,113) | - | (202,807) |
| Total capital assets being depreciated, net | \$ 809,723 | \$ (49,500) | \$ - | \$ 760,223 |

Depreciation expense of \$69,113 for the year ended December 31, 2004, was charged to the public safety functions.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The payables and accrued liabilities of \$20,767 at December 31, 2004, are as follows:

| | |
|------------------------------|------------------|
| Accounts | \$ 3,308 |
| Payroll taxes and retirement | 8,196 |
| Accrued interest | 8,032 |
| Accrued salaries | 1,231 |
| | <u>\$ 20,767</u> |

6. GENERAL LONG-TERM DEBT

At December 31, 2004, long-term debt was comprised of the following:

| | |
|---|-------------------|
| \$690,000 - 2000 Certificates of Indebtedness due in annual installments of \$70,000 to \$105,000 beginning March 1, 2002 through March 1, 2009, interest at 5.75% | <u>\$ 418,000</u> |
|---|-------------------|

**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

6. GENERAL LONG-TERM DEBT - continued

The following is a summary of the long-term debt transactions for the year ended December 31, 2004:

| | |
|--------------------------------------|-------------------|
| Long-term debt at beginning of year | \$ 546,000 |
| Certificates retired during the year | <u>(128,000)</u> |
| Balance at end of year | <u>\$ 418,000</u> |

The maturity schedule for the debt is as follows:

| <u>Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|-------------------|------------------|-------------------|
| 2005 | \$ 83,000 | \$ 15,060 | \$ 98,060 |
| 2006 | 88,000 | 11,640 | 99,640 |
| 2007 | 93,000 | 8,020 | 101,020 |
| 2008 | 99,000 | 4,180 | 103,180 |
| 2009 | <u>55,000</u> | <u>1,100</u> | <u>56,100</u> |
| Total | <u>\$ 418,000</u> | <u>\$ 40,000</u> | <u>\$ 458,000</u> |

7. INTERGOVERNMENTAL AGREEMENT

The District entered into an intergovernmental agreement in 1999 with the Towns of Waterproof, St. Joseph and Newellton, Louisiana in which the District is to provide fire protection for each of the Towns and all the areas of Tensas Parish outside of the Towns. Included in the agreement is a provision for the District to pay the Town of Newellton \$9,955 per year to reimburse for certain note payments that the Town has an obligation to pay concerning fire fighting equipment. The future payments to be made under this agreement are as follows:

| | |
|-------|------------------|
| 2005 | \$ 9,955 |
| 2006 | 9,955 |
| 2007 | 9,955 |
| 2008 | 9,955 |
| 2009 | 9,955 |
| 2010 | <u>1,659</u> |
| Total | <u>\$ 51,434</u> |

**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

8. PENSION PLANS

Plan Description: The District contributes to the Firefighters' Retirement System. The plan is a cost-sharing, multiple-employer defined-benefit pension plan. The plan is administered by a board of trustees. The plan provides retirement benefits, disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Louisiana Revised Statutes 11:2551 et seq. grants the board of trustees the authority to establish and amend benefit provisions of the plans.

The retirement system issues publicly available financial reports that includes financial statements and required supplementary information for the plans. The financial reports may be obtained from:

Firefighters' Retirement System
P. O. Box 94095, Capital Station
Baton Rouge, Louisiana 70804-9095

Funding Policy: Plan members are required to contribute 8% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The District's rate is 13% of annual covered payroll. The District's contribution to the plan for the years ending December 31, 2004 was \$4,320.

9. RISK MANAGEMENT

The District is exposed to certain risks of losses such as property damage, liability issues and other potential losses that may occur. The District minimizes its losses by purchase of commercial insurance. The District's exposure over the amount of insurance is considered to be immaterial.

10. RESTATEMENT OF FUND BALANCE

Beginning fund balance is restated according to the following:

| | |
|---|--------------------------|
| Fund Balance at December 31, 2002 as previously stated | \$ (60,171) |
| Add: Loans payable are not due and payable in the current period and, therefore should not have been included in the governmental funds | <u>546,000</u> |
| Fund Balance at December 31, 2002 as restated | <u><u>\$ 485,829</u></u> |

**FIRE PROTECTION DISTRICT NO. 1 OF TENSAS PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

11. COMPENSATION OF THE GOVERNING BOARD

The Governing Board of the District consists of five members. For the year ended December 31, 2004, they received no compensation. The members were as follows:

Steve Hisaw, Chairman
Rick Foster, Member
Buddy Tindell, Member
Bertha Brown, Member
David Lee, Member

REQUIRED SUPPLEMENTAL INFORMATION

FIRE PROTECTION DISTRICT NO. 1 OF
TENSAS PARISH, LOUISIANA
Budgetary Comparison Schedule – General Fund
Years Ended December 31, 2004

