

149.5

RECEIVED  
05 JUL 20 11:06

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

December 31, 2004

**Audit of Financial Statements**

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 7-27-05

**TABLE OF CONTENTS**

Independent Auditor’s Report..... 1-2

Management’s Discussion and Analysis ..... 3-6

Statement of Net Assets .....7

Statement of Activities.....8

Balance Sheet.....9

Statement of Revenues Expenditures, and Changes in Fund Balances .....10

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities .....11

Statement of Net Assets – Proprietary Funds .....12

Statement of Revenues Expenses, and Changes in  
Fund Net Assets – Proprietary Funds .....13

Notes to Financial Statements..... 14-23

General Fund Budgetary Comparison Schedule.....24

Schedule of Governing Board.....25

*Donna Marshall CPA, L.L.C.*

Hollycrest Plaza  
800 N. Highway 190 • Suite 204  
Covington, LA 70433  
(985) 867-8846 • Fax (985) 867-8814

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying basic financial statements of the St. Tammany Parish Fire Protection District No.3, a component unit of the St. Tammany Parish Council, as of December 31, 2004 and for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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. 3 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.

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

The budgetary comparison schedules identified on page 24 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

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

In accordance with *Government Auditing Standards* we have also issued a report dated May 18, 2005, on our consideration of the St. Tammany Parish Fire protection District No. 3's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

May 18, 2005

Donna Marshall, CPA

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

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

Our discussion and analysis of St. Tammany Parish Fire District No. 3's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal 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 in June 1999.*

**FINANCIAL HIGHLIGHTS**

The financial statements included in this report provide insight into the financial status for the year-end. Based upon the operation of 2004 the District's net assets increased by \$386,720, and resulted in ending net assets of \$1,486,378.

Total spending for the governmental activity was \$534,182 for the year, and total spending for the business-type activity was \$30,120 for the year, which was \$386,720 less than the taxes, grants, contributions and investment earnings received for these activities of \$922,046.

The interest earned on checking accounts and investments in certificates of deposit was \$4,065 for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The basic financial statements include two kinds of statements that present different views of the District. The first two statements, the statement of net assets and the statement of activities found on pages 7, provide information about the financial activities of the District and illustrate a longer-term view of the District's finances. The remaining statements are fund financial statements that focus on the individual parts of the government, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general governmental services were financed in the short term as well as what remains for future spending. The proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the ambulance service. This District did not begin charging fees for the business-like services until 2004.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

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

*Management's Discussion and Analysis*  
For the Year Ended December 31, 2004

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

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

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

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

In the Statement of Net Assets and the Statement of Activities, the District reports governmental type activities and business-type activities, as well as grants. The majority of the District's activities are of governmental type; taxes and grants finance most of the activities of the governmental type. However, beginning in 2004, the District began charging fees for Ambulance and EMT services which resulted in the use of business-type activities. The District's business-type activities are highlighted in the proprietary fund financial statements.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS. FUND FINANCIAL STATEMENTS

The analysis of the District's major fund begins on page 10. The fund financial statements provide detailed information about the most significant fund rather than the District as a whole.

The District has two kinds of funds.

- Most of the District's basic services are included in governmental funds, which focus on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

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

Management's Discussion and Analysis  
For the Year Ended December 31, 2004

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS. FUND FINANCIAL STATEMENTS - Continued

- Proprietary funds-Services for which the District charges customers a fee are generally reported in the proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. We use business-type funds to report activities that provide services for the public for a fee, such as the ambulance and EMT services.

THE DISTRICT'S FUNDS

As previously mentioned, the District uses funds to help control and manage money for particular purposes. At the completion of the year, the District's general fund reported a fund balance of \$1,100,231. This reflects an increase of \$11,168 from last year. This net increase includes capital outlays for construction of a new fire station and the renovation of an existing fire station in the amount of \$464,263. In the previous year the construction projects of these fire stations were in process in the capital projects fund. By year end 2004, the stations were in service and the outlays reported in the general fund. However, \$103,316 is reserved for any additional construction and/or change order outlays that may be needed in the year 2005.

At year end 2004, the District's proprietary fund reported an operating loss of (\$10,399). As previously mentioned, this fund was started in late 2004; therefore no comparison data is available. The expenses for this fund were allocated in 2004 based on a percentage of the proprietary fund's revenue to the total revenue of the District. The public safety and fire protection employees are also trained and specialized in Ambulance and EMT services. The District expects this fund to be profitable and self-sustaining beginning in the year 2005 and each year thereafter.

