

ANNUAL FINANCIAL REPORT
ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
FOR THE YEAR ENDED
DECEMBER 31, 2008

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

Release Date 8/12/09

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INDEPENDENT AUDITORS' REPORT

St. Tammany Parish Fire Protection District No. 1
Slidell, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the St. Tammany Parish Fire Protection District No. 1 (the District), a component unit of St. Tammany Parish, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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, the *Louisiana Governmental Audit Guide* 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 each major fund of the St. Tammany Parish Fire Protection District No. 1 as of December 31, 2008 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2009, on our consideration of the St. Tammany Parish Fire Protection District No. 1's internal control over financial reporting and on 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 conjunction with this report in considering the results of our audit.

ERICKSEN KRENTEL & LAPORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

St. Tammany Parish Fire Protection District No. 1

June 22, 2009

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The management's discussion and analysis information on pages 3 through 6 and the information contained in Schedules "1" and "2" are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Tammany Parish Fire Protection District No. 1's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of St. Tammany Parish Fire Protection District No. 1. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 22, 2009

Ericksen, Krentel & LaPorte, LLP

Certified Public Accountants

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

This section of the St. Tammany Parish Fire Protection District No. 1's (the District) annual financial report presents management's analysis of the District's financial performance for the year ended December 31, 2008. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

1. The District's net assets increased by \$2,014,825.
2. The general revenues of the District were \$14,414,185.
3. The total expenses of the District were \$12,399,360.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of two sections: Management's Discussion and Analysis and audited financial statements. The financial statements also include notes that provide additional detail of the information included in the financial statements.

BASIC FINANCIAL STATEMENTS

The financial statements of the District report information about the District using accounting methods similar to those used by private companies. These financial statements provide financial information about the activities of the District.

The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately.

The Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities presents information on how the District's net assets changed as a result of current period operations.

The following presents condensed financial information of the District.

SUMMARY OF NET ASSETS
AS OF DECEMBER 31, 2008 AND 2007

	<u>ASSETS</u>	
	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Current assets	\$ 19,705,232	\$ 17,843,552
Capital assets, net of accumulated depreciation	<u>6,187,666</u>	<u>5,546,880</u>
Total assets	<u>\$ 25,892,898</u>	<u>\$ 23,390,432</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>LIABILITIES</u>	
	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Current liabilities	\$ 1,228,134	\$ 891,314
Long-term liabilities	<u>7,230,156</u>	<u>7,079,335</u>
Total liabilities	<u>\$ 8,458,290</u>	<u>\$ 7,970,649</u>

	<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	\$ 5,911,770	\$ 5,215,805
Unrestricted	<u>11,522,838</u>	<u>10,203,978</u>
Total net assets	<u>\$ 17,434,608</u>	<u>\$ 15,419,783</u>

Total assets increased by \$2,502,466 (11%) and total liabilities increased by \$487,641 (6%), primarily due to increase in Ad Valorem taxes receivable, caused by late billings, the purchase of two vehicles, a fire truck, and a donated fuel tank and the issuance of a new bond payable.

Net assets increased by \$2,014,825 (13%) as a result of operations.

SUMMARY OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
General revenues	\$ 14,414,185	\$ 12,245,514
Expenditures/ expenses	<u>(12,399,360)</u>	<u>(11,430,379)</u>
Change in net assets	<u>\$ 2,014,825</u>	<u>\$ 815,135</u>

The change in net assets increased by \$1,199,690, mainly due to increase in Ad Valorem revenue and grant revenue.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

CAPITAL ASSETS

Following is a schedule of capital assets, net of accumulated depreciation:

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Land	\$ 240,697	\$ 240,697
Buildings and improvements	2,209,335	1,751,607
Equipment	1,342,560	1,150,019
Computers	702,504	420,201
Vehicles	<u>5,040,533</u>	<u>5,192,491</u>
	9,535,629	8,755,015
Less: accumulated depreciation	<u>(3,656,859)</u>	<u>(3,572,210)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 5,878,770</u>	<u>\$ 5,182,805</u>

The major additions to capital assets during 2008 consisted of vehicles, a fire truck, donated fuel tank and various fire equipment.

LONG-TERM DEBT

At December 31, 2008, the District had \$7,230,156 in long-term debt which consisted of capital leases, bonds payable and community disaster loans. During the year, the District's long-term debt increased by \$334,000 due to the issuance of a new bond payable totaling \$630,000 and principal payments on existing debt of \$296,000.

