

**South Bossier Parish Fire District No. 2
Elm Grove, Louisiana**

Financial Statements With Auditor's Report

As of and For the Year Ended December 31, 2011

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana

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Independent Auditors' Report

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana

We have audited the financial statements of the governmental activities and the major fund of the South Bossier Parish Fire District No. 2, a component unit of the Bossier Parish Policy Jury, as of and for the year ended December 31, 2011, which collectively comprise the South Bossier Parish Fire District No. 2's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the South Bossier Parish Fire District No. 2's management. Our responsibility is to express opinions on these financial statements based on our audit.

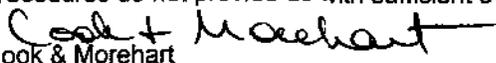
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the South Bossier Parish Fire District No. 2 as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2012, on our consideration of South Bossier Parish Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 8 and 23 – 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Cook & Morehart

Certified Public Accountants

June 26, 2012

SOUTH BOSSIER PARISH FIRE DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of South Bossier Parish Fire District No. 2's financial performance provides an overview of the South Bossier Parish Fire District No. 2's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The South Bossier Parish Fire District No. 2's net assets increased by \$478,955 or 11%.

The South Bossier Parish Fire District No. 2's total general revenues were \$1,735,981 in 2011 compared to \$1,637,315 in 2010.

During the year ended December 31, 2011, the South Bossier Parish Fire District No. 2 had total expenses, excluding depreciation of \$1,093,777, compared to \$976,014 in 2010.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the South Bossier Parish Fire District No. 2 as a whole and present a longer term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the South Bossier Parish Fire District No. 2's operations in more detail than the government-wide statements by providing information about the South Bossier Parish Fire District No. 2's most significant funds.

The South Bossier Parish Fire District No. 2 was determined to be a component unit of the Bossier Parish Police Jury. The police jury is financially accountable for the district because it appoints or ratifies a voting majority of the board and has the ability to impose its will on them. The accompanying financial statements present information only on the funds maintained by the South Bossier Parish Fire District No. 2.

Reporting the South Bossier Parish Fire District No. 2 as a Whole

Our analysis of the South Bossier Parish Fire District No. 2 as a whole begins on page 9. One of the most important questions asked about the South Bossier Parish Fire District No. 2's finances is "Is the South Bossier Parish Fire District No. 2 as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the South

Bossier Parish Fire District No. 2 as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the South Bossier Parish Fire District No. 2's *net assets* and changes in them. You can think of the South Bossier Parish Fire District No. 2's net assets – the difference between assets and liabilities – as one way to measure the South Bossier Parish Fire District No. 2's financial health, or *financial position*. Over time, *increases* or *decreases* in the South Bossier Parish Fire District No. 2's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base, to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we record the funds maintained by the South Bossier Parish Fire District No. 2 as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the South Bossier Parish Fire District No. 2 are reported here which consists primarily of personal services, materials and supplies, travel, repairs and maintenance and other program services. Ad valorem taxes finance most of these activities.

Reporting the District's Most Significant Funds

Our analysis of the major funds maintained by the South Bossier Parish Fire District No. 2 begins on page 11. The fund financial statements begin on page 11 and provide detailed information about the most significant funds maintained by the South Bossier Parish Fire District No. 2 – not the South Bossier Parish Fire District No. 2 as a whole. The South Bossier Parish Fire District No. 2's *governmental funds* use the following accounting approaches:

Governmental funds – All of the South Bossier Parish Fire District No. 2's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are 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 South Bossier Parish Fire District No. 2's *general government operations and the expenses paid from those funds*. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain South Bossier Parish Fire District No. 2 expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

THE SOUTH BOSSIER PARISH FIRE DISTRICT NO. 2 AS A WHOLE

The South Bossier Parish Fire District No. 2's total net assets changed from a year ago, increasing from \$4,455,690 to \$4,934,645. Our analysis below will focus on key elements of the total governmental funds for the December 31, 2011 and 2010 years.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 3,037,642	\$ 2,624,228
Capital assets	<u>2,009,657</u>	<u>1,929,972</u>
Total assets	<u>5,047,299</u>	<u>4,554,200</u>
 Total liabilities	 <u>112,654</u>	 <u>98,510</u>
 Net assets:		
Investments in capital assets, net of related debt	2,009,657	1,929,972
Unrestricted	<u>2,924,988</u>	<u>2,525,718</u>
Total net assets	<u>\$ 4,934,645</u>	<u>\$ 4,455,690</u>