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2004, the District experienced an increase in Ad Valorem taxes.

Information on the District's General Fund balance is reported on page 10. The General Funds' budgetary information is reported in the budgetary comparison schedule on page 24.

Information on the District's Proprietary Fund balance is reported on page 12.

CAPITAL ASSETS

At the end of 2004, the District had \$1,076,245 invested in capital assets, including building, furniture, fire fighting equipment, and vehicles. More detailed information about the District's Capital assets is presented in Note E of the financial statements.

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

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**DEBT**

At year-end, the District had \$605,000 in certificates of indebtedness outstanding. More detailed information is presented in Note G of the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District was successful in passing a 10-mil increase in real estate taxes levied within its jurisdiction. This resulted in approximately \$300,000 of additional revenue this year and each year here after. It is the District's intention to use this increase to fund hiring of additional employees and to purchase additional fire equipment.

Taking all factors into consideration, the District's general fund balance is expected to remain unchanged by the close of 2005. The District's proprietary fund balance is expected to increase by the close of 2005.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

STATEMENT OF NET ASSETS

December 31, 2004

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 145,880
Receivables - ad valorem taxes	859,143
Receivables - other	2,861
Receivables - revenue sharing	34,546
Capital assets (net of accumulated depreciation)	<u>1,076,245</u>
Total Assets	2,118,675
<b>LIABILITIES</b>	
Accounts payable	14,001
Accrued expenses	5,147
Accrued intrest	8,193
Noncurrent liabilities:	
Due within one year	68,000
Due in more than one year	<u>537,000</u>
Total liabilities	632,341
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,031,289
Unrestricted	<u>455,089</u>
Total net assets	<u><u>1,486,378</u></u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets Governmental Activities
<b>Governmental Activities:</b>					
Public Safety- Fire Protection	512,042		1,205	8,050	(502,787)
Interest on Long-Term Debt	22,140				(22,140)
<b>Total Governmental Activities:</b>	<b>534,182</b>		<b>1,205</b>	<b>8,050</b>	<b>(524,927)</b>
<b>Business-type Activities:</b>					
Ambulance and EMT Services	30,120	11,815	7,906		(10,399)
<b>Total Business-type Activities:</b>	<b>30,120</b>	<b>11,815</b>	<b>7,906</b>		<b>(10,399)</b>
<b>General Revenues:</b>					
Taxes-----					
Property Taxes					863,105
State Revenue Sharing					34,684
2% Fire Tax					20,192
Interest on Investment Earnings					4,065
<b>Total General Revenues:</b>					<b>922,046</b>
Change in Net Assets					386,720
Net Assets - beginning					1,099,658
Net Assets- ending					<b>1,486,378</b>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Activities</u>
<b>ASSETS</b>			
Cash	\$ 145,880	-	\$ 145,880
Receivables - ad valorem taxes	859,143	-	859,143
Receivables - other	1,179	-	1,179
Receivables - revenue sharing	34,546	-	34,546
<b>Total Assets</b>	<b><u>\$ 1,040,748</u></b>	<b><u>-</u></b>	<b><u>\$ 1,040,748</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 14,001	-	\$ 14,001
Accrued expenses	5,147	-	5,147
<b>Total liabilities</b>	<b>19,148</b>	<b>-</b>	<b>19,148</b>
<b>FUND EQUITY</b>			
Fund balance			
Reserved for Construction	103,316		
Unreserved	996,915	(65,093)	931,822
<b>Total fund equity</b>	<b><u>1,100,231</u></b>	<b><u>(65,093)</u></b>	<b>1,035,138</b>
<b>Total liabilities and fund equity</b>	<b><u>\$ 1,119,379</u></b>	<b><u>\$ (65,093)</u></b>	

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

Capital assets and construction in progress used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,082,260
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(622,827)
Accrued interest on long-term liabilities is not reported in the governmental funds.	(8,193)

Net assets of governmental activities \$ 1,486,378

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3  
STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