BUDGET

The following table presents the difference between the original budget and final budget for fiscal year 2008.

	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Revenues:			
Ad valorem taxes	\$ 9,241,449	\$ 9,241,449	\$ -
Parcel fee	1,199,000	1,149,000	(50,000)
State revenue sharing	400,000	442,572	42,572
Other	<u>909,000</u>	<u>784,852</u>	<u>(124,148)</u>
Total	<u>\$ 11,749,449</u>	<u>\$ 11,617,873</u>	<u>\$ (131,576)</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Expenditures:			
Fire protection and prevention	\$ 11,509,145	\$ 11,266,095	\$ (243,050)
Capital outlay	1,504,721	1,297,721	(207,000)
Communication system	<u>55,179</u>	<u>55,179</u>	<u>-</u>
Total	\$ 13,069,045	\$ 12,618,995	\$ 450,050

The following table presents the variance between the final budget and the actual results for the fiscal year.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Ad valorem taxes	\$ 9,241,449	\$ 5,557,287	\$ (3,684,162)
Parcel fees	1,149,000	1,253,836	104,836
State revenue sharing	442,572	442,572	-
Other	<u>784,852</u>	<u>686,341</u>	<u>(98,511)</u>
Total	\$ 11,617,873	\$ 7,940,036	\$ (3,677,837)
Expenditures:			
Fire protection and prevention	\$ 11,266,095	\$ 11,808,066	\$ (541,971)
Capital outlay	1,297,721	1,395,672	(97,951)
Communication system	<u>55,179</u>	<u>55,179</u>	<u>-</u>
Total	\$ 12,618,995	\$ 13,258,917	\$ (639,922)

The variance in total revenue is due to the late billing of ad valorem taxes.

CONTACTING THE DISTRICT'S MANAGEMENT

This report is designed to provide a general overview of the District and to demonstrate the District's accountability for its finances. If you have any questions about this report or need additional information, please contact Chief Larry Hess, St. Tammany Parish Fire Protection District No. 1, 1358 Corporate Square Drive, Slidell, Louisiana 70458.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

ASSETS:

Cash	\$ 2,115,156
Investments	3,625,568
Taxes receivable, net of allowance for uncollectible taxes of \$625,341	11,881,478
Other receivables	1,988,242
Prepayments	94,788
Investment in communication system, net of amortization	308,896
Capital assets, net of accumulated depreciation	<u>5,878,770</u>
 Total assets	 <u>25,892,898</u>

LIABILITIES:

Accounts payable	2,866
Pension deduction payable	395,283
Accrued interest	350,728
Other liabilities	78
Long-term liabilities:	
Due within one year	479,179
Due after one year	<u>7,230,156</u>
 Total liabilities	 <u>8,458,290</u>

NET ASSETS:

Invested in capital assets, net of related debt	5,911,770
Unrestricted	<u>11,522,838</u>
 Total net assets	 <u>\$ 17,434,608</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS/PROGRAMS

GOVERNMENTAL ACTIVITIES:

Public safety - fire protection	\$ <u>(12,399,360)</u>
Total (expense) from governmental activities	<u>(12,399,360)</u>

GENERAL REVENUES & EXPENSES:

Property taxes	12,098,794
Parcel fee	1,253,836
Fire insurance rebate	292,926
State revenue sharing	442,572
Grant income	61,252
Investment earnings	218,748
Loss on disposal of assets	(54,816)
Miscellaneous	<u>100,873</u>
Total general revenues	<u>14,414,185</u>

Change in net assets	2,014,825
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NET ASSETS:

Beginning of the year	<u>15,419,783</u>
End of the year	<u>\$ 17,434,608</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 2008

ASSETS

ASSETS:

Cash	\$ 2,115,156
Investments	3,625,568
Taxes receivable, net of allowance for uncollectible taxes of \$625,341	11,881,478
Other receivables	1,988,242
Prepayments	94,788
Investment in communication system	<u>87,567</u>
 Total assets	 <u>\$ 19,792,799</u>

LIABILITIES:

Accounts payable	\$ 2,866
Pension deduction payable	395,283
Deferred revenues	7,914,794
Other liabilities	<u>78</u>
 Total liabilities	 <u>8,313,021</u>

FUND BALANCE:

Unreserved	<u>11,479,778</u>
 Total liabilities and fund balances	 <u>\$ 19,792,799</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