Net assets of the South Bossier Parish Fire District No. 2's governmental activities increased by \$478,955 or 11%. Unrestricted net assets, the part of net assets that can be used to finance South Bossier Parish Fire District No. 2's expenses without constraints or other legal requirements totaled \$2,924,988 at December 31, 2011, compared to \$2,525,718 at December 31, 2010.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues		
Operating grants	\$ 30,319	\$ 51,852
General Revenues		
Ad valorem taxes	1,669,451	1,584,335
Intergovernmental	25,258	25,556
Interest income	6,142	7,464
Miscellaneous	<u>35,130</u>	<u>19,960</u>
Total revenues	<u>1,766,300</u>	<u>1,689,167</u>
Expenses		
Public safety – fire protection	<u>1,287,345</u>	<u>1,134,293</u>
Increase in net assets	<u>\$ 478,955</u>	<u>\$ 554,874</u>

Total revenues increased \$77,133 (4%) from total revenues in the year ended December 31, 2010 of \$1,689,167 to total revenues of \$1,766,300 in the year ended December 31, 2011. The primary reason for the increase was an increase in property tax revenues due to continued growth in the parish.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental fund (as presented in the balance sheet on page 11) reported a fund balance of \$2,821,750, which is higher than last year's fund balance of \$2,411,279. The primary reason for this increase is an increase in *property tax revenues*.

General Fund Budgetary Highlights

The District adopted a budget for its General Fund for the year ended December 31, 2011. There was one amendment to the budget during the year. The District's budgetary comparison is presented as required supplementary information and shown on page 23. Highlights for the year are as follows:

- Revenues received were in line with budgeted revenues.
- Expenditures for capital outlay were less than anticipated.

The District's General Fund balance of \$2,821,750 reported on page 11 differs from the General Fund's budgetary fund balance of \$1,342,193 reported in the budgetary comparison schedule on page 23. This is primarily due to the District budgeting on the cash basis of accounting.

CAPITAL ASSETS

At the end of December 31, 2011 and 2010, the South Bossier Parish Fire District No. 2 had invested \$2,009,657 and \$1,929,972, respectively, in capital assets. (see table 3 below)

Table 3
Capital Assets At Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 38,130	\$ 38,130
Vehicle in process	-	156,261
Construction in process	24,730	-
Idle Assets	2,646	2,646
Buildings	423,628	445,860
Equipment	219,398	252,417
Vehicle	<u>1,301,125</u>	<u>1,034,658</u>
Total	<u>\$ 2,009,657</u>	<u>\$ 1,929,972</u>

This year's major additions included:

Land	\$ -	\$ 3,000
Buildings	11,143	-
Vehicle down payment	-	156,261
Vehicles	234,471	87,706
Construction in process	24,730	-
Various equipment	<u>9,575</u>	<u>45,057</u>
	<u>\$ 279,919</u>	<u>\$ 292,024</u>

More detail information about the capital assets are presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The South Bossier Parish Fire District No. 2's management considered many factors when setting a fiscal year December 31, 2012 budget. Revenues and expenditures are expected to be substantially the same as 2011.

CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the South Bossier Parish Fire District No. 2 and to show the South Bossier Parish Fire District No. 2's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the South Bossier Parish Fire District No. 2, 3551 Highway 527, Elm Grove, LA 71051.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Statement of Net Assets
 December 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 46,198
Investments	1,306,674
Accounts receivable - ad valorem taxes	1,674,347
Accounts receivable - other	5,108
Prepaid Insurance	5,315
Capital assets (net)	<u>2,009,657</u>
Total assets	<u>5,047,299</u>
LIABILITIES	
Accounts payable	59,133
Accrued expenses	<u>53,521</u>
Total liabilities	<u>112,654</u>
NET ASSETS	
Investment in capital assets	2,009,657
Unrestricted	<u>2,924,988</u>
Total net assets	<u>\$ 4,934,645</u>

See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Statement of Activities
 For the Year Ended December 31, 2011

GOVERNMENTAL ACTIVITIES

Expenses:

General government	\$ 53,613
Public safety - fire protection	1,233,732
Total expenses	1,287,345

Program revenues:

Operating grants and contributions	30,319
Net program expenses	(1,257,026)

General revenues:

Ad valorem taxes	1,669,451
Intergovernmental - fire insurance rebate	25,258
Interest income	6,142
Miscellaneous	35,130
Total general revenues	1,735,981

Change in net assets	478,955
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Net assets - beginning	4,455,690
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Net assets - ending	\$ 4,934,645
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See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Balance Sheet
 Governmental Fund
 December 31, 2011

	General Fund
Assets	
Cash	\$ 46,198
Investments	1,306,674
Accounts receivable - ad valorem taxes	1,674,347
Accounts receivable - other	5,108
Total assets	\$ 3,032,327
Liabilities	
Accounts payable	\$ 59,133
Accrued expenses	53,521
Deferred revenue	97,923
Total liabilities	210,577
Fund balances	
Unassigned	2,821,750
Total fund balance	2,821,750
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial <i>resources and therefore are not reported in the funds.</i>	2,009,657
Other long-term assets are not available to pay for current - period expenditures and therefore are deferred in the governmental funds.	97,923
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	5,315
Net assets of governmental activities	\$ 4,934,645

See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Fund
 For the Year Ended December 31, 2011

	General Fund
Revenues	
Ad valorem taxes	\$ 1,680,666
Intergovernmental-fire insurance rebate	25,258
Intergovernmental - grant income	30,319
Donations and other income	20,004
Interest income	6,142
Total revenues	1,762,389
Expenditures	
Current:	
General government	53,613
Public Safety	1,034,412
Capital outlay	279,919
Total expenditures	1,367,944
Excess of revenues over expenditures	394,445
Other Financing Sources:	
Proceeds from insurance	16,026
Net change in fund balance	410,471
Fund balances at beginning of year	2,411,279
Fund balances at end of year	\$ 2,821,750

See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Fund to the Statement of Activities
 For the Year Ended December 31, 2011

Net change in fund balances - total governmental funds	\$	410,471
<p>Amounts reported for governmental activities in the statement of activities are 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. This is the amount by which capital outlay (\$279,919) exceeded depreciation (\$193,568) in the current period.</p>		86,351
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		(11,215)
<p>The net effect of various transactions involving capital assets (sales, trade-ins, donated infrastructure, etc.) is to increase net assets.</p>		(6,667)
<p>The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.</p>		<u>15</u>
Change in net assets of governmental activities	\$	<u><u>478,955</u></u>

See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2011

INTRODUCTION

The South Bossier Parish Fire District No. 2 was created by the Bossier Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492, on June 11, 1985 by ordinance number 1113. The district is governed by a five member board of commissioners appointed by the Bossier Parish Police Jury. The Board of Commissioners received no compensation during 2011. The district is responsible for maintaining and operating fire stations and equipment and providing fire protection within the boundaries of the district.

(1) Summary of Significant Accounting Policies

The South Bossier Parish Fire District No. 2's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the South Bossier Parish Fire District No. 2 is discussed below.

A. Reporting Entity

The district is a component unit of the Bossier Parish Police Jury, the financial reporting entity. *The police jury is financially accountable for the district because it appoints or ratifies a voting majority of the board and has the ability to impose its will on them.*

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

B. Basic Financial Statements – Government-Wide Statements

The South Bossier Parish Fire District No. 2's basic financial statements include both government-wide (reporting the funds maintained by the South Bossier Parish Fire District No. 2 as a whole) and fund financial statements (reporting the South Bossier Parish Fire District No. 2's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The South Bossier Parish Fire District No. 2's general fund is classified as governmental activities. The South Bossier Parish Fire District No. 2 does not have any business-type activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The South Bossier Parish Fire District No. 2's net assets are reported in two parts – invested in capital assets and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the South Bossier Parish Fire District No. 2's functions. The functions are supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by any related program revenues, which must be directly associated with the function. *Program revenues consist of an Operating Grant.*

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

This government-wide focus is more on the sustainability of the South Bossier Parish Fire District No. 2 as an entity and the change in the South Bossier Parish Fire District No. 2's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the South Bossier Parish Fire District No. 2 are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the South Bossier Parish Fire District No. 2:

Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the South Bossier Parish Fire District No. 2:

- a. General fund is the general operating fund of the South Bossier Parish Fire District No. 2. It is used to account for all financial resources except those required to be accounted for in another fund.