December 31, 2004

	General	Debt Service	Total Governmental Activities
<b>REVENUES</b>			
Ad Valorem taxes	\$ 863,105	\$ -	\$ 863,105
Revenue Sharing	34,684	-	34,684
Earnings on investments	4,065	-	4,065
2% Fire tax	20,192	-	20,192
Grant	8,050	-	8,050
Folgers payment	44,000	-	44,000
Donations	950	-	950
Miscellaneous	220	-	220
<b>Total Revenues</b>	<b>\$ 975,266</b>	<b>\$ -</b>	<b>\$ 975,266</b>
<b>EXPENDITURES</b>			
Public safety - fire protection			
Salaries	231,876	-	231,876
Advertisement	594	-	594
Communication	14,082	-	14,082
Health insurance	31,878	-	31,878
Insurance	42,970	-	42,970
Miscellaneous	541	-	541
Office Supplies	7,840	-	7,840
Per diem	1,890	-	1,890
Payroll taxes	2,539	-	2,539
Professional fees	27,209	-	27,209
Retirement	29,984	-	29,984
Repairs	7,240	-	7,240
Supplies	4,138	-	4,138
Training	4,966	-	4,966
Turn out gear	4,875	-	4,875
Uniforms	5,881	-	5,881
Utilities	12,020	-	12,020
Vehicles - fuel	12,512	-	12,512
Vehicles - repairs	19,239	-	19,239
Capital outlay - equipment	20,513	-	20,513
Capital outlay - construction	464,263	-	464,263
Debt service - principal	15,000	45,000	60,000
Debt service - intrest	2,048	20,093	22,141
<b>Total expenditures</b>	<b>964,098</b>	<b>65,093</b>	<b>1,029,191</b>
Excess (deficiency) of revenues over expeditures befor other financing sources	11,168	(65,093)	(53,925)
<b>OTHER FINANCING SOURCES</b>			
Loan proceeds	-	-	-
Excess of Revenues and other financing sources over expeditures	11,168	(65,093)	(53,925)
FUND BALANCE - BEGINNING OF YEAR	1,089,063	-	1,089,063
FUND BALANCE- END OF YEAR	1,100,231	(65,093)	1,035,138

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2004

Amounts reported for governmental activities in the statement of activities (page 8) are different because:

Net change in fund balances – total governmental funds	(\$53,925)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	430,140
The District uses internal service funds to charge the costs of ambulance and EMT service. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net affect of this consolidation is to decrease net assets.	(10,399)
The issuance of long-term debt (e.g., certificates of indebtedness, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>20,904</u>
Change in net assets of governmental activities ( page 8)	<u>\$386,720</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS

December 31, 2004

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ -
Receivables - Ambulance Service	\$ 1,681
Total Current Assets	<u>1,681</u>
Noncurrent Assets:	
Capital assets:	
Ambulance	\$ 28,000
Depreciation	\$ (3,735)
Total Noncurrent Assets	<u>24,265</u>
Total Assets	<u>25,946</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	<u>-</u>
Total L	<u>-</u>
<b>NET ASSETS</b>	
Unrestricted	<u>25,946</u>
Total net assets	<u><u>25,946</u></u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3  
 STATEMENT OF REVENUES EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS

December 31, 2004

	Total Internal Service Funds
<b>OPERATING REVENUES:</b>	
EMT Services	\$ 11,815
Medical Grant	<u>\$ 7,907</u>
Total Operating Revenues	<u>19,722</u>
<b>OPERATING EXPENSES:</b>	
Payroll Expenses	4,784
Medical Director	5,000
Medical Equipment/Supplies	17,120
Training	<u>3,217</u>
Total Operating Expenses	<u>30,121</u>
Operating Income (Loss)	<u>(10,399)</u>
Change In Net Assets	(10,399)
Total Net Assets Beginning	<u>0</u>
Total Net Assets Ending	<u><u>(10,399)</u></u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation

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

ST. TAMMANY PARISH FIRE PROTECTION NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation - Continued

Government – Wide Financial Statements (GWFS)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds.

Fund Financial Statements (FFS)

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

The District reports the following major governmental funds:

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

The Proprietary Fund is used to account for the business-type services, such as Ambulance and EMT services. It accounts for the operating activities of the District's business-type services. The District began charging fees for these services in late 2004.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO.3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus/Basis of Accounting

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

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

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

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

4. Budgets and Budgetary Accounting

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO.3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Cash and Cash Equivalents and Investments

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

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

6. Long-term Obligations

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

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

7. Capital Assets

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

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO.3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Capital Assets - Continued

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

Depreciation expense amounted to \$61,772 for the year ended December 31, 2004,

8. Estimates

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

9. Use of Restricted Unrestricted Net Assets

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

NOTE B - AD VALOREM TAXES

Property taxes for the operations and bond debt service of the District are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of September 1, 2004. Taxes are due and payable December of the following year.