Fund balance - total governmental funds	\$ 11,479,778
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,878,770
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. All liabilities (both current and long-term), including the related accrued interest are reported in the Statement of Net Assets.	(8,060,063)
Deferred revenues are not received in the current period and, therefore, are not reported in the Statement of Net Assets.	7,914,794
The investment in communication system is expended over a 10 year period and is reported in the governmental funds as amounts are paid. The amount reflected on the Statement of Net Assets represents the accrued total LTD due within one year - Communication system.	<u>221,329</u>
Net assets of governmental activities	<u>\$ 17,434,608</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>GENERAL REVENUES:</u>	
Property taxes	\$ 5,557,287
Parcel fee	1,253,836
Fire insurance rebate	292,926
State revenue sharing	442,572
Grant income	61,252
Investment earnings	218,748
Miscellaneous	<u>113,415</u>
 Total general revenues	 <u>7,940,036</u>
<u>EXPENDITURES/EXPENSES:</u>	
Fire protection:	
Salaries and related expenses	8,954,119
Repairs and maintenance	463,465
Deduction from ad valorem taxes for pension	395,283
Fire fighting equipment, supplies and related	594,562
Legal and professional services	400,071
Insurance	404,696
Office supplies	53,772
Telephone and utilities	147,476
Training expenses	1,758
Miscellaneous	16,702
Capital outlay	1,395,672
Communication system	55,179
Debt service:	
Principal	296,000
Interest	<u>80,162</u>
 Total expenditures/expenses	 <u>13,258,917</u>
 Excess (deficiency) of revenues over expenditures	 (5,318,881)
<u>OTHER FINANCING SOURCES:</u>	
Proceeds from the issuance of debt	<u>630,000</u>
 Total other financing sources	 <u>630,000</u>
 Net change in fund balance	 (4,688,881)
<u>FUND BALANCE:</u>	
Beginning of the year	<u>16,168,659</u>
 End of the year	 <u>\$ 11,479,778</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
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, 2008

Net change in fund balance - governmental fund \$ (4,688,881)

Amounts reported for governmental activities in the Statement of Activities are different because:

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 asset additions of \$1,395,672 exceeded depreciation expense of \$700,070 in the current period. 695,602

Repayments of note principal are reported as financing uses in governmental funds and thus contribute to the reduction in fund balance. In the Statement of Net Assets, however, repayment of debt decreases the long-term liabilities and does not affect the Statement of Activities. 296,000

Under the modified accrual basis of accounting used in the governmental funds, deferred revenue is not recognized until received, rather than as it is earned. This is the amount by which prior year deferred revenue recognized of \$1,373,287 was exceeded by current deferred revenue recognized of \$7,914,794. 6,541,507

Proceeds from new borrowings are reported as other financing sources in governmental funds, but are treated as debt on the statement of net assets and not as revenue in the government wide presentation. (630,000)

Interest accrued on the government-wide financial statements are not expensed until paid under the modified accrual basis used in the governmental funds. (144,587)

Loss on disposal of assets in the Statement of Activities reflects the total sale proceeds received less the net book value of the capital assets. Governmental funds report capital outlays as expenditures when purchased and only the gross proceeds received when the assets are disposed of. (54,816)

Change in net assets \$ 2,014,825

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The St. Tammany Parish Fire Protection District No. 1 (the District) was created by the St. Tammany Parish Council as provided by Louisiana Revised Statute 40:1492. The District is responsible for fire protection in the City of Slidell and the immediate surrounding area. The administration of the District is governed by a board of commissioners consisting of five members. Two members are appointed by the parish governing authority and two by the governing body of the municipal corporation in the district. The fifth member is selected by the other four members and serves as chairman. Vacancies are filled by the governing bodies making the original appointments. Board members serve two-year terms without compensation. The District operates seven fire stations within the district and provides fire protection services in an area covering approximately 120 square miles. In addition to fire protection service, the District also provides fire prevention service to the public.

GASB Statement No. 14, *The Financial Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the District is considered a component unit of the St. Tammany Parish Council. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

Basis of Presentation

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

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.

Basic Financial Statements - Government-Wide Financial Statements (GWFS)

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's fire protection activities and related general administrative services are classified as governmental activities. The District does not have any business-type activities.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements - Government-Wide Financial Statements (GWFS)
(continued)

In the government-wide Statement of Net Assets (Exhibit A), 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, as well as long-term debt and obligations. The District's net assets are reported in two parts – invested capital assets and unrestricted net assets.