The emphasis in fund financial statements is on the major funds in the governmental category. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The district's general fund was determined to be a major fund.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental funds in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the South Bossier Parish Fire District No. 2 consist principally of property taxes, other intergovernmental revenues, donations, and interest income. Property taxes are recorded in the year the taxes are assessed. Property taxes are assessed on a calendar year

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year. Interest income is recorded when earned. Donations and other intergovernmental revenues are recorded when received in cash because they are generally not measurable until actually received.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. Depreciation is not recognized in the governmental fund financial statements.

E. Budgets

The district uses the following budget practices:

1. A preliminary budget for the ensuing year is prepared by the Fire Chief and Officers of the District prior to December 31 of each year and is made available for public inspection at least fifteen days prior to the beginning of each fiscal year.
2. After completion of all action necessary to finalize and implement the budget, the budget is adopted by the Board of Commissioners.
3. All budgetary appropriations lapse at the end of each fiscal year.
4. The budget is established and controlled by the board of commissioners at the object level of expenditure. All changes in the budget must be approved by the board.
5. The budget is adopted on a cash basis for the general fund. There was one amendment to the 2011 budget, which is reflected in the accompanying budgetary financial statements.

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, interest-bearing demand deposits, and money market accounts.

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

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are carried at cost, which approximates market.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	25 years
Vehicles	15 years
Equipment	3 – 25 years

H. Compensated Absences

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

Full-time employees of the district earn 10 days of vacation leave each year. The administrative employees can carryover two days of leave and the firefighters can carryover two shifts of leave into the next year. The cost of leave privileges, computed in accordance with the above policy, is recognized as current-year expenditure within the various funds when leave is actually taken.

I. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

J. Deferred Revenue

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the District's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of directors remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned fund balance are the residual classification for the District's general fund and include all spendable amounts not contained in the other classifications.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

(Continued)

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Notes to Financial Statements
 December 31, 2011
 (Continued)

(2) New Accounting Standards

Effective January 1, 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." The objective of this Statement is to enhance the usefulness fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the District's financial statements changed as a result of implementing this Statement.

(3) Levied Taxes

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Operating	11.49	11.49	2017

(4) Cash, Cash Equivalents and Investments

At December 31, 2011, the District has cash, cash equivalents and investments (book balances) totaling \$1,352,872 as detailed below:

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2011 (book balances) totaled \$46,198. 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.

B. Investments

At December 31, 2011, the District had investments totaling \$1,306,674 consisting of certificates of deposits with initial maturities greater than 90 days. The certificates of deposits are carried at cost, which approximates market.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2011, \$1,056,674 of the District's bank balances totaling \$1,353,862 were exposed to custodial credit risk as follows:

*Uninsured and collateral held by the pledging bank's
trust department not in the District's name:*

Investments	<u>\$ 1,056,674</u>
-------------	---------------------

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, as amended by GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the clerk that the fiscal agent has failed to pay deposited funds upon demand.

(5) Pension Plan

Certain employees of the District are members of the Louisiana Firefighters Retirement System (System), a cost-sharing multi-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 credible service, not to exceed 100 percent of their final average salary. *Final-average salary is the employee's average salary over the 36 consecutive months or joined months that produce the highest average.* Employees who terminate with at least 12 years of service, and who do not withdraw their employee contributions, may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

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 (504) 925-4060.

Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. Contribution rates were 21.50% for January through June, 2011, and 23.25% for July through December, 2011. The contribution requirements of plan members and the District 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. The District's contributions to the System for the years ending December 31, 2011, 2010 and 2009 were \$110,704, \$75,777 and \$50,428.

Other employees of the district who are not eligible to participate in the Firefighters' Retirement System are members of the Social Security System.