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

	<u>Authorized</u>	<u>Levied</u>	<u>Expiration</u>
Maintaining, acquiring, constructing, improving and operating fire protection and rescue services	5.00	5.00	2012
Maintaining, acquiring, constructing, improving and operating fire protection and rescue services	9.58	9.58	2012

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO.3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B - AD VALOREM TAXES (Continued)

	<u>Authorized</u>	<u>Levied</u>	<u>Expiration</u>
Maintaining, acquiring, constructing, improving and operating fire protection and rescue services	8.97	8.97	2012
Maintaining, acquiring, constructing, improving and operating fire protection and rescue services	8.97	8.97	2009

NOTE C - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2004:

Demand deposits \$145,880

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, 2004, the District has \$145,880 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 in federal deposit insurance and \$489,890 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No.3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE D - 2% FIRE INSURANCE TAX

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2004

	Beginning Balance	<u>Increases</u>	<u>Decreases</u>	Ending Balance
<b>For the year ended December 31, 2004</b>				
Capital assets not being depreciated:				
Land	\$ 202,350	\$ -	\$ -	\$ 202,350
Capital assets being depreciated:				
Building	202,861	464,263		667,124
Firefighting and rescue equipment	211,888	2,000		213,888
Communication equipment	48,550	5,948		54,498
Other equipment	41,336	5,968		47,304
Vehicles	502,282	-		502,282
Computers	5,500	-		5,500
Total capital assets being depreciated	<u>1,012,417</u>	<u>478,179</u>	-	<u>1,490,596</u>
Less accumulated depreciation for:				
Building	141,423	(11,515)		152,938
Firefighting and rescue equipment	128,358	(11,289)		139,647
Communication equipment	39,280	(1,807)		41,087
Other equipment	28,519	(2,850)		31,369
Vehicles	213,609	(33,431)		247,040
Computers	3,740	(880)		4,620
Total accumulated depreciation	<u>554,929</u>	<u>(61,772)</u>	-	<u>616,701</u>
Total capital assets being depreciated - net	<u>457,488</u>	<u>416,407</u>	-	<u>873,895</u>
Capital assets - net	<u>659,838</u>	<u>416,407</u>	-	<u>1,076,245</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO.3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F- LONG-TERM DEBT

The following is a summary of bond transactions of the St. Tammany Parish Fire Protection District No. 3 for the year ended December 31, 2004:

General Obligation:	Certificates of <u>Indebtedness</u>	Compensated <u>Absences</u>	<u>Total</u>
Payable at December 31, 2003	\$665,000	\$ -	\$665,000
Additions	-	17,827	17,827
Retired	<u>(6,000)</u>	<u>-</u>	<u>-</u>
Payable at December 31, 2004	605,000	17,827	622,827

Certificate of indebtedness dated May 23, 2002; balance due in annual principal installments, starting March 1, 2003, of \$10,000 - \$17,000 plus semiannual interest payments through March 1, 2019; with interest at 4.50% secured by a pledge of ad valorem millages \$50,000

\$600,000 Certificate of indebtedness dated August 25, 2003; balance due in annual principal installments, starting March 1, 2004, of \$45,000 - \$71,000 plus semiannual interest payments through March 1, 2009; with interest at 3.42% secured by a pledge of ad valorem millages \$555,000

\$605,000

Certificates of Indebtedness bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the District is legally restricted from incurring long term bonded debt in excess of 10% of the assessed value of taxable property in the district. At December 31, 2004 the District had not exceeded this statutory limit.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO.3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F- LONG-TERM DEBT (Continued)

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

Year Ending December 31	<u>Certificates of Indebtedness</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	69,000	19,560	88,560
2006	72,000	17,106	89,106
2007	74,000	14,561	88,561
2008	59,000	12,329	71,329
2009	61,000	10,277	71,277
2010-2013	<u>270,000</u>	<u>18,878</u>	<u>288,878</u>
	<u>\$605,000</u>	<u>\$92,711</u>	<u>\$697,711</u>

NOTE G- LOUISIANA FIREFIGHTERS RETIREMENT SYSTEM PENSION NOTE

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

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO.3

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G- LOUISIANA FIREFIGHTERS RETIREMENT SYSTEM PENSION NOTE (continued)

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

*Funding Policy.* Plan members are required by state statute to contribute 8% of their annual covered salary and St. Tammany Parish Fire Protection District No.3 is required to contribute at an actuarially determined rate. The current rate is 21 % of annual covered payroll. The contribution requirements of plan members and St. Tammany Parish Fire Protection District No.3 are established and may be amended by state statute. As provided by Louisiana Revised Statute 11 : 103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. St. Tammany Parish Fire Protection District No.3's contributions to the System for the year ending December 31, 2004 were \$26,841.