The government-wide Statement of Activities (Exhibit B) reports both gross and net cost of the District's function. The function is supported by general government revenues (ad valorem tax). Any program revenues and operating grants received would reduce gross expenses in the Statement of Activities.

This government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from current year's activities.

Basic Financial Statements – Fund Financial Statements (FFS)

The financial transactions of the District are reported 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 District's current operations require the use of only the following fund type:

Governmental Fund:

The focus of the governmental fund's measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. In general, fund balance represents the accumulated expendable resources, which may be used to finance future operations of the District.

General Fund

The General Fund is the principal fund of the District and is used to account for the operations of the District. General revenues are accounted for in this fund. General operating expenditures are paid from this fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of Accounting (continued)

Accrual

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

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the 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 general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The District records are maintained on the cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Property taxes, state revenue sharing, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual, subject to availability, and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Interest income on investments is recorded when the investments have matured and income is available.

All other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

Investments are reported at fair value when the difference between cost and market is considered material.

Receivables and Payables

All trade and property tax receivables are shown net of a 5% allowance for uncollectibles. The allowance is based on prior years' experience.

Property taxes are levied on a calendar year basis, become due on December 31 and are considered delinquent on January 1. The District authorized and levied a 30 mill ad valorem tax for operations and maintenance for the year ended December 31, 2008.

The following are the principal taxpayers and related property tax revenue for the entity:

	<u>Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Central LA Electric Co.	\$ 13,767,820	3.29%
BellSouth Telecommunications	6,920,539	1.66%
JP Morgan Chase Bank	3,898,850	0.93%
Sizeler North Shore Limited	2,862,220	0.69%
Anchorage Investments LTD	2,831,105	0.68%
Capital One Bank	2,746,530	0.66%
Central Progressive Bank	2,635,154	0.63%
Atmos Energy Louisiana	2,373,590	0.57%
Northshore Regional Medical Center	1,984,000	0.47%
Parish National Bank	<u>1,806,054</u>	<u>0.43%</u>
	<u>\$ 41,825,862</u>	<u>10.01%</u>

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant and equipment are reported in the government wide statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and building improvements	40 Years
Vehicles	10 - 20 Years
Equipment	10 - 40 Years

Compensated Absences

Employees of the District are entitled to 18 to 30 days of annual leave each year, depending on length of service. Sick leave is granted to each regular employee for a period of not more than 52 weeks. The cost of current leave privileges, computed in accordance with GASB Codification C60, is recognized as a current-year expense when leave is actually taken. Annual and sick leave can not be carried over; therefore, there are no accumulated leave benefits required to be reported in accordance with GASB Codification C60.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of 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.

Fund Equity

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

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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 reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District published the proposed budget for the General Fund in the office journal on November 16, 18 and 21, 2007. A public hearing was held on December 18, 2007 and the board adopted the budget on December 18, 2007. The budget is prepared using the cash basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is employed as a management control device during the year. The board also reviews budget versus actual reports on a monthly basis. Changes or amendments are made upon approval of the board. There was one amendment made for the year ended December 31, 2008.

(3) CASH AND CASH EQUIVALENTS

At December 31, 2008, the District has cash and cash equivalents (book balances) totaling \$2,115,156 as follows:

Tax certificate account	\$	1,399,548
Checking		412,535
Major apparatus account		293,317
Interest-bearing demand deposits		9,656
Other		<u>100</u>
		<u>\$ 2,115,156</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2008, \$2,002,740 of the District's bank balance of \$2,252,740 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in District's name		\$ <u>2,002,740</u>
--	--	---------------------

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(4) INVESTMENTS

As of December 31, 2008, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal National Mortgage Association	3/31/09	\$ 199,960
Federal National Mortgage Association	1/30/09	1,100,000
Federal National Mortgage Association	2/23/09	975,000
Hancock Horizon Treasury Fund	Current	<u>1,350,608</u>
		<u>\$ 3,625,568</u>

Interest Rate Risk

The District does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District places no limit on the amount the District may invest in any one issuer. A significant percentage of the District's investments are in FNMA discount notes. These investments are 63%, respectively, of the District's total investments.