(Continued)

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Notes to Financial Statements
 December 31, 2011
 (Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance at January 1, 2011	Transfers	Additions	Deletions	Balance at December 31, 2011
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 38,130	\$	\$	\$	\$ 38,130
Idle Assets	9,450				9,450
Construction in process			24,730		24,730
Vehicle in progress	156,261	(156,261)			
Total capital assets, not being depreciated	203,841	(156,261)	24,730		72,310
Capital assets, being depreciated:					
Buildings	813,465		11,143		824,608
Equipment	440,019		9,575		449,594
Vehicles & Improvements	2,236,108	156,261	234,471	(114,409)	2,512,431
Total capital assets, being depreciated, at historical cost	3,489,592	156,261	255,189	(114,409)	3,786,633
Less accumulated depreciation:					
Idle Assets	(6,804)				(6,804)
Buildings	(367,606)		(33,374)		(400,980)
Equipment	(187,596)		(42,600)		(230,196)
Vehicles	(1,201,455)		(117,593)	107,742	(1,211,306)
Total accumulated depreciation	(1,763,461)		(193,567)	107,742	(1,849,286)
Total capital assets, being depreciated, net	1,726,131	156,261	61,622	(6,667)	1,937,347
Governmental activities capital assets, net	\$ 1,929,972	\$	\$ 86,352	\$ (6,667)	\$ 2,009,657

Depreciation expense for the year ended December 31, 2011 was \$193,568.

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

(7) Risk Management

The District purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the prior year.

(8) Accrued Expenses

Accrued expenses at December 31, 2011, consisted of the following:

Accrued payroll	\$ 28,724
Accrued leave	4,251
Payroll liabilities	<u>20,546</u>
	<u>\$ 53,521</u>

(9) Subsequent Events

Subsequent events have been evaluated through June 26, 2012, the date the financial statements were available to be issued.

The District entered into a contract with an architect in May 2012 for the design of a new station. The architect's fee is approximately \$54,250, calculated as seven percent of the construction costs, which are estimated at \$775,000.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 1,509,000	\$ 1,509,000	\$ 1,514,610	\$ 5,610
Intergovernmental-fire insurance rebate	25,500	25,500	25,258	(242)
Donations and other income	3,000	21,534	36,030	14,496
Grant income	35,000	30,000	29,751	(249)
Interest income	7,500	6,200	6,142	(58)
Total revenues	1,580,000	1,592,234	1,611,791	19,557
Expenditures				
Current:				
General government			49,597	(49,597)
Public Safety	990,000	1,085,169	1,018,796	66,373
Capital outlay	590,000	744,711	279,919	464,792
Total expenditures	1,580,000	1,829,880	1,348,312	481,568
Excess of revenues over (under) expenditures		(237,646)	263,479	501,125
Fund balances at beginning of year		237,646	1,078,714	841,068
Fund balances at end of year	\$	\$	\$ 1,342,193	\$ 1,342,193

See accompanying note to required supplementary information.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Notes to Required Supplementary Information
 December 31, 2011

The District's budget is adopted on a cash basis for all funds. There was one amendment to the 2011 budget. Budget comparison statements included in the accompanying financial statements include the original and adopted budgets. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>
Excess of revenues and other sources	
Over (under) expenditures and other uses (budget basis)	\$ 263,479
Adjustments:	
Revenue accruals – net	216,221
Expenditure accruals – net	<u>(69,229)</u>
Excess of revenues and other sources	
Over (under) expenditures and other uses (GAAP basis)	<u>\$ 410,471</u>

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards

Board of Commissioners
South Bossier Parish Fire District No. 2

We have audited the financial statements of governmental activities and the major fund of the South Bossier Fire District No. 2 as of and for the year ended December 31, 2011, which collectively comprise the South Bossier Parish Fire No. 2's basic financial statements, and have issued our report thereon dated June 26, 2012. 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.

Internal Control Over Financial Reporting

Management of the South Bossier Fire District No. 2 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered South Bossier Fire District No. 2's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Bossier Fire District No. 2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Bossier Fire District No. 2's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying summary schedule of audit findings as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Bossier Fire District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South Bossier Fire District No. 2's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit South Bossier Fire District No. 2's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
June 26, 2012

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Summary Schedule of Audit Findings
December 31, 2011

Summary Schedule of Prior Year Audit Findings

There were no management letter comments for the prior year audit for the year ended December 31, 2010. There was one finding for the prior year audit for the year ended December 31, 2010, as follows:

Reference No: 2010-1

Condition: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the District's annual financial statements. This condition is intentional by management based upon the District's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Current Status: See repeat comment in current year audit.

Corrective Action Plan for Current Year Audit Findings

There are no management letter comments for the current year audit for the year ended December 31, 2011. There is one finding for the current year audit for the year ended December 31, 2011, as follows:

2011-1 Financial Statement Preparation

Condition: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

Recommendation: Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: We concur with the auditor's finding and recommendation.