NOTE H- PENDING LITIGATIONS

The District is presently involved in three separate litigations per the Legal representation for the District. Two litigations are the result of automobile accidents occurring in 2003, which involved auto accidents with the Districts employees while in the line of duty on emergency calls. The legal representative feels the District will have a favorable outcome in these litigations. However, in the event the District does not prevail, it is the opinion of legal counsel any exposure would be more than covered by the applicable insurance held by the District.

The third litigation was also an accident with plaintiff as a passenger involved in a collision with the District's fire truck. The fire truck was acting in the line of duty at the time of the collision. The depositions in this litigation are ongoing. Per the letter from the legal representative of the District an unfavorable or favorable outcome is difficult to estimate at this time. It is legal counsels opinion that any exposure in an unfavorable outcome would be covered entirely by the applicable insurance held by the District.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO 3  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended December 31, 2004

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	507,000	507,000	863,105	356,105
Revenue sharing	34,684	34,684	34,684	-
Earnings on investments	-	-	4,065	4,065
2% Fire Tax	18,000	18,000	20,192	2,192
Grant	-	-	8,050	8,050
Reimbursed expenses	-	-	-	-
Folgers payment	52,000	52,000	44,000	(8,000)
Donations	-	-	950	950
Miscellaneous	-	-	220	220
Total revenues	<u>611,684</u>	<u>611,684</u>	975,266	363,582
<b>EXPENDITURES</b>				
Public safety - fire protection				
Salaries	241,700	241,700	231,876	9,824
Advertisement	994	994	594	400
Communication	13,651	13,651	14,082	(431)
Election	-	-	-	-
Health insurance	31,878	31,878	31,878	-
Insurance	42,374	42,374	42,970	(596)
Miscellaneous	531	531	541	(10)
Office supplies	12,742	12,742	7,840	4,902
Per diem	2,000	2,000	1,890	110
Payroll taxes	4,200	4,200	2,539	1,661
Professional fees	36,709	36,709	27,209	9,500
Retirement	37,000	37,000	29,984	7,016
Repairs	9,655	9,655	7,240	2,415
Supplies	6,500	6,500	4,138	2,362
Training	8,450	8,450	4,966	3,484
Turn out gear	4,875	4,875	4,875	-
Uniforms	6,001	6,001	5,881	120
Utilities	13,000	13,000	12,020	980
Vehicles - fuel	14,000	14,000	12,512	1,488
Vehicles - repairs	19,968	19,968	19,239	729
Capital outlay - equipment	25,330	25,330	20,513	4,817
Capital outlay Bldg	465,000	465,000	464,263	737
Debt service - principal	15,000	15,000	15,000	-
Debt service - interest	2,050	2,050	2,048	2
Total expenditures	<u>1,013,608</u>	<u>1,013,608</u>	964,098	49,510
Excess (deficiency) of revenues over expenditures	<u>(401,924)</u>	<u>(401,924)</u>	11,168	<u>314,072</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,089,063</u>	
FUND BALANCE - END OF YEAR			<u>1,100,231</u>	

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

SCHEDULE OF GOVERNING BOARD

DECEMBER 31, 2004

<u>Board of Commissioners</u>	<u>2004 Compensation</u>
Leo Casanave P.O. Box 105 Lacombe, LA 70445 (985) 882-7466	\$ 390
John Dussouy P.O.Box 39 Lacombe, LA 70445 (985) 882-7110	330
Sorola Palmer 28399 Camellia Drive Lacombe, LA 70445 (985) 882-3392	390
James Smith 26060 Cloverland Road Lacombe, LA 70445 (985) 882-5132	360
Dewey Spies 59233 Pine Bay Lane Lacombe, LA 70445 (985) 882-6861	330

*Donna Marshall CPA, L.L.C.*

Hollycrest Plaza  
600 N. Highway 190 • Suite 204  
Covington, LA 70433  
(985) 867-8846 • Fax (985) 867-8814

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

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

We have audited the financial statements of the St. Tammany Parish Fire Protection District No. 3 as of December 31, 2004 and have issued our report thereon dated May 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the St. Tammany Parish Fire Protection District No. 3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such opinion. The results of our tests did not note any instances of noncompliance required to be reported under *Government Auditing Standards* and is described in the following paragraph.

In planning and performing our audit, we considered the St. Tammany Parish Fire Protection District No. 3's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

May 18, 2005

*Donna Marshall, CPA*