(5) RECEIVABLES

The receivables of \$13,869,720 at December 31, 2008 are as follows:

<u>Class of Receivable</u>	<u>Amount</u>
Taxes – ad valorem	\$ 11,881,478
Parcel fees	1,431,265
Intergovernmental – grants – state	540,712
Accounts	15,000
Other	<u>1,265</u>
	<u>\$ 13,869,720</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(6) CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2008 is as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 240,697	\$ -	\$ -	\$ 240,697
 Total capital assets not being depreciated	 240,697	 -	 -	 240,697
Capital assets, being depreciated:				
Buildings	1,751,607	457,728	-	2,209,335
Equipment and furniture	6,762,711	937,944	(615,058)	7,085,597
 Total capital assets being depreciated	 8,514,318	 1,395,672	 (615,058)	 9,294,932
Less accumulated depreciation for:				
Buildings	(563,363)	(83,290)	-	(646,653)
Equipment and furniture	(2,954,668)	(616,780)	561,242	(3,010,206)
 Total accumulated depreciation	 (3,518,031)	 (700,070)	 561,242	 (3,656,859)
 Total capital assets, net	 \$ 5,236,984	 \$ 695,602	 \$ (53,816)	 \$ 5,878,770

Depreciation expense of \$700,070 for the year ended December 31, 2008, was charged to fire protection. Equipment and furniture includes \$570,288 of vehicles under capital lease. Accumulated depreciation on leased assets for the year ended December 31, 2008 was \$207,521.

(7) INVESTMENT IN COMMUNICATION SYSTEM

On August 13, 2003, the District signed a cooperative endeavor agreement with the City of Slidell whereby the District receives use of the City's communication system and radios. Under the agreement, beginning, July 1, 2004, the District was obligated to make ten annual payments of \$55,179 for a total of \$551,791 for its share of the system and radios. Additionally, the District is required to make annual payments for maintenance beginning July 1, 2005. The first three payments are set up at \$14,208. Beginning July 1, 2008, the payment will be based on the City's renegotiated maintenance contract. The financial statements include an asset and an obligation for the District's share in the system. The asset will be amortized over 10 years. Amortization for the year ended December 31, 2008 is \$55,179. The maintenance contract expense will be expensed annually.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(8) ACCOUNTS AND OTHER PAYABLES

At December 31, 2008, the payables totaled \$398,149 and are listed as follows:

Sheriff's pension payable	\$	395,283
Accounts		<u>2,866</u>
		<u>\$ 398,149</u>

(9) LONG-TERM DEBT AND CAPITAL LEASES

	<u>Balance at</u> <u>1/1/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/08</u>	<u>Due Within</u> <u>One Year</u>
Limited tax certificates of indebtedness, interest rate at 3.42%, maturing on March 1, 2013.	\$ 1,550,000	\$ -	\$ 235,000	\$ 1,315,000	\$ 245,000
Limited tax certificates of indebtedness, interest rate at 4.19%, maturing on March 1, 2013.	404,000	-	61,000	343,000	63,000
Limited tax certificates of indebtedness, interest rate at 3.79%, maturing on March 1, 2013.	-	630,000	-	630,000	116,000
Community Disaster Loan with FEMA, interest rate at 2.69%, maturing on December 19, 2010.	2,572,719	-	-	2,572,719	-
Community Disaster Loan with FEMA, interest rate at 2.93%, maturing on August 27, 2011.	<u>2,572,720</u>	<u>-</u>	<u>-</u>	<u>2,572,720</u>	<u>-</u>
	<u>\$ 7,099,439</u>	<u>\$ 630,000</u>	<u>\$ 296,000</u>	<u>\$ 7,433,439</u>	<u>\$ 424,000</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(9) LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Following is a summary of future principal and interest requirements:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 424,000	\$ 203,932	\$ 627,932
2010	3,014,719	192,913	3,207,632
2011	3,031,720	112,220	3,143,940
2012	472,000	24,927	496,927
2013	<u>491,000</u>	<u>12,719</u>	<u>503,719</u>
	<u>\$ 7,433,439</u>	<u>\$ 546,711</u>	<u>\$ 7,980,150</u>

Interest costs incurred and charged to expense for the year ended December 31, 2008 was \$224,749.

As more fully described in Note 7, the District has recorded a long-term obligation to the City of Slidell associated with its investment in the City's communication system.

