

ANNUAL FINANCIAL REPORT

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1

FOR THE YEAR ENDED

DECEMBER 31, 2012

ERICKSEN KRENTEL & LA PORTE L.L.P.

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
Slidell, Louisiana

Report on the Financial Statements

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) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

St. Tammany Parish Fire Protection District No. 1

June 28, 2013

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2012, St. Tammany Parish Fire Protection District No. 1 adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and pages 27 through 28 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.

St. Tammany Parish Fire Protection District No. 1

June 28, 2013

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2013 on our considerations of 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, 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* in considering St. Tammany Parish Fire Protection District No. 1's internal control over financial reporting and compliance.

June 28, 2013

Mandeville, Louisiana



Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

1. The District's net position increased by \$2,505,407.
2. The general revenues of the District were \$16,709,618.
3. The total expenses of the District were \$14,204,211.

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 Position presents information that includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

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

The following presents condensed financial information of the District.

SUMMARY OF NET POSITION
AS OF DECEMBER 31, 2012 AND 2011

	<u>ASSETS</u>	
	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Current assets	\$ 25,769,012	\$ 23,163,631
Capital assets, net of accumulated Depreciation	<u>6,324,750</u>	<u>6,622,527</u>
Total assets	<u>\$ 32,093,762</u>	<u>\$ 29,786,158</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, 2012

	<u>LIABILITIES</u>	
	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Current liabilities	\$ 1,319,600	\$ 971,223
Long-term liabilities	<u>-</u>	<u>546,180</u>
Total liabilities	<u>1,319,600</u>	<u>1,517,403</u>

	<u>NET POSITION</u>	
Invested in capital assets, net of related debt	6,357,751	6,655,527
Restricted for:		
Fire protection	23,061,725	20,409,078
Debt service	320,913	815,446
Capital outlay	<u>1,033,773</u>	<u>388,704</u>
Total net position	<u>\$ 30,774,162</u>	<u>\$ 28,268,755</u>

Total assets increased by \$2,307,604 (8%) and total liabilities decreased by \$197,803 (13%), primarily due to increase in cash and cash equivalents and principal payments on long-term debt.

Net position increased by \$2,505,407 (9%) as a result of operations.

SUMMARY OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
General revenues	\$ 16,709,618	\$ 14,875,014
Expenditures/ expenses	<u>(14,204,211)</u>	<u>(13,679,902)</u>
Change in net position	<u>\$ 2,505,407</u>	<u>\$ 1,195,112</u>

The change in net position increased by \$1,310,295, mainly due to an increase in ad valorem tax revenue from the prior year.

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, 2012

CAPITAL ASSETS

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

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Land	\$ 400,697	\$ 400,697
Buildings and improvements	2,684,688	2,694,530
Equipment	2,343,512	2,037,636
Computers	836,626	805,244
Vehicles	5,818,852	6,078,180
Construction in progress	<u>35,868</u>	<u>-</u>
	12,120,243	12,016,287
Less: accumulated depreciation	<u>(5,795,493)</u>	<u>(5,393,760)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 6,324,750</u>	<u>\$ 6,622,527</u>

The major additions to capital assets during 2012 consisted of a various fire and medical equipment. The District had disposals during the year mainly due to Fire Station 14, which burned down during 2012.

LONG-TERM DEBT

At December 31, 2012, the District had \$546,179 in long-term debt which consisted of capital leases and bonds payable. During the year, the District's long-term debt decreased by \$472,000 due to principal payments on existing debt.

BUDGET

The following table presents the difference between the original budget and final budget for fiscal year 2012.

	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Revenues:			
Ad valorem taxes	\$ 12,125,140	\$ 12,125,140	\$ -
Parcel fee	1,121,259	1,121,259	-
State revenue sharing	460,000	439,868	(20,132)
Other	<u>437,600</u>	<u>446,556</u>	<u>8,956</u>
Total	<u>\$ 14,143,999</u>	<u>\$ 14,132,823</u>	<u>\$ (11,176)</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, 2012

	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Expenditures:			
Fire protection and prevention	\$ 14,268,983	\$ 14,257,807	\$ 11,176
Capital outlay	666,176	666,176	-
Debit service	498,460	498,460	-
Communication system	<u>55,179</u>	<u>55,179</u>	<u>-</u>
Total	<u>\$ 15,488,798</u>	<u>\$ 15,477,622</u>	<u>\$ 11,176</u>