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>Unfavorable</u> |
|--|------------------|-------------------|---|
| <u>REVENUES:</u> | | | |
| Taxes | | | |
| Ad valorem taxes | \$ 158,796 | \$ 172,532 | \$ 13,736 |
| Sales tax | 97,000 | 103,365 | 6,365 |
| Interest income | - | 2,770 | 2,770 |
| Miscellaneous revenues | <u>3,300</u> | <u>7,040</u> | <u>3,740</u> |
| Total revenues | <u>259,096</u> | <u>285,707</u> | <u>26,611</u> |
| <u>EXPENDITURES:</u> | | | |
| General government | | | |
| Legal and accounting | <u>5,000</u> | <u>7,501</u> | <u>(2,501)</u> |
| Public safety - fire | | | |
| Salaries | 32,000 | 33,231 | (1,231) |
| Insurance | 37,000 | 17,586 | 19,414 |
| Contract labor | 7,000 | 7,498 | (498) |
| Repairs | 62,060 | 47,055 | 15,005 |
| Utilities and telephone | 16,000 | 22,652 | (6,652) |
| Supplies | 14,000 | 13,727 | 273 |
| Rent | 9,952 | 9,955 | (3) |
| Retirement | 6,720 | 12,644 | (5,924) |
| Office supplies | 2,500 | 3,009 | (509) |
| Fuel | 7,500 | 7,609 | (109) |
| Travel | 5,000 | 1,328 | 3,672 |
| Miscellaneous | <u>5,000</u> | <u>8,387</u> | <u>(3,387)</u> |
| Total public safety - fire | <u>204,732</u> | <u>184,681</u> | <u>20,051</u> |
| Capital outlay | <u>20,000</u> | <u>19,613</u> | <u>387</u> |
| Total expenditures | <u>229,732</u> | <u>211,795</u> | <u>17,937</u> |
| Excess of revenues over expenditures | 29,364 | 73,912 | 44,548 |
| Other financing uses - transfers | <u>-</u> | <u>(78,247)</u> | <u>(78,247)</u> |
| Excess (deficiency) of expenditures over revenues | <u>\$ 29,364</u> | <u>\$ (4,335)</u> | <u>\$ 33,699</u> |

The following notes are an integral part of these financial statements

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

SWITZER, HOPKINS & MANGE

Certified Public Accountants

POST OFFICE BOX 478
FERRIDAY, LOUISIANA 71334

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

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OFFICES IN NATCHEZ, MISSISSIPPI

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

Members of the Board of Commissioners
Fire Protection District No. 1 of Tensas Parish
St. Joseph, Louisiana

We have audited the basic financial statements of Fire Protection District No. 1 of Tensas Parish, Louisiana as of and for the year ended December 31, 2003, and have issued our report thereon dated June 28, 2005. We have conducted our audit in accordance with 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 Fire Protection District No. 1 of Tensas Parish, Louisiana's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fire Protection District No. 1 of Tensas Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Members of the Board of Commissioners
Fire Protection District No. 1 of Tensas Parish
Page Two

However, we noted one certain matter involving the internal control over financial reporting and its operation that we consider being a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Fire Protection District No. 1 of Tensas Parish's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

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 general purpose 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 being material weaknesses.

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

Ferriday, Louisiana
June 28, 2005

Switzer, Hopkins, & Mange

FIRE PROTECTION DISTRICT NO. 1
OF TENSAS PARISH, LOUISIANA

Schedule of Findings and Questioned Costs
Year Ended December 31, 2003

Summary of Audit Reports

1. The auditor's report expresses an unqualified opinion on the General Purpose Financial Statements.
2. One reportable condition was disclosed during the audit of the financial statements reported in the Report on Compliance and on Internal Control Over Financial Reported Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance with certain laws and regulations of the District were disclosed during the audit.

Findings – Financial Statement Audit

2004-1 Segregation of Duties

- Condition: We noted that the District does not have adequate segregation of duties in its operation. One individual is responsible for practically every accounting function including record keeping, check writing, making deposits, etc. We recommend an attempt to segregate duties be made by the District.
- Response: Management indicated that it has only one employee and it would not be cost feasible to add additional persons to the accounting function.

FIRE PROTECTION DISTRICT NO. 1
OF TENSAS PARISH, LOUISIANA

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2003

Findings – Financial Statement Audit

2003-1 – Segregation of Duties

Condition: We noted that the Fire District does not have adequate segregation of duties in its operations. One individual is responsible for practically every accounting function including record keeping, check writing, making deposits, etc. We recommend an attempt to segregate duties be made by the District.

This finding continued this year and is reported as finding 2004-1.

2003-2 – Late Filing Audit Report

Condition: We noted that the audit report was due to be completed with six months after the close of the year which was December 31, 2003. The audit report was due by June 30, 2004 and was not complete and filed until July 28, 2004. This is a violation of State law.

Recommendation: We recommend that in the future years the audit report be completed within six months after the close of the fiscal year as required by State law.

Status: This condition has been corrected.