The following is a schedule of changes to this obligation:

Balance, December 31, 2007	\$ 331,075
Payments	<u>(55,179)</u>
Balance, December 31, 2008	<u>\$ 275,896</u>

The following is a summary of future payments under this obligation:

<u>Year Ending</u>	<u>Total</u>
2009	\$ 55,179
2010	55,179
2011	55,179
2012	55,179
2013	<u>55,180</u>
	<u>\$ 275,896</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(10) PENSION PLAN

All full-time employees of the District are members of the Louisiana Firefighters' Retirement System (the System), a cost-sharing, multiple-employer defined benefit plan administered by a separate board of trustees.

Membership in the System is mandatory for all full-time firefighters employed by a municipality, parish or fire district that did not enact an ordinance before 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 percent 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 stated above and do not withdraw their employee contributions may retire at or after age 55 (or at or after 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. The report may be obtained by writing to the Louisiana Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling, (225) 925-4060.

Funding Policy

For the twelve months ended December 31, 2008, members of the System are required to contribute 8% of their annual covered salary and the District is required to contribute at an actuarially determined rate. For the year ended December 31, 2008, the employer contribution rate was 12.50%.

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 amount of the District's employer contributions to the System for the years ended December 31, 2008, 2007 and 2006 were \$1,167,599, \$1,146,533 and \$921,838, respectively, equal to the required contributions.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

(11) OTHER POSTEMPLOYMENT BENEFITS

The Fire District provides group major medical, group dental and group life insurance coverage to its retirees under the provisions of a defined contribution plan adopted as a resolution of its Board of Commissioners during 2008. Under the provisions of the plan, the Fire District limits its contribution for the premium for these policies to \$3,000 annually per retiree who elects to participate in the group plan, paid in monthly installments of \$250. The retiree is responsible for the remaining premium. During 2008, contributions made by plan members totaled \$106,436 and contributions made by the Fire District totaled \$49,878.

(12) RISK MANAGEMENT

The District is exposed to all common perils associated with fire protection. To minimize loss occurrence and transfer risk, the district carries various commercial insurance policies including property, casualty, employee dishonesty, public official's liability, business auto and other miscellaneous policies. These policies are reviewed for adequacy by management annually.

(13) CONTINGENT LIABILITIES

At December 31, 2008, the District is involved in various lawsuits. The District's legal advisors are unable to estimate the ultimate resolution of such matters. Consequently, no liability has been recorded in the accompanying financial statements. The claims are potentially within the District's insurance coverage limits.

(14) LEASE OBLIGATIONS

The District leased property at 1358 Corporate Square in Slidell, Louisiana. The lease commenced on June 1, 2006 and expired on November 30, 2007. The District paid monthly rent of \$2,500 plus \$50 for water and garbage collection. The lease allowed for six consecutive options of six month periods beginning at the end of the original lease term and expiring on November 30, 2010. The lease allowed for the option to purchase the property during the original lease term. Purchase terms require that the District would reimburse the lessor the cost of the build-out. The option to purchase can be extended along with the six month extensions of the original lease term subject to a price adjustment based on market prices at time of execution of extension. The District extended the lease in November 2007 and exercised the purchase option in January 2008.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	As Amended		
<u>GENERAL REVENUES:</u>				
Property taxes	\$ 9,241,449	\$ 9,241,449	\$ 5,557,287	\$ (3,684,162)
Parcel fee	1,199,000	1,149,000	1,253,836	104,836
Fire insurance rebate	265,000	290,000	292,926	2,926
State revenue sharing	400,000	442,572	442,572	-
Grant income	184,000	126,000	61,252	(64,748)
Investment earnings	430,000	329,000	218,748	(110,252)
Miscellaneous	30,000	39,852	113,415	73,563
Total general revenues	11,749,449	11,617,873	7,940,036	(3,677,837)
<u>EXPENDITURES/EXPENSES:</u>				
Fire protection:				
Salaries and related expenses	8,741,438	8,614,572	8,954,119	(339,547)
Repairs and maintenance	355,400	350,400	463,465	(113,065)
Deduction from ad valorem taxes for pension	-	-	395,283	(395,283)
Fire fighting equipment, supplies and related	359,500	388,500	594,562	(206,062)
Legal and professional services	418,500	438,514	400,071	38,443
Insurance	748,285	613,087	404,696	208,391
Office supplies	50,000	50,000	53,772	(3,772)
Telephone and utilities	146,000	146,000	147,476	(1,476)
Training expenses	225,000	214,000	1,758	212,242
Miscellaneous	23,000	14,000	16,702	(2,702)
Capital outlay	1,504,721	1,297,721	1,395,672	(97,951)
Communication system	55,179	55,179	55,179	-
Debt service:				
Principal	442,022	437,022	296,000	141,022
Interest	-	-	80,162	(80,162)
Total expenditures/expenses	13,069,045	12,618,995	13,258,917	(639,922)
Excess/(deficiency) of revenues over expenditures	(1,319,596)	(1,001,122)	(5,318,881)	(4,317,759)
<u>OTHER FINANCING SOURCES:</u>				
Proceeds from issuance of debt	630,000	630,000	630,000	-
Total other financing sources	630,000	630,000	630,000	-
Net change in fund balance	(689,596)	(371,122)	(4,688,881)	(4,317,759)
Beginning of the year	16,168,659	16,168,659	16,168,659	-
End of the year	\$ 15,479,063	\$ 15,797,537	\$ 11,479,778	\$ (4,317,759)