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	\$ 12,125,140	\$ 13,332,759	\$ 1,207,619
Parcel fees	1,121,259	1,209,697	88,438
State revenue sharing	439,868	437,133	(2,735)
Other	<u>446,556</u>	<u>460,150</u>	<u>13,594</u>
Total	<u>\$ 14,132,823</u>	<u>\$ 15,439,739</u>	<u>\$ 1,306,916</u>
Expenditures:			
Fire protection and prevention	\$ 14,257,807	\$ 13,484,879	\$ 772,928
Capital outlay	666,176	475,318	190,858
Debt service	498,460	498,460	-
Communication system	<u>55,179</u>	<u>55,179</u>	<u>-</u>
Total	<u>\$ 15,477,622</u>	<u>\$ 14,513,836</u>	<u>\$ 963,786</u>

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.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS:

Cash	\$ 2,619,099
Investments	7,493,700
Taxes receivable, net of allowance for uncollectible taxes of \$726,715	13,807,581
Parcel fee receivable, net of allowance for uncollectible fees of \$63,625	1,208,867
Other receivables	459,295
Prepayments	92,290
Investment in communication system, net of amortization	88,180
Capital assets, net of accumulated depreciation	<u>6,324,750</u>
 Total assets	 <u>32,093,762</u>

LIABILITIES:

Bank overdraft	151,705
Accounts payable	160,431
Pension deduction payable	461,285
Long-term liabilities:	
Due within one year	<u>546,179</u>
 Total liabilities	 <u>1,319,600</u>

NET POSITION:

Invested in capital assets, net of related debt	6,357,751
Restricted for:	
Fire protection	23,061,725
Debt service	320,913
Capital outlay	<u>1,033,773</u>
 Total net position	 <u>\$ 30,774,162</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, 2012

FUNCTIONS/PROGRAMS**GOVERNMENTAL ACTIVITIES:**

Public safety - fire protection	\$ (14,204,211)
 Total (expense) from governmental activities	 <u>(14,204,211)</u>

GENERAL REVENUES & EXPENSES:

Property taxes	14,065,349
Parcel fee	1,247,114
Fire insurance rebate	300,461
State revenue sharing	437,133
Grant income	89,004
Investment earnings	11,620
Gain on disposal of assets	535,955
Miscellaneous	<u>22,982</u>
 Total general revenues	 <u>16,709,618</u>
 Change in net position	 2,505,407
 <u>NET POSITION:</u>	
Beginning of the year	<u>28,268,755</u>
 End of the year	 <u>\$ 30,774,162</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 2012

ASSETS

ASSETS:

Cash	\$ 2,619,099
Investments	7,493,700
Taxes receivable, net of allowance for uncollectible taxes of \$726,715	13,807,581
Parcel fee receivable, net of allowance for uncollectible fees of \$63,625	1,208,867
Other receivables	459,295
Prepayments	92,290
Investment in communication system	<u>87,567</u>
 Total assets	 <u>\$ 25,768,399</u>

LIABILITIES:

Bank overdraft	\$ 151,705
Accounts payable	160,431
Pension deduction payable	461,285
Advances of derived tax revenue	<u>2,786,574</u>
 Total liabilities	 <u>3,559,995</u>

FUND BALANCE:

Nonspendable:	
Prepaid expenses	92,290
Communication system	87,567
Restricted for:	
Fire protection	20,673,861
Debt service	320,913
Capital outlay	<u>1,033,773</u>
 Total fund balance	 <u>22,208,404</u>
 Total liabilities and fund balances	 <u>\$ 25,768,399</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 POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Fund balance - total governmental funds	\$ 22,208,404
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	6,324,750
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 Position.	(546,179)
Advances of derived tax revenues are not received in the current period and, therefore, are not reported in the Statement of Net Position.	2,786,574
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 Position represents the total LTD due within one year on the Communication system.	<div style="border-top: 1px solid black; display: inline-block;">613</div>
Net position of governmental activities	<div style="border-top: 3px double black; display: inline-block;">\$ 30,774,162</div>

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, 2012

GENERAL REVENUES:

Property taxes	\$ 13,332,759
Parcel fee	1,209,697
Fire insurance rebate	300,461
State revenue sharing	437,133
Grant income	89,004
Investment earnings	11,620
Miscellaneous	22,982
Charges for services	<u>36,083</u>
Total general revenues	15,439,739

EXPENDITURES/EXPENSES:

Current for fire protection:	
Salaries and related expenses	10,752,792
Repairs and maintenance	795,535
Deduction from ad valorem taxes for pension	461,285
Fire fighting equipment, supplies and related expenses	482,087
Legal and professional services	411,736
Insurance	274,089
Office supplies	41,470
Telephone and utilities	141,472
Training expenses	31,959
Miscellaneous	92,454
Communication system	<u>55,179</u>
Total current fire protection expenditures/expenses	13,540,058
Capital outlay	475,318
Debt service:	
Principal	472,000
Interest	<u>26,460</u>
Total debt service expenditures/expenses	498,460
Total expenditures/expenses	<u>14,513,836</u>
Excess of revenues over expenditures	925,903

OTHER FINANCING SOURCES:

Proceeds from insurance	<u>635,273</u>
Total other financing sources	<u>635,273</u>
Net change in fund balance	1,561,176

FUND BALANCE:

Beginning of the year	<u>20,647,228</u>
End of the year	<u>\$ 22,208,404</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, 2012

Net change in fund balance - governmental fund \$ 1,561,176

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 \$475,318 was exceeded by depreciation expense of \$673,777 in the current period. (198,459)

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 Position, however, repayment of debt decreases the long-term liabilities and does not affect the Statement of Activities. 472,000

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 \$2,016,566 was exceeded by current deferred revenue recognized of \$2,786,574. 770,008

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. (99,318)

Change in net position \$ 2,505,407

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(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, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

In the government-wide Statement of Net Position (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 position are reported in two parts – invested capital assets and restricted for fire protection, debt service, and capital outlay.

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 position 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.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED)

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.

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, parcel fees, 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, 2012

(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.

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

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 29.70 mill ad valorem tax for operations and maintenance for the year ended December 31, 2012.

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.	\$ 14,566,530	2.97%
AT&T Southeast Tax Department	5,709,027	1.17%
Atmos Energy Corporation	3,255,120	0.67%
Sizeler North Shore Limited	3,032,747	0.62%
JP Morgan Chase Bank	2,707,662	0.55%
IRT Property Company	2,335,198	0.48%
Wal-Mart Real Estate Business	2,217,401	0.45%
Capital One, N.A.	1,973,010	0.40%
LA Water Service	1,839,450	0.38%
Anchorage Investments Ltd.	1,614,489	0.33%
	<u>\$ 39,250,634</u>	<u>8.02%</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government wide statements. Capital assets are recorded 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 \$2,500 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.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The Board of Commissioners, as the highest level of decision-making authority, can establish, modify or rescind a fund balance commitment by formal vote at a public board meeting. For assigned fund balance the Board of Commissioners authorizes management to assign amounts for a specific purpose.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted resources first, then unrestricted as needed. When committed, assigned or unassigned fund balances are available for use it is the District's policy to use committed resources first, then assigned resources and unassigned resources as they are needed.

During the year the District adopted the provisions of GASB Statement No. 63, "*Financial Reporting of Deferred Outflows and Resources, Deferred Inflows of Resources, and Net Position*". GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(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.

Subsequent Events

Subsequent events have been evaluated through June 28, 2013, which is the date the financial statements were available to be issued.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District published the proposed budget for the General Fund in the office journal on November 25, December 2, and December 9, 2011. A public hearing was held on December 20, 2011 and the board adopted the budget on December 20, 2011. 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.

(3) CASH AND CASH EQUIVALENTS

At December 31, 2012, the District has cash and cash equivalents (book balances) totaling \$2,619,099 as follows:

Tax certificate account	\$	320,913
Checking		-
Major apparatus savings account		1,033,773
Interest-bearing demand deposits		6,766
Money market funds		1,257,547
Other		<u>100</u>
		<u>\$ 2,619,099</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.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(3) CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent, in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the District's name, and deposits which are uninsured or uncollateralized.