(See Auditors' Report)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008

The District published the proposed budget for the General Fund in the office journal on November 16, 18 and November 21, 2007. A public hearing was held on December 18, 2007 and the board adopted the budget on December 18, 2007. The budget is prepared using the cash basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is employed as a management control device during the year. The board also reviews budget versus actual reports on a monthly basis. Changes or amendments are made upon approval of the board. There was one budget amendment during the year ended December 31, 2008.

(See Auditors' Report)

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Board members serve without compensation

(See Auditors' Report)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Homeland Security</u>			
FEMA Community Disaster Loan	97.030	EMT-2006-LF-1603LA08	\$ 5,145,439 *
FEMA Staffing for Adequate Fire and Emergency Response grant	97.083	EMW-2007-FF-00326	<u>61,252</u>
Total Homeland Security			<u>5,206,691</u>
Total Federal Awards			<u>\$ 5,206,691</u>

* Major Program

Note: The schedule of expenditures of federal awards is a summary of the activity of St. Tammany Parish Fire Protection District No. 1's federal award programs presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The FEMA Community Disaster Loans (CFDA 97.030) have been included at their outstanding principal balances plus accrued interest payable of \$395,283 at December 31, 2008.

(See Auditors' Report)

ERICKSEN KRENTEL & LAPORTE L.L.P.

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*PROFESSIONAL CORPORATION
*LIMITED LIABILITY COMPANY
BENJAMIN J. ERICKSEN - RETIRED
J.V. LECLERE KRENTEL - RETIRED

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*

St. Tammany Parish Fire Protection District No. 1
Slidell, Louisiana

We have audited the financial statements of St. Tammany Parish Fire Protection District No. 1 (the District), as of and for the year ended December 31, 2008, and have issued our report thereon dated June 22, 2009. 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

In planning and performing our audit, we considered St. Tammany Parish Fire Protection District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Tammany Parish Fire Protection District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Tammany Parish Fire Protection District No. 1's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects St. Tammany Parish Fire Protection District No. 1's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of St. Tammany Parish Fire Protection District No. 1's financial statements that is more than inconsequential will not be prevented or detected by St. Tammany Parish Fire Protection District No. 1's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2008-1 to be a significant deficiency in internal control over financial reporting.

ERICKSEN KRENTEL & LAPORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

St. Tammany Parish Fire Protection District No. 1
June 22, 2009

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the accompanying schedule of findings and questioned costs as finding 2008-1 is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Fire Protection District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 one instances of noncompliance that is required to be reported under *Government Auditing Standards* which is identified as finding 2008-1 in the accompanying schedule of findings and questioned costs.

St. Tammany Parish Fire Protection District No. 1's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit St. Tammany Parish Fire Protection District No. 1's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the board of commissioners, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 22, 2009

Erickson, Krentel & LaPorte, LLP

Certified Public Accountants

ERICKSEN KRENTEL & LAPORTE L.L.P.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

St. Tammany Parish Fire Protection District No. 1
Slidell, Louisiana

Compliance

We have audited the compliance of St. Tammany Parish Fire Protection District No. 1, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. St. Tammany Parish Fire Protection District No. 1's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of St. Tammany Parish Fire Protection District No. 1's management. Our responsibility is to express an opinion on St. Tammany Parish Fire Protection District No. 1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Tammany Parish Fire Protection District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of St. Tammany Parish Fire Protection District No. 1's compliance with those requirements.