At December 31, 2012, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

	Bank Balances Category			
	1	2	3	Bank Balance
Cash	\$ 250,000	\$ -	\$ 2,378,852	\$ 2,628,852

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

(4) INVESTMENTS

As of December 31, 2012, the District had the following investments:

Investment	Maturities	Fair Value
Federal Home Loan Bank	2/13/13	\$ 1,099,945
Federal Home Loan Bank	3/20/13	99,989
Fannie Mae Discount Note	4/18/13	599,874
Fannie Mae Discount Note	1/09/13	1,275,000
Fannie Mae Discount Note	8/20/13	1,394,113
Federal Home Loan Mortgage Corporation	1/14/13	1,100,000
Federal Home Loan Mortgage Corporation	1/14/13	99,999
Federal Home Loan Mortgage Corporation	2/19/13	99,995
Federal Home Loan Mortgage Corporation	4/17/13	99,980
Federal Home Loan Mortgage Corporation	4/23/13	374,918
Federal Home Loan Mortgage Corporation	3/08/13	149,986
Federal Home Loan Mortgage Corporation	3/08/13	1,099,901
		<u>\$ 7,493,700</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(4) INVESTMENTS (CONTINUED)

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 Fannie Mae Discount notes and Federal Home Loan Mortgage Corporations. These investments are 44% and 41%, respectively, of the District's total investments.

(5) RECEIVABLES

The receivables of \$15,475,743 at December 31, 2012 are as follows:

Class of Receivable	Amount
Taxes – ad valorem	\$ 13,807,581
Parcel fees	1,208,867
Intergovernmental – grants – state	457,405
Misc. accounts	1,890
	\$ 15,475,743

(6) CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 400,697	\$ -	\$ -	\$ 400,697
Construction in Progress	-	35,868	-	35,868
Total capital assets not being depreciated	400,697	35,868	-	436,565
Capital assets, being depreciated:				
Buildings	2,694,530	93,930	(103,772)	2,684,688
Equipment and furniture	8,921,058	345,520	(267,588)	8,998,990
Total capital assets being depreciated	11,615,588	439,450	(371,360)	11,683,678

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(6) CAPITAL ASSETS (CONTINUED)

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings	(983,706)	(89,872)	81,937	(991,641)
Equipment and furniture	(4,410,052)	(583,905)	190,105	(4,803,852)
 Total accumulated depreciation	 <u>(5,393,758)</u>	 <u>(673,777)</u>	 <u>272,042</u>	 <u>(5,795,493)</u>
 Total capital assets, net	 <u>\$ 6,622,527</u>	 <u>\$ (198,459)</u>	 <u>\$ (99,318)</u>	 <u>\$ 6,324,750</u>

Depreciation expense of \$673,777 for the year ended December 31, 2012, 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, 2012 was \$359,598.

(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, 2012 is \$55,179. The maintenance contract payments are expensed annually.

(8) LONG-TERM DEBT AND CAPITAL LEASES

	<u>Balance at 1/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/12</u>	<u>Due Within One Year</u>
Limited tax certificates of indebtedness, interest rate at 3.42%, maturing on March 1, 2013. Paid in full in 2013.	\$ 550,000	\$ -	\$ 270,000	\$ 280,000	\$ 280,000
Limited tax certificates of indebtedness, interest rate at 4.19%, maturing on March 1, 2013. Paid in full in 2013.	146,000	-	71,000	75,000	75,000

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

	<u>Balance at</u> <u>1/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/12</u>	<u>Due Within</u> <u>One Year</u>
Limited tax certificates of indebtedness, interest rate at 3.79%, maturing on March 1, 2013. Paid in full in 2013.	267,000	-	131,000	136,000	136,000
	<u>\$ 963,000</u>	<u>\$ -</u>	<u>\$ 472,000</u>	<u>\$ 491,000</u>	<u>\$ 491,000</u>

Following is a summary of future principal and interest requirements:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$ 491,000</u>	<u>\$ 12,719</u>	<u>\$ 503,719</u>

Interest costs incurred and charged to expense for the year ended December 31, 2012 was \$14,193.

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, 2011	\$ 110,359
Payments	<u>(55,179)</u>
Balance, December 31, 2012	<u>\$ 55,180</u>

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

<u>Year</u> <u>Ending</u>	<u>Total</u>
2013	<u>\$ 55,180</u>

(9) ACCOUNTS AND OTHER PAYABLES

At December 31, 2012, the payables totaled \$621,716 and are listed as follows:

Sheriff's pension payable	\$ 461,285
Accounts payable	<u>160,431</u>
	<u>\$ 621,716</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(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, 2012, members of the System are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. For the year ended December 31, 2012, the employer contribution rate was 24% above poverty and 26% below poverty.

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, 2012, 2011 and 2010 were \$1,648,281, \$1,543,298 and \$1,487,976, respectively, equal to the required contributions.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(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. The plan can be amended by a resolution of the Board of Commissioners. 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. For the years ended December 31, 2012 and 2011, contributions made by plan members totaled \$194,620 and \$175,359, respectively, and contributions made by the Fire District totaled \$86,749 and \$78,876, respectively.

(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, 2012, 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.

OTHER SUPPLEMENTARY INFORMATION

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, 2012

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	As Amended		
<u>GENERAL REVENUES:</u>				
Property taxes	\$ 12,125,140	\$ 12,125,140	\$ 13,332,759	\$ 1,207,619
Parcel fee	1,121,259	1,121,259	1,209,697	88,438
Fire insurance rebate	265,000	265,000	300,461	35,461
State revenue sharing	460,000	439,868	437,133	(2,735)
Grant income	90,000	90,000	89,004	(996)
Investment earnings	35,000	35,000	11,620	(23,380)
Miscellaneous	19,000	27,956	22,982	(4,974)
Charges for services	28,600	28,600	36,083	7,483
Total general revenues	<u>14,143,999</u>	<u>14,132,823</u>	<u>15,439,739</u>	<u>1,306,916</u>
<u>EXPENDITURES/EXPENSES:</u>				
Current for fire protection:				
Salaries and related expenses	11,420,334	11,404,305	10,752,792	651,513
Repairs and maintenance	782,500	815,022	795,535	19,487
Deduction from ad valorem taxes for pension	461,285	461,285	461,285	-
Fire fighting equipment, supplies and related expenses	498,595	498,595	482,087	16,508
Legal and professional services	490,838	463,169	411,736	51,433
Insurance	282,724	282,724	274,089	8,635
Office supplies	45,000	45,000	41,470	3,530
Telephone and utilities	145,000	145,000	141,472	3,528
Training expenses	39,000	39,000	31,959	7,041
Miscellaneous	103,707	103,707	92,454	11,253
Communication system	55,179	55,179	55,179	-
Total current fire protection expenditures/expenses	<u>14,324,162</u>	<u>14,312,986</u>	<u>13,540,058</u>	<u>772,928</u>
Capital outlay	666,176	666,176	475,318	190,858
Debt service:				
Principal	472,000	472,000	472,000	-
Interest	26,460	26,460	26,460	-
Total debt service expenditures/expenses	<u>498,460</u>	<u>498,460</u>	<u>498,460</u>	<u>-</u>
Total expenditures/expenses	<u>15,488,798</u>	<u>15,477,622</u>	<u>14,513,836</u>	<u>963,786</u>
Excess/(deficiency) of revenues over expenditures	(1,344,799)	(1,344,799)	925,903	2,270,702
<u>OTHER FINANCING SOURCES:</u>				
Proceeds from insurance	-	-	635,273	635,273
Total other financing sources	<u>-</u>	<u>-</u>	<u>635,273</u>	<u>635,273</u>
Net change in fund balance	(1,344,799)	(1,344,799)	1,561,176	2,905,975
Beginning of the year	<u>20,647,228</u>	<u>20,647,228</u>	<u>20,647,228</u>	<u>-</u>
End of the year	<u>\$ 19,302,429</u>	<u>\$ 19,302,429</u>	<u>\$ 22,208,404</u>	<u>\$ 2,905,975</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

The District published the proposed budget for the General Fund in the office journal on November 25, December 2, and December 9, 2011. A public hearing was held on December 20, 2011 and the board adopted the budget on December 20, 2011. 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.