In our opinion, St. Tammany Parish Fire Protection District No. 1, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

St. Tammany Parish Fire Protection District No. 1
June 22, 2009

Internal Control Over Compliance

The management of St. Tammany Parish Fire Protection District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered St. Tammany Parish Fire Protection District No. 1's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of St. Tammany Parish Fire Protection District No. 1's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

St. Tammany Parish Fire Protection District No. 1's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit St. Tammany Parish Fire Protection District No. 1's response and, accordingly, we express no opinion on it.

ERICKSEN KRENTEL & LAPORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

St. Tammany Parish Fire Protection District No. 1
June 22, 2009

This report is intended solely for the information and use of management and the board of commissioners, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 22, 2009

Erickson, Krentel & Laporte, LLP

Certified Public Accountants

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

We have audited the financial statements of St. Tammany Parish Fire Protection District No. 1 as of and for the year ended December 31, 2008, and have issued our report thereon dated June 22, 2009. 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. Our audit of the financial statements as of December 31, 2008 resulted in an unqualified opinion.

SECTION I SUMMARY OF AUDITORS' REPORTS

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No

Significant Deficiencies X Yes ___ No

Compliance

Non-compliance Material to Financial Statements X Yes ___ No

b. Federal Awards

Internal Control

Material Weaknesses ___ Yes X No

Significant Deficiencies ___ Yes X No

Type of Opinion on Compliance Unqualified X Qualified ___
 for Major Programs Disclaimer ___ Adverse ___

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)? ___ Yes X No

c. Identification of Major Programs:

CFDA Number(s)	Name of Federal Program (or Cluster)
97.030	FEMA Community Disaster Loan

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

Dollar threshold used to distinguish Type A and Type B Programs \$ 300,000

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?

 Yes X No

SECTION II FINANCIAL STATEMENT FINDINGS

2008-01 Lack of Control Over Cash

Condition – The Louisiana Legislative Auditor conducted a compliance audit of St. Tammany Fire Protection District No. 1 and issued their report dated June 10, 2009. That report contained one finding regarding the Fire District's controls over cash receipts of sales of Hurricane Katrina commemorative bells. The Fire District sold these bells in conjunction with WWL-TV from 2006 to 2008. The Legislative Auditor's report states in part that "receipts for the sale of commemorative bells were collected at the fire stations without controls or formal procedures relating to cash collections. Records of bells received and sold and of funds received were not maintained at each fire station. In addition, the Fire District did not implement any processes to verify that all funds collected were deposited or that all bells distributed were accounted for."

Criteria – Adequate internal controls over cash provide for a documented audit trail for all transactions and mitigate the risk of loss due to theft or misappropriation of assets. Revised Statute 39:1212 states, in part, that "All funds of local depositing authorities shall be deposited daily whenever practicable."

Effect – The Legislative Auditor concluded that "because of a lack of adequate controls over cash, the risk of loss due to theft and/or misappropriation was high. In addition, the Fire District appears to have violated state law by not depositing funds on a daily basis."

Cause – The Legislative Auditor concluded that the condition was caused by a lack of adequate controls over cash.

Recommendation – The Legislative Auditor recommended that the Fire District require that all funds collected be adequately recorded; comply with state law and make daily deposits of public funds, whether cash or check; check the daily total deposits to the total receipts on a regular basis; implement written policies and procedures relating to the collection, deposit, and recordation of receipts; and maintain adequate public records.

Response – In a letter to the Legislative Auditor, the Fire District indicated that procedures have been put in place to include a full accounting of any items similar to the Katrina bells in the future. The letter further indicates that procedures have been put into place to handle cash if cash is handled by the department again. The response also stated that the Fire District would continue to adhere to the state law requiring daily deposit of funds whenever practicable.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

Not Applicable

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS**

Not Applicable

SECTION III MANAGEMENT LETTER COMMENTS

2007-01 Reconcile Bank Accounts on a Timely Basis and Review Bank Reconciliations

The year-end bank statement was reconciled prior to the last check run of the year being posted to the general ledger. We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the manager of accounting.

This issue has been resolved.

2007-02 Cancel and Initial Invoices Being Paid

We recommend that invoices be canceled indicating the date paid and check number on the invoice, with the person signing the check initialing the invoice to indicate review.

This issue has been resolved.

2007-03 Approval of new bank account and closing of Tax Certificate account in minutes

The opening of new bank accounts and closing of old bank accounts should be approved during the Board of Commissioners meetings.

This issue has been resolved.