(See Independent Auditors' Report)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2012

Board members serve without compensation

(See Independent Auditors' Report)

4227 CANAL STREET
NEW ORLEANS, LOUISIANA 70119-5996
TELEPHONE (504) 486-7275
FAX (504) 482-2516

2895 HIGHWAY 190, SUITE 213
MANDEVILLE, LOUISIANA 70471
TELEPHONE (985) 727-0777
FAX (985) 727-6701

JAMES E. LAPORTE*
KEVIN M. NEYREY
RONALD H. DAWSON, JR.*
RICHARD G. MUELLER
CLAUDE M. SILVERMAN*
W. ERIC POWERS
DENNIS J. TIZZARD†
JAMES E. TONGLET†

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

**INDEPENDENT AUDITORS' 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***

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
Slidell, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of St. Tammany Parish Fire Protection District No. 1, (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2012-01 that we consider to be a significant deficiency.

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
June 28, 2013

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 28, 2013
Mandeville, Louisiana



Certified Public Accountants

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the St. Tammany Parish Fire Protection District No. 1.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the St. Tammany Parish Fire Protection District No. 1, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A management letter was issued for the year ended December 31, 2012.

SECTION II FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2012-01 Preparation, Maintenance and Monitoring of Depreciation Schedules

Condition – The District did not update its fixed asset database for additions and disposals on a timely basis.

Criteria – Internal controls requiring timely inspection and inventory of property and other fixed assets are necessary to ensure completeness and accuracy of schedules supporting financial statements amounts.

Effect – Significant 2012 asset additions and disposals were not accurately identified, quantified and added to the fixed asset system until June 2013.

Cause – The District failed to timely maintain the fixed asset schedule.

Recommendation – The District should assign responsibility for accurately identifying, quantifying and adding fixed asset additions, deletions and adjustments to the fixed asset system to qualified personnel within the district. Senior level District personnel should maintain oversight and review responsibilities to ensure that these tasks are done timely, at a minimum every quarter.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION II FINANCIAL STATEMENT FINDINGS

2011-01 Preparation, Maintenance and Monitoring of Property & Depreciation Schedules

Annual procedures to review the fixed asset schedules should include a completeness check to make sure that all material assets are accounted for. Communication between the Fire District personnel and the accounting professionals contracted to update the depreciation schedules should include specific steps to ensure that completeness of the schedule is addressed.

This issue remains in finding 2012-01.

SECTION III INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable

SECTION IV MANAGEMENT LETTER ITEMS

2011-02 Capitalization Threshold Policy

Because of the nature of the Fire District's purchases, the capitalization threshold requires a significant amount of time and effort to track purchases of small items that may be more properly classified as expenditures. Fire protection gear worn by the firefighters have a purchase price above the threshold and a rated life of greater than one year, requiring each set to be capitalized and depreciated. However, because of the nature of the Fire District's operations, this gear is replaced frequently, creating more administrative work to account for additions and disposals and annual depreciation.

We recommend a higher capitalization threshold in the \$2,500 to \$3,000 range, which we believe will reduce the administrative burden to track smaller items that turn over frequently.

This issue was resolved.

ERICKSEN KRENTEL & LAPORTE L.L.P.

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BENJAMIN J. ERICKSEN - DECEASED
J.V. LECLERE KRENTEL - DECEASED

MANAGEMENT LETTER

To the Board of Commissioners of
St. Tammany Parish Fire Protection District No. 1
Slidell, Louisiana

In planning and performing our audit of the financial statements of St. Tammany Parish Fire Protection District No. 1 (the District) for the year ended December 31, 2012, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions concerning these matters. This letter does not affect our report dated June 28, 2013, on the financial statements of St. Tammany Parish Fire Protection District No. 1.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various St. Tammany Parish Fire Protection District No. 1 personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

2012-02 Duplicate Vendor Payment

During cash disbursement testing, we noted one vendor invoice was paid twice. When entering invoices into the accounting software, it's important to be consistent with the invoice numbers used. When the same invoice is entered into the system in a different format, the accounting system does not identify the item as a duplicate which could lead to multiple payments of the same transaction. We recommend the bookkeeper enter all invoices consistently to avoid duplicate entries and that the District personnel review these invoices before payments are processed.

2012-03 Duplicate Invoices Recorded for Dispatch Revenue

During testing of accounts receivable, we noted three duplicate dispatch invoices that were listed in accounts receivable at year end. A subsidiary ledger should be used to formally reconcile and support the receivable balance. Reconciliations ensure the early detection of problems and will provide management with assurance that accounts receivable is accurate.

To the Board of Commissioners of
St. Tammany Parish Fire Protection District No. 1
June 28, 2013
Page 2

2012-04 Credit Balance in Employee Receivable Account

At year end, an employee receivable account had a credit balance of \$1,360. Accounts receivable accounts should never maintain a credit balance. A credit balance in an accounts receivable indicates the District owes money back to either the original employee garnished, to a third party, or something was miscoded in the general ledger. All credit balances in assets accounts should be researched and corrected on a timely basis so that amounts do not continue to build year to year.

This letter is intended solely for the information and use of St. Tammany Parish Fire Protection District No. 1, St. Tammany Parish, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

June 28, 2013
Mandeville, Louisiana

Erickson, Krentel + LaPorte, LLP

Certified Public Accountants

Phone: (985) 649-3665

Fax: (985) 646-4865



**St. Tammany
Fire Protection District No. 1**

1358 Corporate Square Dr.
P.O. Box 1149
SLIDELL, LOUISIANA 70458

**ST. TAMMANY FIRE DISTRICT NO.1
MANAGEMENT'S CORRECTIVE ACTION PLAN
DECEMBER 31, 2012**

June 28, 2013

Louisiana Legislative Auditor

St. Tammany Parish Fire Protection District No. 1 respectfully submits the following corrective action plan for the year ended December 31, 2012.

Name and address of independent public accounting firm:

Ericksen, Krentel & LaPorte, L.L.P.
2895 Highway 190, Ste 213
Mandeville, Louisiana 70471

Audit Period: 01/01/2012 to 12/31/2012

The management letter comments from the December 31, 2012 management letter are discussed below. The management letter comments are numbered consistently with the number assigned in the letter.

SIGNIFICANT DEFICIENCY

2012-01 Preparation, Maintenance and Monitoring of Depreciation Schedules

Recommendation – The District should assign responsibility for accurately identifying, quantifying and adding fixed asset additions, deletions and adjustments to the fixed asset system to qualified personnel within the district. Senior level District personnel should maintain oversight and review responsibilities to ensure that these tasks are done timely, at a minimum every quarter.

Response: Chief of Administration will immediately identify qualified personnel to accurately identify, quantify, and add/remove asset additions on a monthly basis.

MANAGEMENT LETTER COMMENTS

2012-02 Duplicate Vendor Payment

Recommendation: We recommend the bookkeeper enter all invoices consistently to avoid duplicate entries and that the District personnel review these invoices before payments are processed.

Response: Our CPA acknowledges your recommendation and will implement a plan effective immediately to review the Vendor Balance Summary Report monthly to correct possible duplicate payments. Also, Administration Department Personnel will confirm any duplicate invoices have not already been paid by comparing non-original invoices with paid invoices in the vendor's file.

2012-03 Duplicate Invoices Recorded for Dispatch Revenue

Recommendation: A subsidiary ledger should be used to formally reconcile and support the receivable balance. Reconciliations ensure the early detection of problems and will provide management with assurance that accounts receivable is accurate.

Response: Our CPA acknowledges your recommendation and will implement a plan effective immediately to formally reconcile the subsidiary accounts receivable ledger on a monthly basis and will send out quarterly account statements to our dispatch customers to serve as an additional procedure for checks and balances.

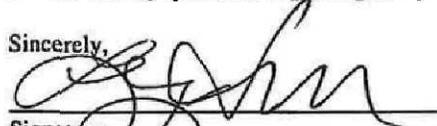
2012-04 Credit Balance in Employee Receivable Account

Recommendation: All credit balances in assets accounts should be researched and corrected on a timely basis so that amounts do not continue to build year to year.

Response: This is the repayment of overpayment of wages and the District will take action to adjust the account to properly reflect the amount owed. Going forward, such employee accounts will be reconciled monthly.

If there are any questions regarding this plan, please contact Chief Hess (985)649-3665.

Sincerely,



Signature

Steve Chief

Title